AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 13, 2000
REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

ALLIANCE DATA SYSTEMS CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	7374	31-1429215
(State or Other Jurisdiction of Incorporation or Organization)	(Primary standard industrial classification code number)	(I.R.S. Employer Identification Number)

17655 WATERVIEW PARKWAY
DALLAS, TEXAS 75252
TELEPHONE: (972) 348-5100

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

J. MICHAEL PARKS
CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER AND PRESIDENT
17655 WATERVIEW PARKWAY
DALLAS, TEXAS 75252
TELEPHONE: (972) 348-5100

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

WITH A COPY TO:

TERRY M. SCHPOK, P.C.	KENNETH M. DORAN, ESQ.
Akin, Gump, Strauss, Hauer & Feld, L.L.P.	Gibson, Dunn & Crutcher LLP
1700 Pacific Avenue, Suite 4100	333 South Grand Avenue
Dallas, Texas 75201	Los Angeles, California 90071
Telephone: (214) 969-2800	Telephone: (213) 229-7000
Facsimile: (214) 969-4343	Facsimile: (213) 229-7520

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
AS SOON AS PRACTICABLE ON OR AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / / _____

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / / _____

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / / _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF SHARES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
Common Stock, par value $.01 per share.....	$300,000,000	$79,200

(1) Estimated solely for the purpose of calculating the registration fee

pursuant to Rule 457(o) of the Securities Act of 1933, as amended.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

- ---
- ---

SUBJECT TO COMPLETION, DATED JANUARY 13, 2000

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

PROSPECTUS

-------- SHARES

[LOGO]

COMMON STOCK

This is an initial public offering of shares of our common stock. We anticipate the initial public offering price will be between $ and $ per share. We are selling all the shares offered under this prospectus.

There is currently no public market for our shares. We intend to apply to have our common stock listed on the New York Stock Exchange under the symbol "ADD".

SEE "RISK FACTORS" BEGINNING ON PAGE 7 TO READ ABOUT RISKS THAT YOU SHOULD CONSIDER BEFORE BUYING SHARES OF OUR COMMON STOCK.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PER SHARE	TOTAL
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to us	$	$

The underwriters may purchase up to an additional shares of our common stock from us at the initial public offering price less the underwriting discounts, solely to cover over-allotments.

The underwriters are severally underwriting the shares being offered. Bear, Stearns & Co. Inc. expects to deliver the shares against payment in New York, New York on , 2000.

BEAR, STEARNS & CO. INC. MERRILL LYNCH & CO.

DONALDSON, LUFKIN & JENRETTE

THE DATE OF THIS PROSPECTUS IS , 2000.

PROSPECTUS SUMMARY

THIS SUMMARY CONTAINS BASIC INFORMATION ABOUT US AND THE OFFERING. BECAUSE IT IS A SUMMARY, IT DOES NOT CONTAIN ALL THE INFORMATION THAT YOU SHOULD CONSIDER BEFORE INVESTING. YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY, INCLUDING THE RISK FACTORS AND OUR FINANCIAL STATEMENTS AND THE RELATED NOTES TO THOSE STATEMENTS INCLUDED IN THIS PROSPECTUS. EXCEPT AS OTHERWISE REQUIRED BY THE CONTEXT, REFERENCES IN THIS PROSPECTUS TO "WE," "OUR" AND "US" REFER TO ALLIANCE DATA SYSTEMS CORPORATION AND ITS WHOLLY OWNED SUBSIDIARIES.

OUR COMPANY

We are a leading provider of integrated information-based loyalty and marketing solutions primarily focused on business-to-consumer commerce. We develop and execute programs designed to help our clients target, acquire and retain loyal, profitable customers. We create value for our clients through effective customer relationship management, which we refer to as CRM, by:

- facilitating transactions between our clients and their customers across multiple distribution channels;

- assisting our clients in identifying and acquiring new customers; and

- increasing the loyalty and profitability of our clients' existing customers.

While applicable to the full spectrum of business-to-consumer commerce opportunities, we currently target our integrated service offerings to a select number of market sectors including specialty retailers, petroleum retailers, supermarkets and financial services providers, as well as companies in market sectors with rapidly evolving electronic payment and CRM needs such as mass transit, tollways, parking and gas, and electric utilities. Our client base of over 300 companies includes some of the most recognizable names in North America. These clients include the retail affiliates of The Limited, including Victoria's Secret, Express, Lane Bryant and Structure, Equiva Services, LLC, which is the service provider to Shell branded locations in the U.S., Canada Safeway, Brylane and CITGO. On a pro forma basis for our 1998 and 1999 acquisitions, our revenue for the nine months ended September 30, 1999 was $489.6 million, representing a 9.1% increase over the nine months ended September 30, 1998, and our earnings from continuing operations before interest expense, taxes, depreciation and amortization was $83.2 million, representing a 10.0% increase over the same period for 1998.

Our products and services are centered around three core capabilities--Loyalty and Database Marketing Services, Transaction Services and Credit Services.

LOYALTY AND DATABASE MARKETING SERVICES	TRANSACTION SERVICES	CREDIT SERVICES
- Loyalty Programs	- Transaction Processing	- Underwriting
- Private Label Cards	- Network Services	- Risk Management
- Coalition Loyalty (Air Miles-TM- reward program)	- Bankcard Settlement	
	- Card Processing and Servicing	
- One-to-One Loyalty	- Account Processing	
- Database Marketing Services	- Billing and Payment Processing	
- Enhancement Services	- Customer Care	

We market and sell our service offerings independently or as fully integrated CRM solutions. By providing services that span our three core offerings, we believe we can become a key element in our clients' success. For example, we provide database marketing services, transaction services and credit services to assist the Victoria's Secret business in facilitating transactions and communicating with its

customers--whether in its stores, through its catalogs or through its Web site. The Victoria's Secret credit card that we issue allows us to capture customer name, address and transaction data in any channel the consumer chooses to shop. The information is fed to our marketing database, which is augmented with additional data from Victoria's Secret as well as from external sources. This gives us a detail-rich database that we, together with Victoria's Secret, use in developing customer acquisition strategies and managing customer relationships. We also utilize the information we collect and manage for the credit card program to enhance the transaction services we provide to Victoria's Secret, which include billing, payment processing and customer care.

LOYALTY AND DATABASE MARKETING SERVICES

Our clients are focused on targeting, acquiring and retaining loyal and profitable customers. Since 1992 we have created and managed loyalty programs that have successfully resulted in securing more frequent and sustained customer purchasing. For example,

- We have demonstrated to many of our existing clients that a private label credit card is one of the most effective loyalty and marketing tools available. We manage 49 distinct programs for specialty and petroleum retailers, representing 74.9 million cardholders with annual proprietary credit sales in excess of $4.5 billion. An added benefit of our private label programs is our ability to also provide database marketing services, which enables us to capture unique and proprietary SKU-level transaction data and use it to create CRM strategies.

- In Canada, we have developed and operate the Air Miles reward program, which we believe to be the largest coalition loyalty program in Canada. More than 150 program sponsors and more than 55% of all households in Canada participate in the Air Miles reward program. Approximately six billion Air Miles reward miles have been issued since the program's inception in 1992.

- We have also developed an on-line, real time, electronic loyalty program that recognizes, acknowledges and rewards customers at the point of sale. Using the retailer's existing point-of-sale terminal or cash register and our network services, we can capture points, communicate program status and issue awards at the point of sale.

Our loyalty programs provide our clients with tools to help drive customer acquisitions and reward customer loyalty while providing us with the ability to better understand the purchasing behavior of our clients' customers. As a result of these programs and our marketing database programs, we have captured purchase information on approximately 60 million U.S. consumers and 5.8 million Canadian households. By combining massive amounts of detailed data with our proprietary data mining algorithms and our experience in developing and executing marketing campaigns, we provide our clients with highly successful and sophisticated targeted marketing solutions.

TRANSACTION SERVICES

Providing flexible, convenient, rapid customer payment options is fundamental to customer satisfaction and retention. Through our predecessor company, we have provided these services since 1983. We facilitate and manage transactions between our clients and their customers through multiple distribution channels, including in-store, catalog and the Internet, through our state-of-the-art, highly scalable processing systems. Our services include instantaneous authorizations, effective customer care, payment processing and billing services.

There were approximately 22 billion electronic payment transactions in 1997 in the U.S., and it is expected that the number of transactions will grow to nearly 63 billion by 2005. We are a leading provider of electronic transaction services. On a pro forma basis, we processed more than 1.8 billion transactions through 135,000 point of sale terminals during calendar year 1998. Additionally, in 1998 we

handled nearly 100 million customer inquiries in our customer care centers and generated over 130 million statements. By fully integrating our transaction services with our loyalty and database marketing services, we are able to execute more powerful CRM strategies for our clients.

CREDIT SERVICES

We offer our clients the experience and flexibility to provide a funding vehicle for private label credit card receivables. Through our predecessor company, we have owned and managed private label receivables since 1986. This service appeals to those clients that choose to focus their financial and operational resources on their core operations and prefer a single-source integrated solution. As part of this service, we currently provide underwriting and risk management services to 44 of our 49 private label card clients, representing approximately 51.1 million cardholders and $2.0 billion of receivables as of September 30, 1999. We finance substantially all our credit card receivables through asset securitization transactions.

OUR STRATEGY

Our strategy is to become a critical component in our clients' success by helping them build loyal customer relationships. We will do this by continuing to build and enhance our consumer databases, our marketing capabilities and our processing efficiencies to help improve our clients' relationships with their customers. To execute this strategy we intend to:

- increase the penetration of products and services we provide to our existing client base;

- expand our client base in our existing market sectors, including potential geographic expansion;

- continue to expand our CRM capabilities to help our clients succeed in multi-channel commerce--in-store, catalog and Internet; and

- consider focused, strategic acquisitions and alliances to enhance our core capabilities or increase our scale.

CORPORATE INFORMATION

Our corporate headquarters are located at 17655 Waterview Parkway, Dallas, Texas 75252, and our telephone number is 972-348-5100.

Unless otherwise indicated, all information in this prospectus:

- gives effect to an anticipated 1-for-7 reverse stock split of our common stock to be effected prior to consummation of this offering;

- reflects the conversion of all outstanding shares of our Series A cumulative convertible preferred stock into an aggregate of 11,750,641 shares of common stock as of December 31, 1999;

- reflects the exercise of all outstanding warrants for an aggregate of 214,822 shares of common stock; and

- assumes no exercise of the underwriters' option to purchase additional shares of common stock.

THE OFFERING

Common stock offered.....	shares
Common stock to be outstanding after the offering.....	shares
Use of proceeds.....	We intend to use approximately $150.0 million of the net proceeds from the offering to retire outstanding debt, and the remaining net proceeds for other general corporate purposes, including working capital. In the event that we identify suitable acquisition candidates or investment opportunities, we may also use a portion of the net proceeds to acquire or invest in complementary businesses, services or products. We currently have no commitments or agreements with respect to any acquisition or investment transactions.
Proposed New York Stock Exchange symbol.....	"ADD"

The number of shares of common stock described as being outstanding after this offering gives effect to the conversion of all outstanding shares of Series A preferred stock into common stock and the exercise of all outstanding warrants for common stock, but excludes the following:

- 3,017,428 shares that we may issue upon the exercise of stock options outstanding at a weighted average exercise price of $7.38 per share;
- 657,616 additional stock options and shares that we may grant or issue under our stock option and restricted stock purchase plan; and
- up to additional shares that we may issue upon exercise of the underwriters' over-allotment option.

SUMMARY UNAUDITED CALENDAR YEAR AND PRO FORMA CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

Prior to December 31, 1998, our fiscal year was based on a 52/53-week fiscal year ending on the Saturday closest to January 31. We have since changed our fiscal year end to December 31. In order to provide a better basis of comparison, we have recast our historical operating results to a calendar year basis for the two years ended December 31, 1998 and for the nine months ended September 30, 1998 and 1999. In our opinion, these historical recast and interim financial statements reflect all normal recurring adjustments necessary for a fair presentation of such financial statements.

In addition to the historical recast financial information, we have included the following unaudited pro forma information, which we derived from our unaudited pro forma consolidated financial information included in this prospectus. The data contained in the pro forma columns give effect to the following completed acquisitions as if those acquisitions had been consummated on January 1, 1998 in the case of the income statement and other financial data and on September 30, 1999 with respect to the balance sheet data:

- the acquisition of Loyalty Management Group Canada Inc., referred to as Loyalty, on July 24, 1998;
- the acquisition of Harmonic Systems Incorporated, referred to as Harmonic Systems, on September 15, 1998; and
- the acquisition of the network transaction processing business of SPS Payment Systems, Inc., a wholly-owned subsidiary of Associates First Capital Corp., referred to as SPS, on July 1, 1999.

The unaudited pro forma data do not purport to present what our results of operations or financial position would actually have been, or to project our results of operations or financial position for any future period. You should read the following pro forma information along with the information contained throughout this prospectus, including the financial statements and the related notes that are included in this prospectus.

	HISTORICAL RECAST				PRO FORMA		
	FOR THE YEARS ENDED DECEMBER 31,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE YEAR ENDED DECEMBER 31,	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998	1998	1999	1998	1998	1999
	(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)						
INCOME STATEMENT DATA							
Total revenue	$ 339,824	$ 474,933	$ 330,210	$ 465,265	$ 606,462	$ 448,653	$ 489,607
Operating expenses							
Processing and servicing	164,968	226,525	147,845	244,034	325,401	238,734	258,809
Salaries and employee benefits	113,752	169,799	121,229	141,995	184,493	134,343	147,630
Depreciation and other amortization	8,904	8,782	6,201	10,219	10,035	7,454	10,219
Amortization of purchased intangibles	16,974	36,408	21,875	35,152	66,919	50,311	39,302
Total operating expenses	304,598	441,514	297,150	431,400	586,848	430,842	455,960
Operating income	35,226	33,419	33,060	33,865	19,614	17,811	33,647
Interest expense	15,713	29,295	19,165	33,018	38,519	28,389	33,018
Income tax expense	6,021	9,970	7,939	15,686	9,046	7,307	14,915
Income (loss) from continuing operations	13,492	(5,846)	5,956	(14,839)	(27,951)	(17,885)	(14,286)
Income (loss) from discontinued operations, net of taxes	(5,635)	(3,948)	(4,483)	7,688	(3,948)	(4,483)	7,688
Loss on disposal of discontinued operations, net of taxes	--	--	--	(3,737)	--	--	(3,737)
Net income (loss)	$ 7,857	$ (9,794)	$ 1,473	$ (10,888)	$ (31,899)	$ (22,368)	$ (10,335)
Earnings (loss) from continuing operations--basic and diluted	$ 0.29	$ (0.11)	$ 0.12	$ (0.27)	$ (0.58)	$ (0.39)	$ (0.32)
Earnings (loss) per share--basic and diluted	$ 0.17	$ (0.18)	$ 0.03	$ (0.20)	$ (0.65)	$ (0.46)	$ (0.26)
Shares used in computing per share amounts--							
Basic	47,072	53,110	50,423	61,061	60,389	60,163	61,061
Diluted	47,072	53,110	50,470	61,061	60,389	60,163	61,061

	HISTORICAL RECAST				PRO FORMA	
	FOR THE YEARS ENDED DECEMBER 31,		FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE YEAR ENDED DECEMBER 31,	FOR THE NINE MONTHS ENDED SEPTEMBER 30,
	1997	1998	1998	1999	1998	1998
	(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)					
OTHER FINANCIAL DATA						
EBITDA(1)	$ 61,104	$ 78,609				
EBITDA as a percentage of revenue	18.0%	16.6%				
Cash earnings(2)	$ 30,466	$ 30,562				
SEGMENT OPERATING DATA						
Air Miles reward miles issued	--	647,357				
Transactions processed	922,678	1,134,902				
Statements generated(3)	113,940	130,895				
Securitized portfolio(4)	$ 1,821,016	$2,135,340				
Number of cardholders(5)	40,509	46,174				

	(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)					
	1999					
OTHER FINANCIAL DATA						
EBITDA(1)	$ 61,136	$ 79,236	$ 96,568	$ 75,576		
EBITDA as a percentage of revenue	18.5%	17.0%	15.9%	16.8%		
Cash earnings(2)	$ 27,831	$ 20,313	$ 38,968	$ 32,426		
SEGMENT OPERATING DATA						
Air Miles reward miles issued	233,314	1,128,724	1,399,077	985,034		
Transactions processed	783,132	1,231,844	1,814,271	1,319,191		
Statements generated(3)	97,726	99,436	130,895	97,726		
Securitized portfolio(4)	$1,855,545	$2,011,628	$ 2,135,340	$1,855,545		
Number of cardholders(5)	44,859	51,094	46,174	44,859		
OTHER FINANCIAL DATA						
EBITDA(1)	$ 83,168					
EBITDA as a percentage of revenue	17.0%					
Cash earnings(2)	$ 25,016					
SEGMENT OPERATING DATA						
Air Miles reward miles issued	1,128,724					
Transactions processed	1,496,541					
Statements generated(3)	99,436					
Securitized portfolio(4)	$2,011,628					
Number of cardholders(5)	51,094					

	HISTORICAL RECAST			PRO FORMA	PRO FORMA AS ADJUSTED(6)
	AS OF DECEMBER 31,		AS OF SEPTEMBER 30,	AS OF SEPTEMBER 30,	
	1997	1998	1999	1999	
	(AMOUNTS IN THOUSANDS)				
BALANCE SHEET DATA					
Cash and cash equivalents	$ 29,304	$ 47,036	$ 88,498	$ 88,498	$
Credit card receivables and seller's interest	170,938	139,458	143,093	143,093	

Intangibles and goodwill	93,763	305,365	457,709	457,709
Total assets	596,277	1,010,119	1,201,630	1,201,630
Certificates of deposit	40,300	49,500	115,500	115,500
Short-term debt	148,000	98,484	31,441	31,441
Long-term and subordinated debt	117,673	332,000	305,043	305,043
Total liabilities	386,104	701,980	784,846	784,846
Series A preferred stock	--	--	120,000	120,000
Total stockholders' equity	210,173	308,139	296,784	296,784

- ------------------------------

(1) EBITDA is defined as operating income plus depreciation and amortization. EBITDA is presented because management believes it is a widely accepted financial indicator of a company's ability to incur and service debt. We believe that EBITDA is not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either operating income or net income as an indicator of operating performance or to the statement of cash flows as a measure of liquidity. In addition, EBITDA is not intended to represent funds available for dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. The EBITDA measures presented in this document may not be comparable to similarly titled measures presented by other companies.

(2) Cash earnings is defined as income (loss) from continuing operations plus amortization of purchased intangibles. Cash earnings is presented because management believes it provides a good indicator of the earnings of our operations. Cash earnings is not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either operating income or net income as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Our cash earnings measure may not be comparable to similarly titled measures presented by other companies.

(3) Statements generated represents the number of billing statements generated for both securitized cardholders and cardholders and customers serviced on behalf of other clients. The number of statements listed as generated for the year ended December 31, 1997 represents those generated for the fiscal year ended January 31, 1998.

(4) Securitized portfolio represents outstanding credit card receivables at the end of the period that we have originated or purchased and have been securitized.

(5) Number of cardholders represents cardholders related to the securitized portfolios, both securitized and on-balance sheet.

(6) Pro forma as adjusted gives effect to the sale of shares of our common stock in the offering at an assumed initial public offering price of per share.

RISK FACTORS

BEFORE MAKING AN INVESTMENT DECISION, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISKS. THE RISKS DESCRIBED BELOW ARE NOT THE ONLY ONES THAT WE FACE. ANY OF THE FOLLOWING RISKS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL CONDITION AND OPERATING RESULTS. ADDITIONAL RISKS AND UNCERTAINTIES OF WHICH WE ARE UNAWARE OR CURRENTLY BELIEVE ARE IMMATERIAL MAY ALSO IMPAIR OUR BUSINESS OPERATIONS. THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE DUE TO ANY OF THESE RISKS, AND YOU COULD LOSE ALL OR PART OF YOUR INVESTMENT IN OUR COMMON STOCK. BEFORE MAKING AN INVESTMENT DECISION, YOU SHOULD ALSO READ THE OTHER INFORMATION INCLUDED IN THIS PROSPECTUS, INCLUDING OUR FINANCIAL STATEMENTS AND THE RELATED NOTES.

RISKS RELATED TO OUR BUSINESS

THE FAILURE TO EFFECTIVELY INTEGRATE RECENT ACQUISITIONS COULD ADVERSELY AFFECT OUR BUSINESS.

We are the result of the August 1996 merger of two entities acquired by our largest stockholder, which involved J.C. Penney's transaction services business, BSI Business Services, Inc., and The Limited's credit card bank operation, World Financial Network National Bank. Since the August 1996 merger, we have made several acquisitions, principally of Loyalty Management Group Canada Inc., Harmonic Systems Incorporated and the network transaction processing business of SPS Payment Systems, Inc. We are currently in the process of integrating the operations of the network transaction processing business of SPS Payment Systems, Inc., acquired in July 1999. We expect this integration process to continue until mid to late 2000. If we are unable to successfully integrate the SPS operations or any other acquired businesses, we may incur substantial costs and delays or other operational, technical or financial problems, any of which could harm our business and impact the trading price of our common stock. In addition, the failure to successfully integrate acquisitions may divert management's attention from our existing business and could damage our relationships with key clients and employees.

OUR BUSINESS IS DEPENDENT ON A SMALL NUMBER OF LARGE CLIENTS.

Our 10 largest clients were responsible for approximately 64% of our consolidated revenues during 1999, with The Limited and its affiliates representing approximately 25% of 1999 consolidated revenues. A large number of our clients are affiliates of The Limited, which beneficially owned approximately 25.9% of our common stock as of December 31, 1999 and maintains two designees on our board of directors.

LOYALTY AND DATABASE MARKETING SERVICES. Our 10 largest clients in this segment were responsible for approximately 68% of our Loyalty and Database Marketing Services revenue in 1999. Bank of Montreal and Canada Safeway were the two largest Loyalty and Database Marketing Services clients in 1999, each representing in excess of 10% of this segment's 1999 revenue. Our contracts with these 10 clients, or as we refer to them, sponsors, expire between one and three years from now. We can give no assurance that these contracts will be renewed on similar terms or at all.

TRANSACTION SERVICES. Our 10 largest clients in this segment were responsible for approximately 72% of our Transaction Services revenue in 1999. The Limited and its retail affiliates were the largest Transaction Services client in 1999, representing in excess of 10% of this segment's 1999 revenue. Our contracts with The Limited and its retail affiliates expire in 2006. We can give no assurance that these contracts will be renewed on similar terms or at all.

CREDIT SERVICES. Our 10 largest clients in this segment were responsible for 76% of our Credit Services revenue in 1999. The Limited and its retail affiliates and Brylane were the largest Credit Services clients in 1999, representing approximately 65% of this segment's revenue. Our contracts with these clients expire in 2006. We can give no assurance that these contracts will be renewed on similar terms or at all.

A significant decrease in revenues attributable to any of our significant clients could have a material adverse effect on our business, financial condition and operating results in general, and those of the affected operating segment, in particular. In addition, if any of our significant clients were acquired and the client's new management team elected to phase-out or discontinue the client's business relationship with us, we could suffer a material adverse effect. This risk is particularly germane as many of our significant clients are in market sectors such as petroleum, specialty retail, supermarkets and financial services, which have recently experienced, and are experiencing, fairly considerable consolidation.

INDUSTRY CONSOLIDATION COULD IMPACT OUR REWARD SUPPLIER OF AIRLINE TICKETS.

Canadian Airlines, a major vendor and supplier of airline tickets related to the Air Miles reward program, announced that it has accepted a conditional acquisition offer from Air Canada. While we currently have a long term contract with Canadian Airlines as a supplier in our Air Miles reward program, we are not sure what, if any, effect an acquisition of Canadian Airlines by Air Canada will have on our Air Miles business.

WE ARE SUBJECT TO INTENSE COMPETITION, AND WE EXPECT TO FACE INCREASED COMPETITION IN THE FUTURE.

GENERAL. The markets for our products and services are highly competitive. We compete with traditional and online marketing companies, credit card issuers and data processing companies, as well as with current and potential in-house operations of our clients. Many of our current and potential competitors have greater resources than we do, which may impair our ability to compete. Many of our current and potential competitors have longer operating histories, stronger brand names and greater financial, technical, marketing and other resources than we do. In addition, these companies may have existing relationships with our potential clients and may be able to respond to changes in market dynamics and technology faster than we can. We cannot assure you that we will be able to compete successfully against our current and potential competitors. If we are unable to compete successfully against our competitors, our business will suffer.

LOYALTY AND DATABASE MARKETING SERVICES. As a provider of loyalty and database marketing products and services, we generally compete with advertising and other promotional and loyalty programs, both traditional and online, for a portion of a client's total marketing budget. In addition, we compete against internally developed products and services created by our existing and potential clients. For each of our loyalty and database products and services, we expect competition to intensify as more competitors enter our market. In addition, new competitors with our Air Miles reward program may target our sponsors and reward miles collectors as well as draw rewards from our rewards suppliers. Over the past year, the top 15% of our Air Miles reward collectors accounted for approximately 50% of Air Miles reward program revenues. The loss of these collectors could impact our ability to generate significant revenue from sponsors and loyalty partners. The continued attractiveness of our loyalty and rewards programs will depend in large part on our ability to remain affiliated with sponsors that are desirable to consumers and to offer rewards that are both attainable and attractive to consumers. For our database marketing services, our ability to continue collecting detailed transaction data on consumers is critical in providing effective CRM strategies for our clients.

TRANSACTION SERVICES. The payment processing industry is highly competitive, especially among the five largest payment processors in the U.S., which processed approximately 14 billion transactions during 1998. On a pro forma basis, we would have been the fourth largest payment processor in the U.S., processing 1.8 billion transactions during 1998. Such competition requires that we continue to invest resources in technological developments and restricts the prices we can charge for certain services. The market requires that payment processors provide advanced and efficient technology, causing some financial institutions and other payment processors to either leave the business or merge with other providers, resulting in significant consolidation in the payment processing industry. Industry

consolidation has enabled a few of our competitors to gain access to significant capital, management, marketing and technological resources that are equal to or greater than ours. We cannot assure you that we will continue to be able to compete successfully with such payment processors.

CREDIT SERVICES. We also face intense and increasing competition from numerous financial services providers, some of which have greater resources than we do. We compete against third party private label credit card issuers who may offer lower discount fees and greater incentives to secure new business. Additionally, our private label cards compete with other card payment types, primarily general-purpose credit cards like Visa, MasterCard and American Express, as well as cash, checks and debit cards.

LOSS OF DATA CENTER CAPACITY OR INTERRUPTION OF TELECOMMUNICATION LINKS COULD ADVERSELY AFFECT OUR BUSINESS.

Our ability to protect our data centers against damage from fire, power loss, telecommunications failure and other disasters is critical to our future. Our services are dependent on links to telecommunication providers. Any damage to our data centers or any failure of our telecommunication links that causes interruptions in our operations could have a material adverse effect on our ability to meet our clients' requirements, which could adversely effect our business, financial condition and operating results.

In order to provide many of our services, we must be able to store, retrieve, process and manage large databases and periodically expand and upgrade our capabilities. Any interruption or loss of these capabilities from a computer malfunction or other reasons could have a material adverse effect on our business, financial condition and operating results.

We are dependent on a major supplier for transport services to our transaction processing business. Should there be disruption of the services it provides to us, we would be required to redirect service to another provider. To do so would require manual intervention to all locations that are impacted.

FAILURE TO SAFEGUARD OUR DATABASE AND CONSUMER PRIVACY COULD AFFECT OUR REPUTATION AMONG OUR CLIENTS AND THEIR CUSTOMERS.

An important feature of our loyalty and marketing database programs and credit services is our ability to develop and maintain individual consumer profiles. As part of our reward miles redemption and credit services, we maintain a marketing database containing information on consumers' account balances. Although we have extensive security procedures, our databases may be subject to unauthorized access. If we experience a security breach, the integrity of our marketing databases could be affected. With respect to our loyalty and database programs, security and privacy concerns may cause consumers to resist providing the personal data necessary to support this profiling capability. The use of our loyalty and database programs or credit services could decline if any well-publicized compromise of security occurred. We could also be subject to legal claims from consumers. Any public perception that we released consumer information without authorization would adversely affect our ability to attract and retain consumers.

THE FAILURE TO ACCURATELY ESTIMATE THE REDEMPTION OBLIGATION FOR OUR AIR MILES REWARD PROGRAM COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS, FINANCIAL CONDITION AND OPERATING RESULTS.

Our historical financial statements reflect our estimates of the future payments to purchase rewards for free travel and other rewards relating to our Air Miles reward program. Several components are used to estimate this future obligation, which is recorded as a redemption obligation on our balance sheet. The most significant component is our estimate of the number of Air Miles reward miles that will ultimately be redeemed. The percentage of unredeemed reward miles is known

as "breakage" in the loyalty industry. While our Air Miles reward miles currently do not expire, reward miles are not redeemed by collectors for a number of reasons, including:

- loss of interest in the program or sponsors;

- collectors moving out of the program area; and

- death of a collector.

A second component relates to the reward cost, which is based on the mix of rewards anticipated to be provided.

Although we believe that our estimation process is reasonable in light of our analysis and our seven years of operating experience with the Air Miles reward program, we cannot assure you that our actual breakage rates or reward cost estimates will approximate our current assumptions. If actual redemptions or reward costs are greater than our estimates, our redemption obligation may be understated which could have a material adverse effect on our business, financial condition and operating results.

In addition, we cannot control the timing of a collector's decision to redeem reward miles or the quantity of reward miles redeemed. We could experience a need for increased working capital to fund redemptions if collectors redeem Air Miles reward miles at a rate that is more rapid than we anticipated, which could have a material adverse effect on our business, financial condition and operating results. We currently maintain cash and cash equivalents in a separate reserve account, which we believe are adequate to fund this obligation. Some of these reserves are currently invested in equity securities and a loss of principal from the investment of these reserves could affect our ability to fund redemptions.

LITIGATION RELATING TO INTELLECTUAL PROPERTY RIGHTS COULD HARM OUR BUSINESS.

Third parties may infringe or misappropriate our trademarks or other intellectual property rights, which could have a material adverse effect on our business, financial condition or operating results. The actions we take to protect our trademarks and other proprietary rights may not be adequate. Litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. We cannot assure you that we will be able to prevent misappropriation or infringement of our proprietary information. Any infringement or misappropriation could harm any competitive advantage we currently derive or may derive from our proprietary rights.

Third parties may assert infringement claims against us. Any claims and any resulting litigation could subject us to significant liability for damages. An adverse determination in any litigation of this type could require us to design around a third party's patent or to license alternative technology from another party. In addition, litigation is time-consuming and expensive to defend and could result in the diversion of our time and attention. Any claims from third parties may also result in limitations on our ability to use the intellectual property subject to these claims.

DEFAULTS AND BANKRUPTCIES RELATED TO OUR CONSUMER UNSECURED LENDING COULD ADVERSELY AFFECT US.

The primary risk associated with unsecured lending is the risk of default or bankruptcy of consumers, resulting in accounts being charged-off as uncollectible. In addition, general economic factors, such as the rate of inflation, unemployment levels and interest rates, may result in greater delinquencies and credit losses among consumers. We may not be able to successfully identify and evaluate the creditworthiness of cardholders to minimize delinquencies and losses. Also, we cannot assure you that our pricing strategy can offset the negative impact on profitability caused by

delinquencies and losses. Increases in writeoffs could have a material adverse effect on our business, financial condition and operating results.

CHARGEBACKS AND FRAUD IN TRANSACTIONS INVOLVING ELECTRONIC PAYMENT CARDS SUCH AS CREDIT CARDS, DEBIT CARDS OR STORED VALUE CARDS PRESENT RISKS TO OUR PROFITABILITY.

In our bank card processing business, when a billing dispute between a cardholder and a merchant is resolved in favor of the cardholder, or, when a card issuer detects fraudulent transactions submitted by a merchant, the transaction is charged back to the merchant. The amount of the transaction is then credited to the cardholder's account. These billing disputes or chargebacks include, among others:

- nonreceipt of merchandise or services;

- unauthorized use of a credit card; and

- general disputes between a customer and a merchant as to the quality of the goods purchased or the services rendered by the merchant.

If we or our clearing banks are unable to collect chargeback amounts from a merchant's account, and if the merchant refuses or is unable due to bankruptcy or other reasons to reimburse us for the chargeback, we bear the loss for the amount of the refund paid to the cardholder. Our contingent liability is greater in certain industries, such as the direct response marketing industry, where the cardholder is not present to provide a signature. We attempt to reduce our exposure to such losses by performing initial and periodic credit reviews of our merchant clients, by adjusting our rates based, in part, on the merchant's credit risk, business and industry, and by requiring merchant escrow accounts. We face chargeback risks with respect to the private label credit card programs we fund that are similar to the risks we face in our bankcard processing programs. We cannot assure you that we will not experience significant losses from chargebacks in the future. Increases in chargebacks not paid by merchants could have a material adverse effect on our business, financial condition and operating results.

INTEREST ONLY STRIPS ARE ILLIQUID AND MAY BE OVERSTATED.

INTEREST ONLY STRIPS ARE ILLIQUID. We finance substantially all our credit card receivables through asset securitization transactions. In our securitization transactions, credit card receivables are sold to a master trust which holds the receivables as trustee for third-party investors. We retain the right to service the securitized receivables. We maintain a residual interest in the credit card receivables and retain interest only strips, or I/O strips, representing the present value of the right to the excess cash flows generated by the securitized receivables. The value of the I/O strip to us equals the difference between (1) interest and other fees paid by borrowers and (2) the sum of the following:

- pass-through interest paid to third-party investors;

- trustee fees;

- servicing fees (which we receive from the trust); and

- estimated loan portfolio losses.

We cannot assure you that the I/O strips could in fact be sold at their stated value on the balance sheet, if at all.

In addition, we recognize a gain on sale in the period during which receivables are sold, while we recognize the cash payments we receive from our pooling and servicing agreements and servicing fees from the trusts over the lives of the securitized receivables. This difference in the timing of cash flows could cause a cash shortfall, which could have a material adverse effect on our financial condition.

INTEREST ONLY STRIPS MAY BE OVERSTATED. We calculate gain on sale and the value of the I/O strips based on the present value of the anticipated cash flow stream at the time each securitization transaction closes, using valuation assumptions we deem appropriate for each particular transaction. The significant valuation assumptions are related to the anticipated average lives of the credit card receivables sold, the anticipated dilution rate, the anticipated credit losses and a discount rate we believe is appropriate for the risks involved in the I/O strips.

We utilize a model that takes into account the most relevant valuation factors as of the date of the related securitization and the current balance sheet date. We make estimates and assumptions regarding the value of the I/O strips at the time of the securitization and at each balance sheet date. We cannot assure you that the estimates we use to determine gain on sale and I/O strips valuations will remain appropriate for the life of each securitization. If actual loan dilution, resulting from prepayments from cardholders, or defaults exceed our estimates, the carrying value of I/O strips may be decreased through a charge against earnings during the period management recognizes the disparity. Dilution rates and default rates may be affected by a variety of economic and other factors, including prevailing interest rates and the availability of alternative financing, most of which are not within our control. A decrease in prevailing interest rates could cause prepayments to increase, thereby requiring a write down of the I/O strips. Other factors also may result in a write down of I/O strips in subsequent periods. Any such write down could have a material adverse effect on our business, financial condition and operating results.

WE DEPEND ON SECURITIZATIONS TO FUND OUR CREDIT CARD RECEIVABLES.

Since January 1996, we have utilized a securitization program that involves the sale of our credit card receivables. We currently utilize our securitization program as our primary funding vehicle for credit card receivables. Securitization transactions may be affected by a number of factors, some of which are beyond our control, including:

- conditions in the securities markets in general;

- conditions in the asset-backed securitization market;

- conformity of credit card receivables to rating agency requirements and changes in these requirements; and

- availability of credit enhancement.

These factors could adversely affect our ability to effect securitization transactions, or the value of certain benefits to us of those transactions, including the value of our I/O strips or our ability to sell I/O strips or portions of our interest in the receivables.

In addition, we have overcollateralized and maintained an interest in our securitizations in order to achieve better credit ratings. Failure to obtain acceptable credit ratings or more stringent credit enhancement requirements could decrease the efficiency of or have an adverse effect on the timing of, or our ability to effect, future securitizations. As part of our securitization structure, we are subject to certain covenants such as receivables performance and the continued solvency of private label program participants. If such covenants are not met, an early amortization event could occur. In an early amortization event, our interest in the related receivables and excess interest income would be held by the trustee until such time as the securization investors are fully repaid, and our ability to securitize additional receivables would be significantly limited.

All receivables held by the World Financial Network Credit Card Master Trust III relate to Service Merchandise, which is in voluntary Chapter 11 bankruptcy. This bankruptcy triggered an early amortization event. As of September 30, 1999, this trust had a balance of $149.3 million in credit card receivables related to this account, which together with excess interest income, is being held in the trust until such time as the other holders of interests in the trust are fully repaid.

We intend to continue public securitizations of our credit card receivables. The inability to securitize credit card receivables due to changes in the market, the unavailability of credit

enhancements, an early amortization event, or any other circumstance or event would have a material adverse effect on our business, financial condition and operating results.

THE TRUST MAY TERMINATE OUR SERVICING RIGHTS.

Our pooling and servicing agreements related to our securitizations provide that the trustee of the related trust may terminate our servicing rights if we fail to perform our servicing obligations to the certificate holders, such as the failure to make payments to certificate holders. As of the date of this prospectus, no servicing rights had been terminated. However, we cannot assure you that we will be able to perform our servicing obligations and, if we are unable to perform servicing obligations, that servicing rights will not be terminated. A termination of our servicing rights would have a material adverse effect on our business, financial conditions and operating results.

WE EXPECT GROWTH IN OUR CREDIT SERVICES SEGMENT RESULTING FROM NEW AND ACQUIRED PRIVATE LABEL CARD PROGRAMS, WHOSE CREDIT CARD RECEIVABLE PERFORMANCE MAY NOT BE CONSISTENT WITH THAT OF OUR EXISTING PROGRAMS.

An important source of growth in our private card operations is expected to come from the acquisition of existing private label programs and from initiating new private label programs at retailers that previously did not operate a program. Although we believe our pricing and risk assessment decision models are designed to evaluate the credit risk of existing and start-up programs, and we have demonstrated our ability to integrate and operate private label programs, there can be no assurance that the loss experience on newly acquired and start-up plans will be consistent with our more established programs. The failure to successfully underwrite these private label programs may result in increased portfolio losses and reduce our profitability and could have a material adverse effect on our business, financial condition and operating results.

INTEREST RATE FLUCTUATIONS IMPACT THE YIELD ON OUR ASSETS AND FUNDING EXPENSE.

An increase or decrease in market interest rates could have a negative impact on the amount we realize from net interest spread between the yield on our assets and our cost of funding. A rise in market interest rates may indirectly impact the payment performance of consumers or the value of, or amount we could realize from sale of, I/O strips. We try to minimize the impact of changes in market interest rates on our cash flow, asset value and net income primarily by funding fixed rate assets with fixed rate funding sources and by using interest-rate derivatives to match asset and liability repricings. Nonetheless, changes in market interest rates may have a negative impact on us.

OUR HEDGING ACTIVITY SUBJECTS US TO OFF-BALANCE SHEET RISK.

We are subject to off-balance sheet risk through the interest rate swap and treasury lock agreements that we use to reduce our exposure to fluctuations in interest rates. These off-balance sheet financial instruments involve elements of credit and interest rate risk in excess of the amount recognized on our balance sheet. Our hedging policy subjects us to risks relating to the creditworthiness of the commercial banks that we contract with in our hedging transactions. If one of these banks cannot honor its obligations, we may suffer a loss. The purpose of our hedging policy is to reduce the effect of interest rate fluctuations on our results of operations. Therefore, while our hedging policy reduces our exposure to losses resulting from unfavorable changes in interest rates, it also reduces or eliminates our ability to profit from favorable changes in interest rates.

POSTAL RATE INCREASES COULD LEAD TO REDUCED VOLUME OF BUSINESS.

The direct marketing industry has been negatively impacted from time to time during the past years by postal rate increases. Any future increases may force us and our clients that are direct mailers to mail fewer pieces and to target our and their prospects more carefully. This response by direct mailers could decrease the amount of processing services purchased from us, which could have a material adverse effect on our business, financial condition and operating results.

FLUCTUATIONS IN THE EXCHANGE RATES BETWEEN THE U.S. DOLLAR AND CANADIAN DOLLAR MAY AFFECT OUR OPERATING RESULTS.

A large portion of our Loyalty and Database Marketing services revenue relates to the Air Miles reward program and is in Canadian dollars. We are exposed to fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar through our operations in Canada. Although we have entered into cross-currency hedge transactions to fix the exchange rate on any Canadian debt repayment due to a U.S. counter party, we do not hedge our U.S./Canadian accounting translations. Significant changes in the exchange rate could have a material adverse effect on our business, financial condition and operating results.

IF OUR BANK SUBSIDIARY FAILS TO MEET CREDIT CARD BANK CRITERIA, WE MAY BECOME SUBJECT TO REGULATION UNDER THE BANK HOLDING COMPANY ACT.

Our subsidiary, World Financial Network National Bank, or WFNNB, is a limited purpose credit card bank chartered as a national banking association and a member of the Federal Reserve System. Its deposits are insured by the Bank Insurance Fund, which is administered by the Federal Deposit Insurance Corporation, or FDIC. WFNNB is subject to comprehensive regulation and periodic examination by the Office of the Comptroller of the Currency, or the OCC, its primary regulator, and is also subject to regulation by the Board of Governors of the Federal Reserve System and the FDIC, as back-up regulators. WFNNB is not a "bank" as defined under the Bank Holding Company Act because it is in compliance with the following requirements:

- it engages only in credit card operations;

- it does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others;

- it does not accept any savings or time deposits of less than $100,000, except for deposits pledged as collateral for extensions of credit;

- it maintains only one office that accepts deposits; and

- it does not engage in the business of making commercial loans.

If WFNNB failed to meet the credit card bank criteria described above, its status as an insured bank would make us subject to the provisions of the Bank Holding Company Act. We believe that becoming a bank holding company would significantly harm us, as we could be required to either divest any activities deemed to be non-banking activities or cease any activities not permissible for a bank holding company and its affiliates.

OUR BUSINESS MAY SUFFER IF WE ARE UNABLE TO RETAIN KEY PERSONNEL.

Our future success is substantially dependent upon the continued services of our senior management team. The loss of the services of any of our executive officers could have a material adverse effect on our business. Many of our executive officers have only been employed by us for a short time. We do not currently have "key person" life insurance policies on any of our employees, and we generally do not enter into employment agreements with our employees. Our future success also depends on our ability to attract and retain highly qualified personnel. The competition for qualified personnel in our markets is intense, and we may be unable to attract or retain highly qualified personnel in the future.

SOME OF OUR STOCKHOLDERS OWN A SIGNIFICANT AMOUNT OF OUR COMMON STOCK.

As of December 31, 1999, Limited Commerce Corp., a wholly owned subsidiary of The Limited, and the affiliated entities of Welsh, Carson, Anderson & Stowe, in the aggregate beneficially owned approximately 99.5% of our outstanding common stock and would have owned % of our common stock as of that date after giving pro forma effect to this offering. As a result, these stockholders are able to exercise significant influence over, and in most cases control, matters requiring

stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may also have the effect of delaying, preventing or deterring a change in control that may otherwise be beneficial to you.

DELAWARE LAW AND OUR CHARTER DOCUMENTS COULD PREVENT A TAKEOVER THAT MIGHT BE BENEFICIAL TO YOU.

Delaware law, as well as provisions of our certificate of incorporation and bylaws, could discourage unsolicited proposals to acquire us, even though such proposals may be beneficial to you. These provisions include:

- a board of directors classified into three classes of directors with the directors of each class having staggered, three-year terms;

- our board's authority to issue shares of preferred stock without stockholder approval; and

- provisions of Delaware law that restrict many business combinations and provide that directors serving on staggered boards of directors, such as ours, may be removed only for cause.

These provisions of our certificate of incorporation, bylaws and Delaware law could discourage tender offers or other transactions that might otherwise result in our stockholders receiving a premium over the market price for our common stock.

THE FAILURE TO FAVORABLY NEGOTIATE AND INTEGRATE FUTURE ACQUISITIONS COULD ADVERSELY AFFECT OUR BUSINESS.

We have made several acquisitions since August 1996, and we intend to acquire additional complementary businesses as part of our growth strategy. Although we may acquire additional businesses, we may not be able to successfully integrate them in a timely manner. If we are not able to successfully integrate acquired businesses, we may incur substantial costs and delays or other operational, technical or financial problems. In addition, the failure to successfully integrate acquisitions may divert management's attention from our existing business and may damage our relationships with key clients and employees.

To finance future acquisitions, we may issue equity securities that could be dilutive to our stockholders. We may also incur debt and additional amortization expenses related to goodwill and other intangible assets in future acquisitions. The interest expense related to this debt and additional amortization expense may significantly reduce our profitability and could have a material adverse effect on our business, financial condition and operating results.

RISKS RELATED TO OUR INDUSTRY

THE MARKETS FOR THE SERVICES THAT WE OFFER MAY FAIL TO EXPAND OR MAY CONTRACT.

Our growth and continued profitability relies on acceptance of the services that we offer. If demand for loyalty and database marketing, transaction or credit services were to decrease, the price of our common stock could fall and you could lose value in your investment. The use of loyalty and database marketing by retailers is in its early stages and we cannot guarantee that merchants will continue to use these types of marketing strategies. Changes in technology may enable merchants and retail companies to directly process transactions in a cost efficient manner without the use of our services, which could have a material adverse effect on our business, financial condition and operating results.

INDUSTRY RISKS RELATED TO CONSUMER CREDIT PRODUCTS COULD NEGATIVELY IMPACT US.

We face a number of risks associated with unsecured lending, including the following:

- the risk that delinquencies and credit losses will increase because of future economic downturns;

- the risk that an increasing number of consumers will default on the payment of their outstanding balances or seek protection under bankruptcy laws;

- the risk that fraud by cardholders and third parties will increase;

- the risk that increased criticism from consumer advocates and the media could hurt consumer acceptance of our products; and

- the risk of litigation, including class action litigation, challenging our product terms, rates, disclosures, collections or other practices, under state and Federal consumer protection statutes and other laws.

Our business, financial condition and operating results could be materially adversely affected if any of these risks come to fruition.

LEGISLATION RELATING TO CONSUMER PRIVACY MAY AFFECT OUR ABILITY TO COLLECT DATA.

The enactment of legislation or industry regulations arising from public concern over consumer privacy issues could have a material adverse impact on our loyalty and database marketing services. Restrictions could be placed upon the collection and use of information that is currently legally available, in which case our cost of collecting some data might be materially increased. Legislation or industry regulation could also prohibit us from collecting or disseminating certain types of data, which could adversely affect our ability to meet our clients' requirements.

In November 1999, President Clinton signed into law the Gramm-Leach-Bliley Act, which requires financial institutions to comply with various notice procedures in order to disclose nonpublic personal information about their consumers to nonaffiliated third parties and restricts their ability to share account numbers. The requirements of this law also apply to the disclosure of any list, description or other grouping of consumers derived from nonpublic personal information. This law makes it more difficult to collect and use information that has been legally available and may increase our costs of collecting some data. This law could have a material adverse effect on our business, financial condition and operating results.

The Clinton Administration is investigating further administrative action in the area of privacy. In addition, Congress and a number of states are considering further privacy legislation. It is possible that new privacy protections will not be limited to financial institutions but could broadly apply to the activities of all companies.

The Canadian federal government and Minister of Industry of Canada are sponsoring comprehensive private sector privacy legislation that would apply to organizations engaged in any commercial activities in Canada. Because the legislation has government support, it will likely be enacted in the near term. If enacted as currently proposed, it would enact into law 10 privacy principles from the Canadian Standards Association's Model Privacy Code. The bill would also require organizations to obtain consent to the collection, use or disclosure of personal information. The nature of the required consent will depend on the sensitivity of the personal information and will permit personal information to be used only for the purposes for which it was collected. The Province of Quebec has had similar privacy legislation applicable to the private sector in that province since 1994, and other provinces are considering further privacy legislation.

CURRENT AND PROPOSED REGULATION AND LEGISLATION RELATING TO OUR CREDIT SERVICES COULD LIMIT OUR BUSINESS ACTIVITIES, PRODUCT OFFERINGS AND FEES CHARGED.

Various Federal and state laws and regulations significantly limit the credit services activities in which we are permitted to engage. Such laws and regulations, among other things, limit the fees and other charges that we can impose on customers, limit or prescribe certain other terms of our products and services, require specified disclosures to consumers, or require that we maintain certain licenses, qualifications and capital requirements. In some cases, the precise application of these statutes and regulations is not clear. In addition, numerous legislative and regulatory proposals are advanced each year which, if adopted, could have a material adverse effect on our profitability or further restrict the

manner in which we conduct our activities. The failure to comply with, or adverse changes in, the laws or regulations to which our business is subject, or adverse changes in their interpretation, could have a material adverse effect on our ability to collect our receivables and generate fees on the receivables, thereby adversely affecting our business, financial condition and operating results.

STATE TAX ISSUES COULD HAVE A NEGATIVE EFFECT ON OUR BUSINESS.

Transaction processing companies may be subject to state taxation of certain portions of their fees charged to merchants for their services. If we are required to pay such taxes and are unable to pass this tax expense through to our merchant clients, our business, financial condition and operating results could be adversely affected.

LAWS AND REGULATIONS PERTAINING TO THE INTERNET MAY ADVERSELY AFFECT OUR BUSINESS.

An increasing number of laws and regulations pertain to the Internet. These laws and regulations relate to liability for information retrieved from or transmitted over the Internet, online content regulation, user privacy, taxation and the quality of products and services. Moreover, the applicability to the Internet of existing laws governing intellectual property ownership and infringement, copyright, trademark, trade secret, obscenity, libel, employment, personal privacy and other issues is uncertain and developing. Any new law or regulation pertaining to the Internet, or the application or interpretation of existing laws, could decrease the demand for our promotional services, increase our cost of doing business or otherwise have a material adverse effect on our business, results of operations and financial condition.

RISKS RELATED TO THIS OFFERING

IF THE PRICE OF OUR COMMON STOCK FLUCTUATES SIGNIFICANTLY, YOUR INVESTMENT COULD LOSE VALUE.

Prior to this offering, there has been no public market for our common stock. Although we intend to apply to have our common stock listed on the New York Stock Exchange, we cannot assure you that an active public market will develop for our common stock or that our common stock will trade in the public market subsequent to this offering at or above the initial public offering price. If an active public market for our common stock does not develop, the trading price and liquidity of our common stock will be materially and adversely affected. The initial public offering price will be determined by negotiations between us and the underwriters and may not be indicative of the trading price for our common stock after this offering. In addition, the stock market is subject to significant price and volume fluctuations, and the price of our common stock could fluctuate widely in response to several factors, including:

- our quarterly operating results;
- changes in our earnings estimates;
- additions or departures of key personnel;
- changes in the business, earnings estimates or market perceptions of our competitors;
- changes in general market or economic conditions; and
- announcements of legislative or regulatory change.

WE HAVE A LARGE NUMBER OF SHARES THAT ARE ELIGIBLE FOR FUTURE SALE AND, IF THESE SHARES ARE SOLD IN THE FUTURE, YOUR INVESTMENT WILL BE DILUTED.

If a large number of shares of our common stock are sold in the open market after this offering, or the market perceives that such sales could occur, the trading price of our common stock could decrease. After this offering, we will have an aggregate of shares of our common stock authorized but unissued and not reserved for specific purposes. In general, all of these shares may be

issued without any action or approval by our stockholders. We may pursue acquisitions of competitors and related businesses and may issue shares of our common stock in connection with these acquisitions.

Upon consummation of the offering, we will have shares of our common stock outstanding. Of these shares, all shares sold in the offering, other than shares, if any, purchased by our affiliates, will be freely tradable. Of the remaining shares, shares will be freely transferable and shares will be "restricted securities" as that term is defined in Rule 144 under the Securities Act. Our executive officers, directors and our principal stockholders have agreed that, subject to various limitations, for a period of 180 days following the date of this prospectus, they will not, without the prior written consent of Bear, Stearns & Co. Inc., offer, sell, or grant any option to purchase or otherwise dispose of our common stock or any securities convertible into or exchangeable for our common stock.

We have also reserved 3,821,428 shares of our common stock for issuance under our stock option and restricted stock purchase plan, of which 3,017,428 are issuable upon exercise of options granted as of December 31, 1999, including options to purchase 898,832 shares exercisable as of December 31, 1999 or that will become exercisable within 60 days after such date. Any shares issued in connection with the exercise of currently outstanding stock options or otherwise would further dilute your investment in our common stock.

OUR MANAGEMENT'S BROAD DISCRETION IN THE USE OF THE PROCEEDS OF THIS OFFERING MAY ADVERSELY AFFECT YOUR INVESTMENT.

Our management can spend a significant portion of the proceeds from this offering in ways with which our stockholders may not agree. We intend to use approximately $150.0 million of the net proceeds from the offering to retire outstanding debt. We expect that the remaining net proceeds will be available for general corporate purposes, including working capital. We may, however, also use a portion of the net proceeds to acquire or invest in complementary businesses, technologies, products or services, although we currently have no commitments or agreements with respect to transactions of that type.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents included or incorporated by reference in this prospectus may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such statements may use words such as "anticipate," "believe," "estimate," "expect," "intend," "predict," "project" and similar expressions as they relate to us or our management. When we make forward-looking statements, we are basing them on our management's beliefs and assumptions, using information currently available to us. These forward-looking statements are subject to risks, uncertainties and assumptions, including but not limited to, risks, uncertainties and assumptions discussed under the section "Risk Factors" and elsewhere in this prospectus.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements you read in this prospectus reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. All subsequent written and oral forward-looking statements attributable to us or individuals acting on our behalf are expressly qualified in their entirety by this paragraph. You should specifically consider the factors identified under the section "Risk Factors" and elsewhere in this prospectus which could cause actual results to differ before making an investment decision.

USE OF PROCEEDS

The net proceeds from this offering will be approximately $ million, or $ million if the underwriters exercise their over-allotment option in full, after deducting estimated underwriting discounts and commissions and estimated offering expenses.

We intend to use approximately $150.0 million of the net proceeds from this offering to repay outstanding debt, in full or in part, as described below. We expect to use the balance of the net proceeds for working capital and general corporate purposes. A portion of the net proceeds may be used to acquire or invest in complementary businesses, technologies, products or services or to invest in geographic expansion. Although we are not contemplating any specific acquisitions at this time and no portion of the net proceeds has been allocated for any acquisition, we evaluate acquisition opportunities on an ongoing basis. Our management will have broad discretion in the application of the net proceeds. Pending use, we intend to invest the net proceeds in interest-bearing, investment-grade instruments, certificates of deposit or direct or guaranteed obligations of government agencies of the United States.

The following is a tabular summary of the intended uses of proceeds from this offering:

Prepayment of 10% Subordinated Note due October 25, 2005 issued to WCAS Capital Partners II, L.P.	$30,000,000
Prepayment of 10% Subordinated Note due October 25, 2005 issued to Limited Commerce Corp.	$20,000,000
Prepayment of 10% Subordinated Note due September 15, 2008 issued to WCAS Capital Partners III, L.P.	$52,000,000
Reduction of the outstanding balance under our credit agreement (term loans and the revolver)	$48,000,000
Working capital	
Estimated fees, commissions, underwriting discounts and expenses related to this offering	
Total proceeds	

The obligations intended to be repaid, in full or in part, are more fully described as follows:

- a 10% subordinated note issued to WCAS Capital Partners II, L.P., in the principal amount of $30.0 million, and a 10% subordinated note issued to the Limited Commerce Corp., in the principal amount of $20.0 million. Principal on the notes is due on October 25, 2005 and interest is payable semi-annually in arrears on each January 1 and July 1. The notes were originally issued in January 1996 to finance, in part, the acquisition of BSI Business Services, Inc., now known as ADS Alliance Data Systems, Inc.

- a 10% subordinated note issued to WCAS Capital Partners III, L.P. in the principal amount of $52.0 million. Principal is due in two equal installments on September 15, 2007 and September 15, 2008. Interest is payable semi-annually in arrears on each March 15 and September 15. The note was originally issued in September 1998 to finance, in part, the acquisition of Harmonic Systems Incorporated.

- a $330.0 million credit agreement entered into in July 1998 consisting of a $130.0 million U.S. Term Loan, a $50.0 million Canadian A Term Loan and a $50.0 million Canadian B Term Loan, and a $100.0 million revolving loan commitment. The term loans and the revolving loan commitment are at a daily floating rate equal to the sum of the Euro-dollar margin plus the London Interbank Offered Rate applicable to the period for each Euro-dollar loan. Principal is payable annually. Interest is payable quarterly for the base rate loans and payable on the last day of the Euro-dollar loan period for each Euro-dollar loan. The U.S. Term Loan, the Canadian A Term Loan, and the revolving loan commitment mature on July 25, 2003 and the Canadian B Term Loan matures on July 25, 2005. Since July 1998 we have used approximately $230.0 million of the term loans for general corporate purposes, including working capital. We use drawings under the revolving loan commitment throughout the year for general corporate purposes, including working capital.

DIVIDEND POLICY

We have never declared or paid any dividends on our common stock. We do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance operations and the expansion of our business. Any future determination to pay cash dividends will be at the discretion of the board of directors and will be dependent upon our financial condition, operating results, capital requirements and other factors that the board of directors deems relevant. In addition, under the terms of our credit agreement, we cannot declare or pay dividends or return capital to our stockholders, nor can we authorize or make any other distribution, payment or delivery of property or cash to our stockholders.

DILUTION

Our pro forma net deficit in tangible book value as of September 30, 1999 was approximately $40.9 million, or approximately $0.52 per share of common stock, after giving effect to the conversion of all our outstanding shares of Series A preferred stock into common stock and the exercise of all outstanding warrants for common stock. Pro forma net deficit in tangible book value per share represents the amount of tangible assets, less intangibles and goodwill and total liabilities, divided by the number of shares of common stock outstanding, after giving effect to the conversion of all our outstanding shares of Series A preferred stock into common stock and the exercise of all outstanding warrants for common stock.

Dilution in net deficit in tangible book value per share represents the difference between the amount per share paid by purchasers of our common stock in this offering and the pro forma net tangible book value per share of our common stock immediately after the offering. After giving effect to our sale of shares of common stock in this offering at an assumed initial public offering price of $ per share and after deduction of the estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma net tangible book value as of September 30, 1999 would have been approximately $ million, or $ per share. This represents an immediate increase in pro forma net tangible book value to existing stockholders attibutable to new investors of $ per share and the immediate dilution of $ per share to new investors.

Initial public offering price per share.....	
Pro forma net deficit in tangible book value per share before offering.....	
Increase per share attributable to new investors.....	
Pro forma net tangible book value per share after the offering.....	
Net tangible book value dilution per share to new investors.....	

The following table sets forth as of September 30, 1999, after giving effect to the conversion of all our outstanding shares of Series A preferred stock into common stock and the exercise of all outstanding warrants for common stock, the total consideration paid and the average price per share paid by our existing stockholders and by new investors, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us at an assumed initial public offering price of $ per share.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing stockholders.....		%	$	%	$
New investors.....					
Total.....		100.0%	$	100.0%	$

This table assumes no options were exercised after September 30, 1999. As of September 30, 1999, there were outstanding options to purchase a total of 2,955,286 shares of common stock at a weighted average exercise price of $7.35 per share and 3,821,428 shares of common stock reserved for issuance under our stock option and restricted stock purchase plan. If all of the outstanding options had been exercised on September 30, 1999, our net tangible book value on that date would have been $ million or $ per share, the increase in net tangible book value per share attributable to new investors would have been $ per share, and the dilution in net tangible book value to new investors would have been $ per share.

CAPITALIZATION

Capitalization is the amount invested in a company and is a common measurement of a company's size. The table below shows our capitalization as of September 30, 1999 as follows:

- on an actual basis;
- on a pro forma basis to reflect the conversion of all of our Series A preferred stock into common stock and the exercise of all outstanding warrants for common stock; and
- on a pro forma as adjusted basis to give effect to the sale of the shares of our common stock offered by this prospectus at an assumed initial public offering price of $ per share and the application of the net proceeds from the sale, having deducted estimated underwriting discounts and commissions and estimated offering expenses.

You should read this table in conjunction with the consolidated financial statements and related notes that are included or incorporated by reference in this prospectus.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	AT SEPTEMBER 30, 1999		
	ACTUAL	PRO FORMA	PRO FORMA AS ADJUSTED
Cash and cash equivalents	$ 88,498	$	$
Certificates of deposit	$ 85,600		
Short-term debt	31,441	$	$
Total short-term debt	$117,041		
Long-term debt, excluding current portion:			
Certificates of deposit	29,900		
Senior credit facility	203,043		
Subordinated notes	102,000		
Series A cumulative convertible preferred stock, $0.01 par value; 120 shares authorized, issued and outstanding, actual; none issued or outstanding, as adjusted	120,000		
Stockholders' equity:			
Common stock, $0.01 par value; 85,714 shares authorized, actual; 85,714 shares authorized, as adjusted; 61,070 shares issued and outstanding, actual; shares issued and outstanding, as adjusted	4,275		
Additional paid-in capital	221,504		
Retained earnings	71,005		
Total stockholders' equity	296,784		
Total capitalization	$751,727	$	$

We expect there to be shares of common stock outstanding after this offering. In addition to the shares of common stock to be outstanding after this offering, we may issue additional shares of common stock.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated financial information is based on the unaudited financial statements of Alliance Data Systems Corporation, Loyalty Management Group Canada Inc., Harmonic Systems Incorporated, and the network transaction processing business of SPS Payment Systems, Inc. included elsewhere in this prospectus. The unaudited pro forma adjustments are based upon certain assumptions that we believe are reasonable. The unaudited pro forma consolidated financial information and accompanying notes should be read in conjunction with the historical financial statements of Alliance Data Systems Corporation, Loyalty Management Group Canada Inc., Harmonic Systems Incorporated and the network transaction processing business of SPS Payment Systems, Inc., and the respective notes to those statements, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this prospectus.

The data contained in the pro forma columns give effect to the following completed acquisitions, each accounted for under the purchase method of accounting, as if those acquisitions had been consummated on January 1, 1998, with respect to the income statement:

- the acquisition of Loyalty Management Group Canada Inc., effective July 24, 1998;

- the acquisition of Harmonic Systems Incorporated, effective September 15, 1998; and

- the acquisition of the network transaction processing business of SPS Payment Systems, Inc., effective July 1, 1999.

No pro forma balance sheet as of September 30, 1999 has been presented as there is no difference between the historical and pro forma information as of that date. The unaudited pro forma consolidated financial information does not purport to be indicative of the results that would have been obtained had the transactions been completed as of the assumed dates and for the periods presented or that may be obtained in the future. The unaudited pro forma consolidated financial information is included in this prospectus for informational purposes, and while we believe that it may be helpful in understanding our combined operations for the periods indicated, you should not unduly rely on the information.

ALLIANCE DATA SYSTEMS CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1998
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	CALENDAR YEAR ENDED DECEMBER 31, 1998						
	ADSC	LOYALTY(1)	HARMONIC SYSTEMS(1)	SPS(1)	SUBTOTAL	ADJUSTMENTS	PRO FORMA
Total revenue	$474,933	$71,765	$12,090	$47,674	$606,462	$ --	$606,462
Operating expenses							
Processing and servicing	226,525	51,288	16,328	31,260	325,401	--	325,401
Salaries and employee benefits	169,799	8,363	--	6,331	184,493	--	184,493
Depreciation and other amortization	8,782	805	448	--	10,035	--	10,035
Amortization of purchased intangibles	36,408	2,020	--	--	38,428	28,491 (2)	66,919
Total operating expenses	441,514	62,476	16,776	37,591	558,357	28,491	586,848
Operating income (loss)	33,419	9,289	(4,686)	10,083	48,105	(28,491)	19,614
Interest expense	29,295	203	221	--	29,719	8,800 (3)	38,519
Income tax expense	9,970	4,878	--	3,710	18,558	(9,512)(4)	9,046
Income (loss) from continuing operations	$ (5,846)	$ 4,208	$(4,907)	$ 6,373	$ (172)	$(27,779)	$(27,951)
Earnings (loss) per share from continuing operations -- basic and diluted	$ (0.11)						$ (0.58)
Shares used in computing per share amounts -- basic and diluted	53,110					7,279	60,389

See accompanying notes on page 27.

ALLIANCE DATA SYSTEMS CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1998
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	NINE MONTHS ENDED SEPTEMBER 30, 1998						
	ADSC	LOYALTY(1)	HARMONIC SYSTEMS(1)	SPS(1)	SUBTOTAL	ADJUSTMENTS	PRO FORMA
Total revenue	$330,210	$71,765	$12,090	$34,588	$448,653	$ --	$448,653
Operating expenses							
Processing and servicing	147,845	51,288	16,328	23,273	238,734	--	238,734
Salaries and employee benefits	121,229	8,363	--	4,751	134,343	--	134,343
Depreciation and other amortization	6,201	805	448	--	7,454	--	7,454
Amortization of purchased intangibles	21,875	2,020	--	--	23,895	26,416 (2)	50,311
Total operating expenses	297,150	62,476	16,776	28,024	404,426	26,416	430,842
Operating income (loss)	33,060	9,289	(4,686)	6,564	44,227	(26,416)	17,811
Interest expense	19,165	203	221	--	19,589	8,800 (3)	28,389
Income tax expense	7,939	4,878	--	--	12,817	(5,510)(4)	7,307
Income (loss) from continuing operations	$ 5,956	$ 4,208	$(4,907)	$ 6,564	$ 11,821	$ (29,706)	$(17,885)
Earnings (loss) per share from continuing operations -- basic and diluted	$ 0.12						$ (0.39)
Shares used in computing per share amounts -- basic	50,423					9,740	60,163
-- diluted	50,470					9,693	60,163

See accompanying notes on page 27.

ALLIANCE DATA SYSTEMS CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	NINE MONTHS ENDED SEPTEMBER 30, 1999				
	ADSC	SPS(1)	SUBTOTAL	ADJUSTMENTS	PRO FORMA
Total revenue	$465,265	$24,342	$489,607	$ --	$489,607
Operating expenses					
Processing and servicing	244,034	14,775	258,809	--	258,809
Salaries and employee benefits	141,995	5,635	147,630	--	147,630
Depreciation and other amortization	10,219	--	10,219	--	10,219
Amortization of purchased intangibles	35,152	--	35,152	4,150 (2)	39,302
Total operating expenses	431,400	20,410	451,810	4,150	455,960
Operating income (loss)	33,865	3,932	37,797	(4,150)	33,647
Interest expense	33,018	--	33,018	--	33,018
Income tax expense	15,686	--	15,686	(771)(4)	14,915
Income (loss) from continuing operations	$(14,839)	$ 3,932	$(10,907)	$(3,379)	$(14,286)
Earnings (loss) per share from continuing operations -- basic and diluted	$ (0.27)				$ (0.32)
Shares used in computing per share amounts -- basic and diluted	61,061				61,061

See accompanying notes on page 27.

ALLIANCE DATA SYSTEMS CORPORATION

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED
STATEMENTS OF OPERATIONS
(AMOUNTS IN THOUSANDS)

The Unaudited Pro Forma Consolidated Statements of Operations for the year ended December 31, 1998 and the nine months ended September 30, 1998 and 1999 reflect the pro forma adjustments for the acquisitions previously mentioned. These statements are prepared on a calendar-year basis so as to provide a better basis of comparison.

(1) Represents operating activity for each of the respective acquired businesses for the periods set forth below:

	YEAR ENDED DECEMBER 31, 1998	NINE MONTHS ENDED SEPTEMBER 30,	
		1998	1999
Loyalty	7 months	7 months	--
Harmonic Systems	9 months	9 months	--
SPS	12 months	9 months	6 months

(2) Represents pro forma adjustments to goodwill and other purchased intangibles amortization in connection with the acquisitions as follows:

	YEAR ENDED DECEMBER 31, 1998	NINE MONTHS ENDED SEPTEMBER 30,	
		1998	1999
Loyalty	$15,522	$15,522	$ --
Harmonic Systems	4,669	4,669	--
SPS	8,300	6,225	4,150
	$28,491	$26,416	$4,150

We amortize goodwill over a 20 to 25 year life. We amortize other purchased intangibles over a three to five year period.

(3) Represents pro forma adjustments to interest expense related to debt incurred in connection with the Loyalty and Harmonic Systems acquisitions. The interest expense is as follows:

	YEAR ENDED DECEMBER 31, 1998	NINE MONTHS ENDED SEPTEMBER 30, 1998
Loyalty	$4,900	$4,900
Harmonic Systems	3,900	3,900
	$8,800	$8,800

(4) Represents the:

- tax effect of pro forma adjustments including amortization expense related to the SPS acquisition but excluding amortization expense related to the Loyalty and Harmonic Systems acquisitions; and

- recognition of tax expense for the acquired businesses which had not recorded tax expense.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

We are the result of a 1996 merger of two entities acquired by Welsh, Carson, Anderson & Stowe, which involved J.C. Penney's transaction services business, BSI Business Services, Inc., and The Limited's credit card bank operation, WFNNB. Prior to December 31, 1998, our fiscal year was based on a 52/53 week fiscal year ending on the Saturday closest to January 31. We have since changed our fiscal year end to December 31. The following table sets forth our summary historical financial information for the periods ended and as of the dates indicated. Fiscal 1996, fiscal 1997 and fiscal 1998 financial statements were audited by Deloitte & Touche LLP. Fiscal 1994 and fiscal 1995 were audited by other auditors. We derived the summary historical financial information below as of and for the nine months ended September 30, 1998 and 1999 from our unaudited financial statements which, in our opinion, reflect all normal recurring adjustments for a fair presentation of such financial statements. The results of operations for the nine months ended September 30, 1999 presented below are not necessarily indicative of our future results of operations. You should read the following historical financial information along with the information contained throughout this prospectus, including the financial statements and related notes that are included in this prospectus.

	FISCAL					UNAUDITED NINE MONTHS ENDED SEPTEMBER 30,	
	1994(1)	1995(2)	1996(3)	1997(4)	1998(5)	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)						
INCOME STATEMENT DATA							
Total revenue	$154,211	$178,385	$297,338	$353,399	$434,309	$330,210	$465,265
Operating expenses							
Processing and servicing	57,434	84,883	144,038	161,360	209,013	147,845	244,034
Salaries and employee benefits	40,765	45,035	109,582	127,087	156,464	121,229	141,995
Depreciation and other amortization	4,161	3,629	6,860	7,402	8,270	6,201	10,219
Amortization of purchased intangibles	--	--	15,603	19,061	34,321	21,875	35,152
Total operating expenses	102,360	133,547	276,083	314,910	408,068	297,150	431,400
Operating income	51,851	44,838	21,255	38,489	26,241	33,060	33,865
Interest expense	--	--	5,649	15,459	27,884	19,165	33,018
Income (loss) from continuing operations before income taxes	51,851	44,838	15,606	23,030	(1,643)	13,895	847
Income tax expense	17,629	15,624	4,612	8,420	6,653	7,939	15,686
Income (loss) from continuing operations	34,222	29,214	10,994	14,610	(8,296)	5,956	(14,839)
Income (loss) from discontinued operations, net of taxes	--	--	--	(8,247)	(300)	(4,483)	7,688
Loss on disposal of discontinued operations, net of taxes	--	--	--	--	--	--	(3,737)
Net income (loss)	$ 34,222	$ 29,214	$ 10,994	$ 6,363	$ (8,596)	$ 1,473	$(10,888)
Earnings (loss) from continuing operations--basic and diluted			$ 0.23	$ 0.31	$ (0.15)	$ 0.12	$ (0.27)
Earnings (loss) per share--basic and diluted			$ 0.23	$ 0.14	$ (0.16)	$ 0.03	$ (0.20)
Shares used in computing per share amounts--							
Basic			46,955	47,073	53,652	50,423	61,061
Diluted			46,955	47,073	53,652	50,470	61,061

	FISCAL					NINE MONTHS ENDED SEPTEMBER 30,	
	1994(1)	1995(2)	1996(3)	1997(4)	1998(5)	1998	1999
	(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)					(UNAUDITED)	
OTHER FINANCIAL DATA							
EBITDA(6)	$ 56,012	$ 48,467	$ 43,718	$ 64,952	$ 68,832	$ 61,136	$ 79,236
EBITDA as a percentage of revenue	36.3%	27.2%	14.7%	18.4%	15.8%	18.5%	17.0%
Cash earnings(7)	$ 34,222	$ 29,214	$ 26,597	$ 33,671	$ 26,025	$ 27,831	$ 20,313
Cash flows from operating activities	109,861	121,399	56,608	(30.7)	4,469	64,276	188,422
Cash flows from investing activities	(308,634)	1,030,528	(137,633)	(103.7)	(140,534)	(172,910)	(235,138)
Cash flows from financing activities	201,908	(1,122,425)	82,011	104,870	163,282	145,121	92,000
SEGMENT OPERATING DATA							
Air Miles reward miles issued	--	--	--	--	647,357	233,314	1,128,724
Transactions processed	--	--	881,316	929,274	1,073,040	783,132	1,231,844
Statements generated(8)	85,587	100,240	126,114	113,940	117,672	97,726	99,436
Securitized portfolio(9)	$1,253,914	$1,290,581	$1,685,622	$2,021,599	$2,135,340	$1,855,545	$2,011,628
Number of cardholders(10)	23,410	28,627	35,654	40,509	46,174	44,859	51,094

	AS OF					
	JANUARY 28, 1995	FEBRUARY 3, 1996(11)	FEBRUARY 1, 1997	JANUARY 31, 1998	DECEMBER 31, 1998	SEPTEMBER 30, 1999
	(AMOUNTS IN THOUSANDS)					(UNAUDITED)
BALANCE SHEET DATA						
Cash and cash equivalents	$ 17,416	$ 46,918	$ 50,149	$ 20,595	$ 47,036	$ 88,498
Credit card receivables and seller's interest	1,209,372	90,789	161,686	144,440	139,458	143,093
Intangibles and goodwill	--	--	104,790	104,536	305,365	457,709
Total assets	1,281,960	225,272	499,349	626,809	1,010,119	1,201,630
Certificates of deposit	375,100	67,200	68,400	50,900	49,500	115,500
Short-term debt	531,024	--	80,811	82,800	98,484	31,441
Long-term and subordinated debt	215,000	--	50,000	180,000	332,000	305,043
Total liabilities	1,185,579	114,677	294,144	415,145	701,980	784,846
Series A preferred stock	--	--	--	--	--	120,000
Total stockholders' equity	96,381	110,595	205,205	211,664	308,139	296,784

- ------------------------------

(1) Fiscal 1994 represents the operating results of World Financial Network Holding Corporation for the 52 weeks ended January 28, 1995.

(2) Fiscal 1995 represents the operating results of World Financial Network Holding Corporation for the 52 weeks ended February 3, 1996.

(3) Fiscal 1996 represents the operating results of World Financial Network Holding Corporation and BSI Business Services, Inc. for the 52 weeks ended February 1, 1997.

(4) Fiscal 1997 represents the operating results of the merged entities under current management for the 53 weeks ended January 1, 1998 and Financial Automation Limited for two months.

(5) Fiscal 1998 represents the operating results of the merged entities under current management for the 11 months ended December 31, 1998, Loyalty for five months, and Harmonic Systems for three months.

(6) EBITDA is defined as operating income plus depreciation and amortization. EBITDA is presented because management believes it is a widely accepted financial indicator of a company's ability to incur and service debt. We believe that EBITDA is not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either operating income or net income as an indicator of operating performance or to the statement of cash flows as a measure of liquidity. In addition, EBITDA is not intended to represent funds available

for dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. EBITDA measures presented may not be comparable to similarly titled measures presented by other companies.

(7) Cash earnings is defined as income (loss) from continuing operations plus amortization of purchased intangibles. Cash earnings is presented because management believes it provides a good indicator of the earnings of our operations. Cash earnings is not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either operating income or net income as an indicator of operating performance and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Our cash earnings measure may not be comparable to similarly titled measures presented by other companies.

(8) Statements generated represents the number of billing statements generated for both securitized cardholders and cardholders and customers serviced on behalf of other clients.

(9) Securitized portfolio represents outstanding credit card receivables at the end of the period that we have originated or purchased, and have been securitized.

(10) Number of cardholders represents cardholders related to the securitized portfolios, both securitized and on-balance sheet.

(11) Reduction of credit card receivables in fiscal 1995 is a result of securitizing most of the credit card receivables off-balance sheet.

FORMATION OF ALLIANCE DATA SYSTEMS CORPORATION

Although our predecessor companies have long operating histories, we have largely been built by acquisition and therefore have a relatively short operating history as a combined entity. We are the result of the 1996 merger of two entities acquired by Welsh, Carson, Anderson and Stowe, which involved J.C. Penney's transaction services business, BSI Business Services, Inc., and The Limited's credit card bank operation, WFNNB. Since then, we have made the following acquisitions, each accounted for as a purchase, with the results of operations of these acquisitions included from the respective closing dates:

- In November 1996, WFNNB acquired the private label portfolio of National City Bank of Columbus, which consisted of approximately $370.0 million in receivables and represented over 25 retailers in a broad range of industries including soft goods, building materials, furniture and electronics.

- In July 1998, we acquired Loyalty Management Group Canada Inc.

- In September 1998, we acquired Harmonic Systems Incorporated.

- In July 1999, we acquired the network services business of SPS Payment Systems, Inc., a wholly-owned subsidiary of Associates First Capital Corporation.

FISCAL YEAR

In order to have more consistent reporting periods, we changed our year end to a calendar year end basis during 1998. Prior to December 31, 1998, we operated on a 52/53 week fiscal year that ended on the Saturday nearest January 31. Accordingly, fiscal 1996 represents the 52 weeks ended February 1, 1997, fiscal 1997 represents the 53 weeks ended January 31, 1998 and fiscal 1998 represents the 11 months ended December 31, 1998. In addition to discussing the results of operations on a historical basis, we are also providing a discussion of our results of operations on a pro forma recast basis for the nine months ended September 30, 1998 and 1999.

REVENUE AND EXPENSES

Our three reportable segments derive substantially all of their revenue from two principal sources. We receive fees for providing information and transaction processing services and earn income from our private label credit card receivables portfolio and securitization program.

LOYALTY AND DATABASE MARKETING SERVICES. Our Loyalty and Database Marketing Services segment generates the majority of its revenue from our Canadian Loyalty program. Loyalty charges sponsors a transaction fee for managing each sponsor's membership rewards or loyalty program under the Air Miles reward program in Canada. Database marketing generates revenue from building and maintaining marketing databases, as well as based on the number of campaigns or projects it performs for its clients. Operating costs include salaries and employee benefits and processing and servicing expense such as the estimated cost of fulfilling future redemption costs of the Air Miles reward program, marketing, data processing and postage.

TRANSACTION SERVICES. Our Transaction Services segment generates revenue based on the number of transactions processed, statements mailed and customer calls handled. Operating costs include salaries and employee benefits and processing and servicing expense such as data processing, postage, telecommunications and equipment lease expense.

CREDIT SERVICES. We securitize substantially all of our credit card receivables that we underwrite. As a result, our Credit Services segment derives its revenue from the servicing fees and net financing income it receives from the securitization trusts and merchant fees from the processing of private label credit cards for our private label clients. We record gains or losses on the securitization of credit card receivables on the date of sale based on the estimated fair value of assets retained and liabilities incurred in the sale. Gains represent the present value of estimated future cash flows we have retained over the estimated outstanding period of the receivables. This excess cash flow essentially represents an interest only strip, or I/O strip, consisting of the excess of finance charges and past-due fees net of the sum of the return paid to certificateholders, estimated contractual servicing fees and credit losses. The I/O strip is carried at fair value, with changes in the fair value reported as a component of cumulative other comprehensive loss. Certain estimates inherent in the determination of fair value of the I/O strip are influenced by factors outside our control, and as a result, such estimates could materially change in the near term. The gains on securitizations and other income from securitizations are included in net financing charges. Operating expenses for this segment include salaries and employee benefits and processing and servicing expense, which includes credit bureau, postage, telephone and data processing expense and a portion of interest expense. A portion of our interest expense relates to the funding of our seller's interest in credit card receivables and other securitization assets.

INTER-SEGMENT SALES. Our Transaction Services segment performs servicing activities related to our Credit Services segment. For this, Transaction Services receives a fee equal to its direct costs before corporate overhead plus a margin that it would charge an unrelated third party for similar functions. This fee represents an expense to our Credit Services segment and a corresponding revenue for Transaction Services.

RESULTS OF OPERATIONS

PRO FORMA NINE MONTHS ENDED SEPTEMBER 30, 1998 (UNAUDITED) COMPARED TO PRO FORMA NINE MONTHS ENDED SEPTEMBER 30, 1999 (UNAUDITED)

The following is a comparison based on pro forma results as shown elsewhere in this prospectus. The results are presented as if the Loyalty, Harmonic Systems and SPS acquisitions had been consummated on January 1, 1998. Information is presented below in both dollars and as a percentage of total revenue.

	PRO FORMA					
	FOR THE NINE MONTHS ENDED SEPTEMBER 30,					
	1998		1999		VARIANCE	
	(AMOUNTS IN THOUSANDS)					
REVENUE						
Loyalty and Database Marketing Services	$ 115,635	25.8 %	$ 138,032	28.2 %	$22,397	19.4%
Transaction Services	277,599	61.9	291,100	59.5	13,501	4.9
Credit Services	176,953	39.4	185,060	37.8	8,107	4.6
Other and eliminations	(121,534)	(27.1)	(124,585)	(25.5)	(3,051)	2.5
Total revenue	$ 448,653	100.0 %	$ 489,607	100.0 %	$40,954	9.1

	PRO FORMA					
	FOR THE NINE MONTHS ENDED SEPTEMBER 30,					
	1998		1999		VARIANCE	
	(AMOUNTS IN THOUSANDS)					
EBITDA						
Loyalty and Database Marketing Services	$ 24,911	33.0 %	$ 23,401	28.1 %	$(1,510)	(6.1)%
Transaction Services	15,279	20.2	25,761	31.0	10,482	68.6
Credit Services	35,386	46.8	34,006	40.9	(1,380)	(3.9)
Total EBITDA	$ 75,576	100.0 %	$ 83,168	100.0 %	$ 7,592	10.0

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999
EBITDA MARGIN		
Loyalty and Database Marketing Services	21.5%	17.0%
Transaction Services	5.5	8.8
Credit Services	20.0	18.4
Total EBITDA margin	16.8	17.0

REVENUE. Total revenue increased $41.0 million, or 9.1%, to $489.6 million for the nine months ended September 30, 1999 from $448.6 million for the comparable period in 1998. The increase was principally due to a 19.4% increase in Loyalty and Database Marketing Services revenue, a 4.9% increase in Transaction Services revenue and a 4.6% increase in Credit Services revenue as follows:

- LOYALTY AND DATABASE MARKETING SERVICES. Loyalty and Database Marketing Services revenue increased $22.4 million, or 19.4%, mainly due to an increase of approximately $20.2 million in Air Miles reward program revenue, which was principally due to a 14.6% increase in the issuance of Air Miles reward miles. We issued 1.1 billion Air Miles reward miles during the nine months ended September 30, 1999 compared to 985 million Air Miles reward miles during the comparable period in 1998. The increase in Air Miles activity is due to an increase in the number of active collectors, partially offset by the loss of a significant sponsor at the end of 1998. Other increases are related to higher direct marketing fees during the nine months ended September 30, 1999 over the comparable period in 1998 as a result of an increased number of campaigns for clients, mostly related to Loyalty clients.

- TRANSACTION SERVICES. Transaction Services revenue increased $13.5 million, or 4.9%, due to an increase in the number of transactions processed and statements mailed, partially offset by a decrease in the average price per transaction. The volume of transactions processed increased 13.4%, mostly from internal growth, with an approximate 9.4% decrease in price per transaction. The revenue for Transaction Services is affected by a mix of transaction processing and card processing and servicing. During the nine months ended September 30, 1999, the revenue related to card processing and servicing increased to 73% of total Transaction Services revenue from 68% in the comparable period in 1998, which improved the overall margin for Transaction Services. Fees related to servicing of private label credit card statements increased $12.0 million during the nine months ended September 30, 1999 over the comparable period in 1998 from servicing 87.0 million statements during the nine months ended September 30, 1999 compared to 83.5 million statements during the comparable period in 1998. The increase in the number of private label credit card statements processed was due primarily to the addition of new client programs and internal growth.

- CREDIT SERVICES. Credit Services revenue increased $8.1 million, or 4.6%, due to increased merchant and servicing fee income. Merchant fee income increased $8.6 million, or 22.6%, due to a 2.1% increase in charge volume on our private label credit cards and a 3.9% increase in merchant fee rates. Additionally, servicing fee income increased by $1.7 million, or 7.6%, due to an increase in outstanding credit card receivables in the securitization trust. Net financing contribution decreased by approximately $400,000 during the nine months ended September 30, 1999 over the comparable period in 1998. We recognized a $9.0 million gain on sale of receivables during the nine months ended September 30, 1998 related to the timing of a securitization transaction with no comparable securitization transaction in the same period in 1999. Excess spread income increased during the nine months ended September 30, 1999 as a result of a 10.0% higher outstanding credit card portfolio at September 30, 1999 compared to the same period in 1998.

OPERATING EXPENSES. Total operating expenses, excluding depreciation and amortization, increased $33.3 million, or 8.9%, to $406.4 million for the nine months ended September 30, 1999 from $373.1 million for the comparable period in 1998. Total EBITDA margin increased 0.2% to 17.0% for the nine months ended September 30, 1999 from 16.8% for the comparable period in 1998. The increase in EBITDA margin is due to an increase in Transaction Services margin, partially offset by decreases in Loyalty and Database Marketing Services and Credit Services margins.

- LOYALTY AND DATABASE MARKETING SERVICES. Loyalty and Database Marketing Services operating expenses, excluding depreciation and amortization, increased $23.9 million, or 26.4%, to $114.6 million for the nine months ended September 30, 1999 from $90.7 million for the comparable

period in 1998, and EBITDA margin decreased to 17.0% for the nine months ended September 30, 1999 from 21.5% for the comparable period in 1998 due primarily to $3.3 million of marketing and payroll costs associated with the start-up of a new type of Loyalty business-to-business coalition program during 1999 and increased payroll expenses in the core businesses.

- TRANSACTION SERVICES. Transaction Services operating expenses, excluding depreciation and amortization, increased $3.0 million, or 1.1%, to $265.3 million for the nine months ended September 30, 1999 from $262.3 million for the comparable period in 1998, and EBITDA margin increased to 8.8% for the nine months ended September 30, 1999 from 5.5% during the comparable period in 1998 due to the shift in the mix of business to the higher margin card processing and servicing products.

- CREDIT SERVICES. Credit Services operating expenses, excluding depreciation and amortization, increased $9.5 million, or 6.7%, to $151.1 million for the nine months ended September 30, 1999 from $141.6 million for the comparable period in 1998, and EBITDA margin decreased to 18.4% for the nine months ended September 30, 1999 from 20.0% for the comparable period in 1998 due to the timing of the $9.0 million gain on sale of receivables in 1998 offset by the increase in average credit card receivable balance.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization decreased $8.3 million, or 14.3%, to $49.5 million for the nine months ended September 30, 1999 from $57.8 million for the comparable period in 1998 due to the expiration of intangibles related to the former J.C. Penney business which were fully amortized.

INTEREST EXPENSE. Interest expense increased $4.6 million, or 16.2%, to $33.0 million for the nine months ended September 30, 1999 from $28.4 million for the comparable period in 1998 due to increased borrowings for acquisitions and operations.

TAXES. Our effective tax rate before non-deductible goodwill amortization for the nine months ended September 30, 1998 and 1999 was 42.4%.

DISCONTINUED OPERATIONS. During September 1999, we discontinued our subscriber services business when a major customer was acquired by a third party. As a result of discontinuing our subscriber services, we recognized a loss of $3.7 million, net of income tax, on disposal of discontinued operations. For the nine months ended September 30, 1999, discontinued operations had income of $7.7 million, net of income tax, compared to a loss of $4.5 million during the prior period. The difference is due to additional fees we received in connection with services performed for the customer upon termination of its contract.

HISTORICAL NINE MONTHS ENDED SEPTEMBER 30, 1998 (UNAUDITED) COMPARED TO HISTORICAL NINE MONTHS ENDED SEPTEMBER 30, 1999 (UNAUDITED)

Information is presented below both in dollars and as a percentage of total revenue.

	HISTORICAL					
	NINE MONTHS ENDED SEPTEMBER 30,					
	1998		1999		VARIANCE	
	(AMOUNTS IN THOUSANDS)					
REVENUE						
Loyalty and Database Marketing Services	$ 43,870	13.3%	$ 138,032	29.7%	$ 94,162	214.6%
Transaction Services	230,921	69.9	266,758	57.3	35,837	15.5
Credit Services	176,953	53.6	185,060	39.8	8,107	4.6
Other and eliminations	(121,534)	(36.8)	(124,585)	(26.8)	(3,051)	2.5
Total revenue	$ 330,210	100.0%	$ 465,265	100.0%	$135,055	40.9

	HISTORICAL					
	NINE MONTHS ENDED SEPTEMBER 30,					
	1998		1999		VARIANCE	
	(AMOUNTS IN THOUSANDS)					
EBITDA						
Loyalty and Database Marketing Services	$ 12,797	20.9%	$ 23,401	29.5%	$ 10,604	82.9%
Transaction Services	12,953	21.2	21,829	27.6	8,876	68.5
Credit Services	35,386	57.9	34,006	42.9	(1,380)	(3.9)
Total EBITDA	$ 61,136	100.0%	$ 79,236	100.0%	$ 18,100	29.6

	NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999
EBITDA MARGIN		
Loyalty and Database Marketing Services	29.2%	17.0%
Transaction Services	5.6	8.2
Credit Services	20.0	18.4
Total EBITDA margin	18.5	17.0

REVENUE. Total revenue increased $135.1 million, or 40.9%, to $465.3 million for the nine months ended September 30, 1999 from $330.2 million during the comparable period in 1998. The increase was principally due to a 214.6% increase in Loyalty and Database Marketing Services revenue, a 15.5% increase in Transaction Services revenue and a 4.6% increase in Credit Services revenue as follows:

- LOYALTY AND DATABASE MARKETING SERVICES. Loyalty and Database Marketing Services revenue increased $94.2 million, or 214.6%, due to the acquisition of Loyalty Management Group Canada Inc. in July 1998 for approximately $72.0 million. The remaining increase is primarily related to an increase in Air Miles reward miles activity. During August and September of 1998, we issued 233.3 million Air Miles reward miles, or 116.7 million reward miles per month, compared to 125.4 million Air Miles reward miles per month during the nine months ended September 30, 1999. The increase in Air Miles activity is related to an increase in more active reward miles collectors.

- TRANSACTION SERVICES. Transaction Services revenue increased $35.8 million, or 15.5%, due to the acquisitions of Harmonic Systems in 1998 and SPS in 1999 along with an increase in the number

of transactions processed and statements mailed, partially offset by a decrease in the average price per transaction. The revenue for Transaction Services is affected by a mix of transaction processing and card processing and servicing. Fees related to servicing of private label credit card statements increased $12.0 million during the nine months ended September 30, 1999 due to a 3.5 million increase in the number of statements processed during the nine months ended September 30, 1999. The increase in private label credit card statements processed was driven primarily by the addition of new client programs in addition to internal growth.

- CREDIT SERVICES. Credit Services revenue increased $8.1 million, or 4.6%, due to increased merchant and servicing fee income. Merchant fee income increased $8.6 million, or 22.6%, due to a 2.1% increase in charge volume on our private label credit cards and a 3.9% increase in the rate for merchant fees. Additionally, servicing fee income increased by $1.7 million, or 7.6%, due to an increase in outstanding credit card receivables in the securitization trust. Net financing contribution decreased approximately $400,000 during the nine months ended September 30, 1999 over the comparable period in 1998. We recognized a $9.0 million gain on sale of receivables during the nine months ended September 30, 1998 related to the timing of a securitization transaction with no comparable securitization transaction in the same period in 1999. Excess spread income increased during the nine months ended September 30, 1999 as a result of a 10.0% higher outstanding credit card portfolio at September 30, 1999 compared to the same period in 1998.

OPERATING EXPENSES. Total operating expenses, excluding depreciation and amortization, increased $116.9 million, or 43.4%, to $386.0 million during the nine months ended September 30, 1999 from $269.1 million during the comparable period in 1998. Total EBITDA margin decreased 1.5% to 17.0% for the nine months ended September 30, 1999 from 18.5% for the comparable period in 1998. The decrease in EBITDA margin is due to decreases in Loyalty and Database Marketing Services and Credit Services margins, partially offset by an increase in Transaction Services margin.

- LOYALTY AND DATABASE MARKETING SERVICES. Loyalty and Database Marketing Services operating expenses, excluding depreciation and amortization, increased $83.5 million, or 268.5%, to $114.6 million for the nine months ended September 30, 1999 from $31.1 million for the comparable period in 1998, and EBITDA margin decreased to 17.0% for the nine months ended September 30, 1999 from 29.2% for the comparable period in 1998 due primarily to $3.3 million of marketing and payroll costs associated with the start-up of a new type of Loyalty business-to-business coalition program during the nine months ended September 30, 1999 and increased payroll expenses in the core businesses.

- TRANSACTION SERVICES. Transaction Services operating expenses, excluding depreciation and amortization, increased $26.9 million, or 12.4%, to $244.9 million for the nine months ended September 30, 1999 from $218.0 million for the comparable period in 1998, and EBITDA margin increased to 8.2% for the nine months ended September 30, 1999 from 5.6% during the comparable period in 1998 due to a shift in the mix of business to higher margin card processing and servicing products.

- CREDIT SERVICES. Credit Services operating expenses, excluding depreciation and amortization, increased $9.5 million, or 6.7%, to $151.1 million for the nine months ended September 30, 1999 from $141.6 million for the comparable period in 1998, and EBITDA margin decreased to 18.4% for the nine months ended September 30, 1999 from 20.0% during the comparable period in 1998 due to the timing of the $9.0 million gain on sale of receivables in 1998 offset by the increase in average credit card receivable balance.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization increased $17.3 million, or 61.6%, to $45.4 million for the nine months ended September 30, 1999 from $28.1 million for the comparable period in 1998 due to increased amortization of purchased intangibles from recent acquisitions, partially

offset by a decrease in amortization expense for some of the intangibles related to the acquisition of the former J.C. Penney business which were fully amortized.

INTEREST EXPENSE. Interest expense increased $13.8 million, or 71.9%, to $33.0 million for the nine months ended September 30, 1999 from $19.2 million for the comparable period in 1998 due to an increase in the level of debt associated with acquisitions and increased rates on our variable rate debt.

TAXES. Our effective tax rate for the nine months ended September 30, 1999 was 53.6%, an increase of 40.5% over the comparable period in 1998. The increase in the rate is the result of higher taxes in Canada which represented a larger portion of pre-tax income in the nine months ended September 30, 1999.

DISCONTINUED OPERATIONS. During September 1999, we discontinued our subscriber services business when a major customer was acquired by a third party. As a result of discontinuing our subscriber services, we recognized a loss of $3.7 million, net of income tax, on disposal of discontinued operations. For the nine months ended September 30, 1999, discontinued operations had income of $7.7 million, net of income tax, compared to a loss of $4.5 million during the prior period. The difference is largely related to additional fees we received in connection with services performed for the customer upon termination of its contract.

HISTORICAL ELEVEN MONTHS ENDED DECEMBER 31, 1998 (FISCAL 1998) COMPARED TO HISTORICAL 52 WEEKS ENDED JANUARY 31, 1998 (FISCAL 1997)

Due to the change in our fiscal year, fiscal 1998 is one month shorter than fiscal 1997. Information is presented below in both dollars and as a percentage of total revenue.

	HISTORICAL					
	FISCAL 1997		FISCAL 1998		VARIANCE	
	(AMOUNTS IN THOUSANDS)					
REVENUE						
Loyalty and Database Marketing.....	$ 23,348	6.6%	$ 84,288	19.4%	$ 60,940	261.0%
Transaction Services.....	256,730	72.6	286,605	66.0	29,875	11.6
Credit Services.....	211,921	60.0	212,663	49.0	742	0.4
Other and eliminations.....	(138,600)	(39.2)	(149,247)	(34.4)	(10,647)	(7.7)
Total revenue.....	$ 353,399	100.0%	$ 434,309	100.0%	$ 80,910	22.9

	HISTORICAL					
	FISCAL 1997		FISCAL 1998		VARIANCE	
	(AMOUNTS IN THOUSANDS)					
EBITDA						
Loyalty and Database Marketing.....	$ 8,457	13.0%	$ 15,815	23.0%	$ 7,358	87.0%
Transaction Services.....	27,146	41.8	13,621	19.8	(13,525)	(49.8)
Credit Services.....	29,349	45.2	39,396	57.2	10,047	34.2
Total EBITDA.....	$ 64,952	100.0%	$ 68,832	100.0%	$ 3,880	6.0

	FISCAL	
	1997	1998
EBITDA MARGIN		
Loyalty and Database Marketing.....	36.2%	18.8%
Transaction Services.....	10.6	4.8
Credit Services.....	13.8	18.5
Total EBITDA margin.....	18.4	15.8

REVENUE. Total revenue increased $80.9 million, or 22.9%, to $434.3 million for fiscal 1998 from $353.4 million in fiscal 1997. The increase was principally due to a 261.0% increase in Loyalty and Database Marketing Services revenue, a 11.6% increase in Transaction Services revenue and a 0.4% increase in Credit Services revenue.

- LOYALTY AND DATABASE MARKETING SERVICES. Loyalty and Database Marketing Services revenue increased $60.9 million, or 261.0%, mainly due to the acquisition of Loyalty in July 1998. Loyalty contributed approximately $60.0 million in revenue for fiscal 1998. Growth in database marketing fees of approximately $3.0 million during fiscal 1998 was offset by decreases in enhancement services due to the shorter period in fiscal 1998.

- TRANSACTION SERVICES. Transaction Services revenue increased $29.9 million, or 11.6%, due partially to the effect of the acquisition of Harmonic Systems in 1998. Revenue increased in fiscal 1998 relating to servicing of private label credit card statements and network servicing by $11.1 million due to a 15.5% increase in items processed, offset partially by a reduction of transaction fee rates, and a 4.9% increase in statements processed. Additionally, growth was provided by a $12.4 million increase in servicing and processing of our private label credit card portfolio.

- CREDIT SERVICES. Credit Services revenue increased $742,000, or 0.4%, due to increased merchant fee income, partially offset by a decrease in finance charge income. Merchant fee income increased in fiscal 1998 due to a 14.0% increase in cardholders and a 10% increase in merchant fee rates. Finance charge income decreased due to the shorter period in fiscal 1998 and a $2.0 million decrease in gain on sale of receivables, offset in part by an increase in card balances.

OPERATING EXPENSES. Total operating expenses, excluding depreciation and amortization, increased $77.1 million, or 26.7%, to $365.5 million during fiscal 1998 from $288.4 million in fiscal 1997. Total EBITDA margin decreased 2.6% to 15.8% for fiscal 1998 from 18.4% for fiscal 1997. The decrease in EBITDA margin is due to decreases in Loyalty and Database Marketing Services and Transaction Services margins, partially offset by an increase in Credit Services margin.

- LOYALTY AND DATABASE MARKETING SERVICES. Loyalty and Database Marketing Services operating expenses, excluding depreciation and amortization, increased $53.6 million, or 359.8%, to $68.5 million in fiscal 1998 from $14.9 million in fiscal 1997, and EBITDA margin decreased to 18.8% for fiscal 1998 from 36.2% for fiscal 1997 due to the acquisition of Loyalty. The largest component of the increased expense is related to the estimated redemption cost of the Air Miles reward program and payroll costs associated with Loyalty.

- TRANSACTION SERVICES. Transaction Services operating expenses, excluding depreciation and amortization, increased $43.4 million, or 18.9%, to $273.0 million in fiscal 1998 from $229.6 million in fiscal 1997, and EBITDA margin decreased to 4.8% for fiscal 1998 from 10.6% for fiscal 1997 due to the acquisition of Harmonic Systems, which incurred an operating loss in fiscal 1998.

- CREDIT SERVICES. Credit Services operating expenses, excluding depreciation and amortization, decreased $9.3 million, or 5.1%, to $173.3 million in fiscal 1998 from $182.6 million in fiscal 1997 due primarily to fiscal 1998 being a shorter period. EBITDA margin increased to 18.5% from 13.8% for fiscal 1997 due to a decrease in processing expenses.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization increased $16.1 million, or 60.9%, to $42.6 million for fiscal 1998 from $26.5 million for fiscal 1997 due to increased amortization of purchased intangibles from the recent acquisitions in fiscal 1998 offset in part by a shorter period in fiscal 1998.

INTEREST. Interest expense increased $12.4 million, or 80.0%, to $27.9 million for fiscal 1998 from $15.5 million for fiscal 1997 due to an increased debt balance associated with fiscal 1998 acquisitions.

TAXES. Our effective tax rate, before non-deductible goodwill, for fiscal 1998 was 43.4%, an increase of 36.6% compared to fiscal 1997.

HISTORICAL 53 WEEKS ENDED JANUARY 31, 1998 (FISCAL 1997) COMPARED TO THE HISTORICAL 52 WEEKS ENDED FEBRUARY 1, 1997 (FISCAL 1996)

No segment information for fiscal 1996 is presented as management did not review the business on a segment basis during that period. Fiscal 1996 primarily consists of Credit Services, as the Transaction Services segment was not created until the purchase of the former network processing business of J.C. Penney.

REVENUE. Total revenue increased $56.1 million, or 18.9%, to $353.4 million in fiscal 1997 from $297.3 million in fiscal 1996 due to the inclusion of a full year of results of the former J.C. Penney network processing business.

PROCESSING AND SERVICING FEES. Processing and servicing fees increased $26.1 million, or 13.1%, to $225.5 million in fiscal 1997 from $199.4 million in fiscal 1996 due to acquisitions.

FINANCE CHARGE. Finance charge, net increased $40.3 million, or 46.5%, to $127.0 million in fiscal 1997 from $86.7 million in fiscal 1996 due to an increase in average receivable balances.

OPERATING EXPENSES. Consolidated operating expenses increased $38.8 million, or 14.1%, to $314.9 million in fiscal 1997 from $276.1 million in fiscal 1996. Salaries and employee benefits increased 16.0% to $127.1 million in fiscal 1997 compared to $109.6 in fiscal 1996 due to the increase in the number of employees. Processing and servicing expenses increased 12.0% to $161.3 million in fiscal 1997 compared to $144.0 in fiscal 1996 due to the increase in the number of transactions processed for network services and private label cards.

INTEREST. Interest expense increased $9.9 million, or 176.8%, to $15.5 million in fiscal 1997 from $5.6 million in fiscal 1996 due primarily to increased debt balances.

TAXES. Our effective tax rate, before non-deductible goodwill, for fiscal 1997 was 43.4%, an increase of 29.6% compared to fiscal 1996.

ECONOMIC FLUCTUATIONS

Although we cannot precisely determine the impact of inflation on our operations, we do not believe that we have been significantly affected by inflation. For the most part, we have looked to operating efficiencies from scale and technology, as well as decreases in technology and communication costs, to offset increased costs of employee compensation and other operating expenses.

Portions of our business are seasonal. Our revenues and earnings are favorably affected by increased transaction volume and credit card balances during the holiday shopping period in the fourth quarter and, to a lesser extent, during the first quarter as credit card balances are paid down. Similarly, our petroleum related businesses are favorably affected by increased volume in the latter part of the second quarter and the first part of the third quarter.

LIQUIDITY AND CAPITAL RESOURCES

OPERATING ACTIVITIES. We generated cash flow from operating activities of $188.4 million during the nine months ended September 30, 1999, compared to $64.3 million for the comparable period in 1998, and $4.5 million during fiscal 1998, compared to $46.8 million during fiscal 1997. Operating cash flow

in fiscal 1998 decreased due to the increase in the amount of interest expense paid as a result of higher debt related to acquisitions and an increase in trade receivables offset by an increase in the amount of depreciation and amortization recorded. Our operating cash flow is seasonal with cash utilization peaking at the end of December due to increased activity related to the holidays. We utilize our operating cash flow for ongoing business operations and to pay interest expense.

INVESTING ACTIVITIES. We used cash in investing activities of $235.1 million during the nine months ended September 30, 1999 compared to $172.9 million for the comparable period in 1998 and $140.5 million during fiscal 1998 compared to $179.2 million during fiscal 1997. Two significant components of investing activities have been acquisitions and receivables funding.

- ACQUISITIONS. Net cash outlays for acquisitions in the nine months ended September 30, 1999 totaled $170.0 million for the SPS acquisition compared to $160.6 million for the Loyalty and Harmonic Systems acquisitions for the comparable period in 1998. Net cash outlays for acquisitions in fiscal 1998 totaled $134.0 million as compared to $716,000 for fiscal 1997.

- RECEIVABLES FUNDING. Another significant component of investing activity is the funding and securitizing of our private label credit card receivables. We generally fund all private label credit card receivables through a securitization program that provides us with both liquidity and lower borrowing costs. As of September 30, 1999, we had over $2.0 billion of credit card receivables outstanding under securitizations. Securitizations require credit enhancements in the form of cash, spread accounts and additional receivables. We intend to utilize our securitization program for the foreseeable future. We used net cash of $11.9 million during the nine months ended September 30, 1999, compared to $3.2 million during the comparable period in 1998, and received $22.6 million during fiscal 1998, compared to $289.5 million during fiscal 1997, to fund private label credit card receivables.

FINANCING ACTIVITIES. Net cash provided from borrowings was $90.4 million in the nine months ended September 30, 1999, compared to $145.1 million for the comparable period in 1998, and $163.3 million in fiscal 1998, compared to $104.9 million in fiscal 1997. Our financing activities include primarily net borrowings used to fund acquisitions and working capital. We issued approximately $100.0 million of common stock to fund a portion of the Loyalty acquisition during fiscal 1998.

We issue certificates of deposit, or CDs, through our credit card bank subsidiary, WFNNB, which issues CDs in various maturities ranging between three months and two years and with effective annual fixed rates ranging from 5.30% to 6.80%. We utilize CDs to finance WFNNB's operating activities and to fund credit enhancement activity. WFNNB is limited in the amounts that it can dividend.

We also have a $100.0 million revolving loan commitment that we use for general corporate purposes. From mid-November to late January, we experience increased needs for working capital due to the increased card usage during the holiday season. For additional credit enhancement during this period, our securitization program requires us to maintain a higher percentage of securitized assets through increased seller's interest or excess funding deposits. During fiscal 1998, the highest outstanding balance on the revolving loan commitment was $50.0 million. As of September 30, 1999, there was no amount outstanding under the revolving loan commitment.

We have used debt to finance our acquisitions. We have $102.0 million of subordinated notes outstanding related to the merger in August 1996 and our acquisition of Harmonic Systems. These subordinated notes were issued to affiliates of our stockholders, bear interest at 10% and are due between 2005 and 2008. We also have a $50.0 million term loan outstanding related to the Loyalty acquisition, which has an effective fixed interest rate of 8.99%. There are an additional $180.0 million in term loans, $50.0 million of which relates to Loyalty, which have been used for general corporate purposes that have floating rates of either LIBOR plus the Euro-dollar margin or the Base Rate plus a Base Rate Margin.

To fund the SPS acquisition, we used $50.0 million in working capital and $120.0 million from the issuance of Series A preferred stock. The Series A preferred stock has a 6% dividend rate payable at the discretion of our board of directors or upon conversion.

Restricted cash and cash equivalents and securities available-for-sale on our balance sheet at September 30, 1999 relate to a reserve fund we have established in connection with the Air Miles reward program. The reserve fund is maintained to fund redemptions of Air Miles reward miles from collectors. We believe the reserve fund is sufficient to meet redemption obligations for the foreseeable future. We currently intend to set aside a portion of future transaction fees received to fund future redemption obligations. Based on various factors, we may reduce the amount of the reserve fund and utilize future cash flows and excess cash for general corporate purposes.

We believe that our current level of cash and financing capacity, along with future cash flows from operations, are sufficient to meet the needs of our existing businesses. However, we may from time to time seek longer term financing to support additional cash needs, reduce short-term borrowings, or raise funds for acquisitions.

YEAR 2000

We expense our costs related to the year 2000 compliance efforts as incurred. Our costs related to year 2000 compliance efforts totalled approximately $7.0 million in each of fiscal 1998 and fiscal 1999. As of December 31, 1999, our estimated aggregate costs to date for year 2000 compliance efforts totalled approximately $14.0 million. We do not anticipate incurring additional costs related to year 2000 compliance.

MARKET RISK

Market risk is the risk of loss from adverse changes in market prices and rates. Our primary market risks include interest rate risk, credit risk and foreign currency exchange rate risk.

OFF-BALANCE SHEET RISK.

We are subject to off-balance sheet risk in the normal course of business including commitments to extend credit and through financial instruments used to reduce the interest rate sensitivity of our securitization transactions. We enter into interest rate swap and treasury lock agreements in the management of interest rate exposure. These off-balance sheet financial instruments involve elements of credit and interest rate risk in excess of the amount recognized on our balance sheet. These instruments also result in certain credit, market, legal and operational risks. We have established credit policies for off-balance sheet instruments consistent with those established for on-balance sheet instruments.

INTEREST RATE RISK

Interest rate risk affects us directly in our lending and borrowing activities. For the nine months ended September 30, 1999, our total interest expense was approximately $108.4 million, $33.0 million of which was attributable to on-balance sheet indebtedness and the remainder of which was attributable to our securitized credit card receivables which are financed off-balance sheet. To manage our direct risk from market interest rates, we actively monitor the interest rates and the interest-sensitive components both on and off-balance sheet to minimize the impact that changes in interest rates have on the fair value of assets, net income and cash flow. To achieve this objective, we manage our exposure to fluctuations in market interest rates by matching asset and liability repricings and through the use of fixed-rate debt instruments to the extent that reasonably favorable rates are obtainable with such arrangements. In addition, we may enter into derivative financial instruments such as interest rate swaps, caps and treasury locks to mitigate our interest rate risk on a related financial instrument or to

effectively lock the interest rate on a portion of our variable debt. We do not enter into derivative or interest rate transactions for trading or other speculative purposes. Approximately 11.4% of our outstanding debt was subject to fixed rates with a weighted average interest rate of 7.47% at September 30, 1999. An additional 78.7% of our outstanding debt at September 30, 1999 was effectively locked at an interest rate of 6.71% through interest rate swap agreements and treasury locks with notional amounts totalling $1.8 billion. We regularly review our interest rate exposure on outstanding borrowings in an effort to minimize the risk of interest rate fluctuations. We do not have any other significant market-sensitive financial instruments.

The approach we use to quantify interest rate risk is a sensitivity analysis which we believe best reflects the risk inherent in our business. This approach calculates the impact on pretax income from an instantaneous and sustained increase in interest rates of 10 basis points. Assuming we do not take any counteractive measures, a 10 basis point increase in interest rates would result in a decrease to pretax income of approximately $400,000. Conversely, a corresponding decrease in interest rates would result in a comparable improvement to pretax earnings. Our use of this methodology to quantify the market risk of financial instruments should not be construed as an endorsement of its accuracy or the accuracy of the related assumptions.

CREDIT RISK

We are exposed to credit risk relating to the credit card loans we make to consumers who shop in our client's stores or through their catalogs or Web sites. Our credit risk relates to the risk that a consumer using the private label credit cards that we issue will not repay their revolving credit card loan balance. We have developed credit risk models designed to identify qualified consumers who fit our risk parameters. To minimize our risk of loan write-off, we control approval rates of new accounts and related credit limits and follow strict collection practices. We monitor the buying limits as well as set pricing regarding fees and interest rates charged.

FOREIGN CURRENCY EXCHANGE RATE RISK

We are exposed to fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar through our operations in Canada. Although we have entered into cross currency hedges to fix the exchange rate on any Canadian debt repayment due to a U.S. counter party, we do not hedge our net investment exposure in our Canadian subsidiary.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", which establishes accounting and reporting standards for derivative instruments and for hedging activities, and requires companies to recognize all derivatives as either assets or liabilities in the balance sheet and measure such instruments at fair value. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133", which deferred the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. Adoption of SFAS No. 137 is not anticipated to materially impact our consolidated results of operations or financial condition but may require recognition of derivative instruments on the consolidated balance sheet and will require revised disclosures in the notes to the consolidated financial statements.

DESCRIPTION OF OUR BUSINESS

GENERAL

We are a leading provider of integrated information-based loyalty and marketing solutions primarily focused on business-to-consumer commerce. We develop and execute programs designed to help our clients target, acquire and retain loyal, profitable customers. We create value for our clients through effective customer relationship management, which we refer to as CRM, by:

- facilitating transactions between our clients and their customers through multiple distribution channels;
- assisting our clients in identifying and acquiring new customers; and
- increasing the loyalty and profitability of our clients' existing customers.

We target organizations that view customer information and data as a strategic competitive advantage and an integral component of business strategy. While applicable to the full spectrum of business-to-consumer commerce opportunities, we currently target our integrated service offerings to a select number of market sectors including specialty retailers, petroleum retailers, supermarkets and financial services providers, as well as companies in market sectors with rapidly evolving electronic payment and CRM needs such as mass transit, tollways, parking and gas, and electric utilities. Our client base of over 300 companies includes some of the most recognizable names in North America. These clients include the retail affiliates of The Limited, including Victoria's Secret, Express, Lane Bryant and Structure, Equiva Services, LLC, which is the service provider to Shell branded locations in the U.S., Canada Safeway, Brylane and CITGO.

We market and sell our service offerings independently or as fully integrated CRM solutions. Our products and services are centered around three core offerings--Loyalty and Database Marketing Services, Transaction Services and Credit Services.

LOYALTY AND DATABASE MARKETING SERVICES	TRANSACTION SERVICES	CREDIT SERVICES
- Loyalty Programs	- Transaction Processing	- Underwriting
- Private Label Cards	- Network Services	- Risk Management
- Coalition Loyalty (Air Miles reward program)	- Bankcard Settlement	
- One-to-One Loyalty	- Card Processing and Servicing	
- Database Marketing Services	- Account Processing	
- Enhancement Services	- Billing and Payment Processing	
	- Customer Care	

INDUSTRY DYNAMICS

The growing demand for integrated business-to-consumer marketing solutions has been fueled by intensifying competition for customers and by an erosion of consumer brand loyalty. The Internet has accelerated both of these trends by providing consumers with almost instant access to a multitude of competing products and services without traveling to an actual store location. As a result, businesses are looking for tools aimed at retaining existing customers as well as identifying and targeting new groups of potential customers through any or all distribution channels.

Businesses have increasingly sought services that compile and analyze customer purchasing behavior, enabling businesses to more effectively target their marketing programs. The continuing shift to electronic payment systems, namely credit and debit cards, has generated highly valuable information on individual consumers and their purchasing preferences, while the dramatic proliferation of computer

technology has enabled companies to access this information easily and almost instantaneously. However, compiling and managing such information is generally outside the core competency of most retailers and is too costly for most businesses to maintain. In addition, traditional retailers typically lack the economies of scale and core competencies necessary to handle the logistics of their database and direct marketing programs. Thus, companies that provide the infrastructure to create, manage and facilitate electronic payment systems can create a database of valuable information on the purchasing behavior of consumers that is critical for developing more targeted and effective marketing programs. For example, the use of private label credit cards creates an opportunity for retailers to strengthen consumer brand loyalty by encouraging repeat purchases through discounts and other special promotions.

We believe that in today's competitive economy, retailers will find an increasing need to differentiate their products and services from those of their competitors through comprehensive, innovative marketing strategies. These strategies will likely use technology to analyze and predict consumer behavior and to provide the information necessary to execute direct marketing and promotional campaigns more effectively to existing and potential customers.

STRATEGY AND OPPORTUNITIES FOR GROWTH

Our strategy is to become a critical component in our clients' success by helping them build loyal customer relationships. We will do this by continuing to build and enhance our consumer databases, marketing capabilities and processing efficiencies to help improve our clients' relationships with their customers. To execute this strategy we intend to:

INCREASE THE PENETRATION OF PRODUCTS AND SERVICES WE PROVIDE TO OUR EXISTING CLIENT BASE. We plan to further increase the number and types of products and services we provide to our existing client base with a focus on loyalty and database services.

EXPAND OUR CLIENT BASE IN EXISTING MARKET SECTORS, INCLUDING POTENTIAL GEOGRAPHIC EXPANSION. We plan to acquire new clients in our traditional markets by continuing to distinguish ourselves as an integrated provider of CRM solutions. We will further benefit by what we believe will be a continued trend toward outsourcing as our existing clients and potential new clients have increasing needs for new technology and new skill sets. As business-to-consumer retailers continue to search for the tools to increase loyal, profitable customer relationships, we believe that our integrated and comprehensive offering of loyalty and database marketing services and transaction processing services will appeal to retailers, including e-commerce businesses, faced with increasing competition and decreasing profit margins.

CONTINUE TO EXPAND OUR CRM CAPABILITIES TO HELP OUR CLIENTS SUCCEED IN MULTI-CHANNEL COMMERCE. We plan to help our clients be successful in all channels they choose for distribution--whether in-store, catalog or the Internet. Our current client base is predominantly traditional store front and catalog-based retailers. However, our clients recognize the importance of using the Internet as an additional distribution channel. The systems and marketing programs we have built to support our store and catalog clients can be applied to clients using the Internet. As an added benefit we believe our private label credit card system provides additional protection against fraud. Our vision is to provide our clients with a comprehensive view of each customer across all distribution channels and to utilize this information to execute direct marketing programs through multiple distribution channels.

CONSIDER FOCUSED, STRATEGIC ACQUISITIONS AND ALLIANCES TO ENHANCE OUR CORE CAPABILITIES OR INCREASE OUR SCALE. As we identify new opportunities or product gaps, we may consider focused acquisitions and alliances to enhance our competencies or increase our scale.

PROGRAMS AND PRODUCTS

Our program and product offerings are centered around three core offerings--Loyalty and Database Marketing Services, Transaction Services and Credit Services.

LOYALTY AND DATABASE MARKETING SERVICES

Our clients are focused on targeting, acquiring and retaining loyal and profitable customers. We create and manage loyalty programs that have successfully resulted in securing more frequent and sustained customer purchasing. Our loyalty programs include private label cards, coalition loyalty (Air Miles reward program) and one-to-one loyalty. We utilize the information and knowledge gathered through our loyalty programs to help our clients design and implement effective marketing programs.

PRIVATE LABEL CARDS. We have demonstrated to our clients that a private label credit card can be one of the most effective loyalty and marketing tools available. By providing a program that has meaningful benefits to the customer, we can assist the retailer in strengthening its relationship with the customer. Our experience indicates that long-term, retail card customers typically remain more loyal to the retailer than general purpose users, both in the number of visits to the retail establishment and the amount spent per visit. With our integrated marketing tools, we can quantify the value of the retail card customer for our clients. Additionally, our private label programs are further enhanced by our database marketing services that enable us to capture transaction-level data that is used to enhance communications with customers and create successful CRM strategies, such as targeted promotions and cross-selling opportunities.

COALITION LOYALTY (AIR MILES REWARD PROGRAM). In Canada, we operate what we believe to be Canada's largest coalition loyalty program, marketed under the Air Miles brand name. This program enables consumers to earn Air Miles reward miles as they shop across a range of retailers and other world-class sponsors of the coalition. The program has more than 150 program sponsors, including some of the most recognizable companies, such as Shell Canada, Canada Safeway, Amex Bank Canada (American Express), Bank of Montreal, Goodyear Canada and A&P Canada. Air Miles reward miles collectors can redeem reward miles for products and services such as plane tickets, gift certificates for groceries, movie and theater tickets, and free long distance phone calls, among others. We make these rewards opportunities available through over 130 rewards suppliers, including the Toronto Blue Jays, Marine Land, A&P Canada and Canadian Airlines. The Air Miles reward program has enabled sponsors to use this tool to effectively increase revenues by bringing new customers to the sponsor, retaining existing customers and increasing the amount spent by all customers. Today, over 55% of all households in Canada participate in this program annually, and over approximately six billion Air Miles reward miles have been issued since the program's inception in 1992.

We have evaluated a similar coalition loyalty program in the U.S. Because of the significant funding obligation to establish such a program, we have elected not to pursue the program. Our existing stockholders may decide to pursue the program through a separate company that they will fund to the extent that they choose to participate. In the event our existing stockholders choose to pursue the program, we anticipate providing the intellectual property and expertise necessary for the program through a service agreement, which will be negotiated on an arms-length basis.

ONE-TO-ONE LOYALTY. We have developed a number of one-to-one real time, electronic loyalty programs that enable our clients to increase the frequency of customer purchasing. Through our programs, our clients can recognize, acknowledge and reward good customers with instant reward programs that can be implemented at the point of sale. Using the retailer's existing point-of-sale terminal or cash register and our network services, we can capture points, communicate program status and issue awards to the consumer at the point of sale. Our stored value product, electronic gifts and

prepaid cards can also encourage consumer loyalty, especially among cash customers. The retailer issues the card which prominently displays their brand and can only be used at their locations.

DATABASE MARKETING SERVICES. We have built and manage a massive database containing information on approximately 60 million U.S. consumers and 5.8 million Canadian households. Through this database we have developed a suite of data mining and profiling products that enable our clients to better understand their customers and aim their marketing dollars toward the optimum opportunities for developing customer relationships. We use marketing databases to assist our clients in predicting, analyzing and targeting their customers' buying patterns. Our database contains nearly four years of purchase information on approximately 30% of the U.S. adult population, as well as details and results of marketing programs conducted over the last four years.

We develop and execute programs designed to acquire and retain customers. We provide total program management using direct mail, telemarketing, in-store and on-line marketing strategies. Our services include strategy development, creative services, production and mailshop coordination. Selected programs include:

- QUICK CREDIT. The cornerstone of our ability to cost effectively acquire customers for our clients is our "Quick Credit" product that allows us to quickly process new applications at point-of-sale terminals or cash register devices. We view this product as a competitive advantage to our private label card processing and servicing.

- SMART STATEMENTS. Through our Smart Statement capabilities, we have transformed the traditional billing statement into a powerful marketing tool by targeting individual customers with billing statements that contain personalized messages. Additionally, we can promote to small, specially defined groups of the customer base to cross-sell specific products and services. Additionally, our "smart insert" function allows us to insert for each group a specific incentive or coupon into the statement.

- ON-LINE PRE-SCREEN. For catalog clients we can offer a pre-approved card by soliciting customers when they place an order over the phone. The product, which works similarly to Quick Credit, enables us to extend a credit offer to a catalog customer at the completion of the order process.

ENHANCEMENT SERVICES. We develop programs designed to maintain active customers while generating new revenue streams for our clients by cross selling products and services to their existing customers. Services include sourcing, promoting and fulfillment of products. These products are non-competitive with the clients' merchandise offering and include merchandise, travel clubs and credit life insurance programs.

TRANSACTION SERVICES

Effectively managing critical interactions with customers is required to conduct everyday business--whether the business involves store, catalog or Internet commerce. Our services include instantaneous authorizations, effective customer care, payment processing and billing services. By fully integrating our transaction services with our loyalty and database marketing services, we are able to execute more powerful CRM strategies for our clients.

TRANSACTION PROCESSING. We are a leading provider of electronic transaction processing, with over 1.8 billion transactions through 135,000 point of sale terminals in calendar year 1998 on a pro forma basis. We believe we are the largest transaction processor to the retail petroleum industry and we have a significant presence in the specialty retail and transportation industries.

NETWORK SERVICES. We have built a fast and highly reliable network that enables us to process all electronic payment types including credit card, debit card, prepaid card, electronic benefits and fleet

and check transactions. Our recent acquisition of the network transaction processing business of SPS, has enabled us to offer our existing products to new market segments as well as provide additional products to existing clients. The network services we provide include authorization, data capture and financial settlement of transactions. We also provide merchants with on-line, two-way mail messaging that allows our clients to improve communications with their individual locations by broadcasting and receiving messages through their terminal devices. We support our clients with a comprehensive help desk, operating 24 hours per day and seven days per week, as well as terminal deployment and servicing.

We are one of the leaders in delivering new applications at the point-of-sale, including video and audio electronic frequency and loyalty programs, instant credit applications, and transponder and radio frequency payment devices. We are active participants in establishing industry point-of-sale standards.

MERCHANT BANKING SERVICES. Our merchant banking services include fast and accurate financial settlement of MasterCard, Visa, Discover, American Express and other electronic card transactions, including credit, debit and stored value cards. By providing merchant banking services, we offer our clients the flexibility to maintain their current settlement provider or to streamline their end-to-end transaction processing with one provider. The merchant banking services we provide also include daily deposit verification and accounting reports.

CARDHOLDER PROCESSING AND SERVICING. As reported in the Nilson Report, in 1998 we were the second largest outsourcer of retail private label card programs in the U.S., with 57 million accounts on file. We assist clients in issuing credit cards branded with the retailer's name or logo that can be used by customers at the client's store locations. We also provide service and maintenance to our clients' private label card programs and can assist our clients in acquiring, retaining and managing valuable repeat customers. Our commercial card processing and servicing capabilities are specifically designed to handle the unique requirements associated with providing a credit card program to businesses. Our services include new account processing, risk management, card embossing, credit authorization, statement and invoice printing and mailing, and customer service.

ACCOUNT PROCESSING. We have developed a proprietary credit card system designed specifically for retailers that offers significant flexibility in processing accounts. We are able to make changes to accommodate our clients' specific needs easily and quickly. We have also built into the system marketing tools to assist our clients in increasing sales. Customer service screens have prompts that, based on information from our client and the proprietary program, directs the customer service representative to extend a promotional message. We also provide credit card production services in a secured environment, embossing 9.7 million new cards in 1998.

CUSTOMER CARE. Our retail heritage lies at the core of our culture and is evident in our customer care operations. We answer calls in an average of eight seconds, approximately 12 seconds faster than the industry average. We focus our training programs in all areas on achieving the highest possible standards. We monitor our performance by conducting cardholder and store employee surveys. We have over 5,000 call center seats in 12 locations, handling nearly 100 million customer inquiries in 1998. Our call centers are equipped to handle phone, mail, fax and Internet inquiries. We also provide collection activities to support our retail private label programs, where we demonstrate our merchant mentality in our approach to maintaining the customer relationship, within reasonable parameters, even when charge privileges have been suspended.

BILLING AND PAYMENT PROCESSING. We use highly automated technology for bill preparation, printing and mailing. Comingling statements, presorting and bar coding allow us to take advantage of postal discounts. In 1998, we generated over 130 million statements on behalf of our clients. In addition, we also process cardholder remittances using state-of-the-art technology to maximize efficiency. By doing

so, we can improve the funds availability for both our clients and for those private label receivables that we own or securitize.

CREDIT SERVICES

Through WFNNB, we offer our clients the experience and flexibility to provide a funding vehicle for credit card receivables. This service appeals to those clients that choose to focus their financial and operational resources on their core operations and prefer a single-source integrated solution. As part of this service, we currently provide underwriting and risk management services to 44 of our 49 private label credit card clients, representing 51.1 million cardholders and $2.0 billion of receivables as of September 30, 1999. Tracing back to our predecessor company, we have gained significant experience and expertise in successfully managing private label portfolios since 1986. Our Credit Services segment provides underwriting, risk management and fraud prevention services.

ACCOUNT UNDERWRITING AND CREDIT GUIDELINES. Our underwriting process involves the purchase of credit bureau information for each credit applicant. We obtain a credit report from one of the major credit bureaus based on the applicant's mailing address and the perceived strength of each credit bureau in that geographic region. The initial credit evaluation process uses one of our six proprietary scorecards that have been refined to reflect performance of the various retail programs. The scorecards are continuously validated, monitored and maintained and the resulting data is used to ensure optimal risk performance.

RISK MANAGEMENT. We monitor and control the quality of our portfolio by using behavioral scoring models to score each active account on its monthly cycle date. The behavioral scoring models dynamically evaluate credit limit assignments to determine whether or not credit limits should be increased, decreased or maintained and to establish pricing on fees based on the credit worthiness of the individual cardholder. Our proprietary scoring models consider such factors as how long the account has been on file, credit utilization, shopping patterns and trends, payment history and account delinquency.

DELINQUENCY AND COLLECTIONS PROCEDURES. We consider an account delinquent if the minimum payment due is not received by the billing due date. At that time, we give the account a status of 30 days delinquent. Under current policies, we print a message requesting payment on a consumer cardholder's billing statement after a scheduled payment has been missed. After an account becomes 30 days past due, a proprietary collection scoring algorithm system automatically scores the risk of the account rolling to a more delinquent status. The collection system then assigns a collection strategy to the account based on the collection score and account balance. The strategy dictates the contact schedule and collections priority for the account. Using these procedures helps us improve our collection efforts. If we are unable to make a collection after exhausting all in-house efforts, we engage collection agencies and outside attorneys to continue those efforts.

ASSET QUALITY

Our delinquency and net credit card receivable charge-off rates at any point in time reflect, among other factors, the credit risk of credit card receivables, the average age of our various credit card account portfolios, the success of our collection and recovery efforts, and general economic conditions. The average age of our credit card portfolio affects the stability of delinquency and loss rates of the portfolio. We continue to focus our resources on refining our credit underwriting standards for new accounts, and on collections and post charge-off recovery efforts to minimize net losses. At September 30, 1999, 21.1% of securitized accounts and 37.4% of securitized loans were less than 24 months old. Accordingly, we believe that our loan portfolio will experience increasing or fluctuating levels of delinquency and loan losses as the average age of our accounts increases.

This trend is reflected in the change in our net charge-off ratio. For the nine months ended September 30, 1999, our securitized net charge-off ratio on a annualized basis was 6.7% compared to 6.7% for the nine months ended September 30, 1998. For fiscal 1998, our net charge-off ratio was 7.7%, compared to 7.0% for fiscal 1996 and 8.3% for fiscal 1997. We believe, consistent with our statistical models and other credit analyses, that this rate will continue to fluctuate but generally rise over the next year.

Our strategy for managing credit card receivable losses consists of credit line management and customer purchase authorizations. Credit card receivable losses are further managed through the offering of credit lines which are generally lower than is currently standard in the industry. Individual accounts and their related credit lines are also continually managed using various marketing, credit and other management processes in order to continue to maximize the profitability of accounts.

DELINQUENCIES. Delinquencies not only have the potential to affect earnings in the form of net loan losses, but are also costly in terms of the personnel and other resources dedicated to their resolution. A credit card account is contractually delinquent if the minimum payment is not received by the specified due date on the cardholder's statement. It is our policy to continue to accrue interest and fee income on all credit card accounts, except in limited circumstances, until the account and all related loans, interest and other fees are charged off. The following table presents the delinquency trends of our credit card loan portfolio on a securitized basis:

	FEBRUARY 1, 1997	% OF TOTAL	JANUARY 31, 1998	% OF TOTAL	DECEMBER 31, 1998	% OF TOTAL	SEPTEMBER 30, 1998	% OF TOTAL
Receivables outstanding	$1,685,622	100.0%	$2,020,599	100.0%	$2,135,340	100.0%	$1,855,544	100.0%
Loans contractually delinquent:								
31 to 60 days	54,904	3.3%	62,663	3.1%	52,581	2.5	53,048	2.9
61 to 90 days	28,133	1.7%	33,010	1.6%	29,925	1.4	32,266	1.7
91 or more days	42,777	2.5%	50,312	2.5%	53,885	2.5	55,385	3.0
Total	$ 125,814	7.5%	$ 145,984	7.2%	$ 136,391	6.4%	$ 140,699	7.6%

	SEPTEMBER 30, 1999	% OF TOTAL
Receivables outstanding	$2,011,628	100.0%
Loans contractually delinquent:		
31 to 60 days	54,860	2.7
61 to 90 days	32,897	1.6
91 or more days	54,824	2.7
Total	$ 142,581	7.0%

The above numbers reflect the continued seasoning of our securitized loan portfolio. We intend to continue to focus our resources on our collection efforts to minimize the negative impact to net loan losses that results from increased delinquency levels.

NET CHARGE-OFFS. Net charge-offs include the principal amount of losses from cardholders unwilling or unable to pay their credit card balances, as well as bankrupt and deceased cardholders, less current period recoveries. Net charge-offs exclude accrued finance charges and fees. The following table presents our net charge-offs for the periods indicated on a securitized basis:

	FISCAL			NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1997	1998	1998	1999
	(DOLLARS IN THOUSANDS)				
Average loans outstanding(1)	$1,261,833	1,615,196	$1,914,107	$1,905,927	$2,013,308
Net charge-offs	88,425	133,515	135,478	95,960	101,850
Net charge-offs as a percentage of average loans outstanding(2)	7.0%	8.3%	7.7%	6.7%	6.7%

- ------------------------

(1) Average loans outstanding is the average of the securitized receivables at the beginning of each month in the period indicated.

(2) Annualized.

AGE OF PORTFOLIO. The following table sets forth, as of September 30, 1999, the number of total accounts and amount of outstanding loans, based upon the age of the securitized accounts:

AGE SINCE ORIGINATION	NUMBER OF ACCOUNTS	PERCENTAGE OF ACCOUNTS	LOANS OUTSTANDING	PERCENTAGE OF LOANS OUTSTANDING
			(DOLLARS IN THOUSANDS)	
0-5 Months	3,161	5.4%	$218,851	10.9%
6-11 Months	3,127	5.4	200,981	10.0
12-17 Months	3,099	5.3	180,381	9.0
18-23 Months	2,944	5.0	151,663	7.5
24-35 Months	5,856	10.1	252,602	12.6
36+ Months	40,144	68.8	1,007,150	50.0
Total	58,331	100.0%	2,$011,628	100.0%

SAFEGUARDS TO OUR BUSINESS

DISASTER AND CONTINGENCY PLANNING. We have a number of safeguards to protect us from the risks we face as a business and as an industry. Given the significant amount of data that we manage, much of which is real-time data to support our clients' commerce initiatives, we have established redundant facilities for our data centers. We operate two data processing centers. In the event we experience an outage in one of our two data centers, we can move all processing to the other data center. Additionally, we have contracted with a third party to provide disaster and contingency planning in the event that both data centers experience an outage.

PROTECTION OF INTELLECTUAL PROPERTY AND OTHER PROPRIETARY RIGHTS. We rely on a combination of copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions and other similar measures to protect our proprietary information and technology. We do not currently hold any patents nor do we have any patent applications pending.

We generally enter into confidentiality or license agreements with our employees, consultants and corporate partners, and generally control access to and distribution of our technology, documentation and other proprietary information. Despite the efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain the use of our products or technology that we consider proprietary and third parties may attempt to develop similar technology independently. We pursue registration and protection of our trademarks primarily in the U.S. and Canada, although we do seek protection elsewhere in selected key markets. Effective protection of intellectual property rights may be unavailable or limited in some countries. The laws of some countries do not protect our proprietary rights to the same extent as in the U.S. and Canada.

COMPETITION

The markets for our products and services are highly competitive. We compete with traditional and online marketing companies, credit card issuers and data processing companies, as well as with the in-house staffs of our current and potential clients.

LOYALTY AND DATABASE MARKETING SERVICES. As a provider of loyalty and database marketing products and services, we generally compete with advertising and other promotional and loyalty programs, both traditional and online, for a portion of a client's total marketing budget. In addition, we compete against internally developed products and services created by our existing and potential clients. For each of our loyalty and database products and services, we expect competition to intensify as more competitors enter our market. In addition, new competitors with our Air Miles reward program may target our sponsors and reward miles collectors as well as draw rewards from our rewards suppliers. Our ability to generate significant revenue from clients and loyalty partners will depend on our ability

to differentiate ourselves through the products and services we provide and the attractiveness of our loyalty and rewards programs to consumers. The continued attractiveness of our loyalty and rewards programs will depend in large part on our ability to remain affiliated with sponsors that are desirable to consumers and to offer rewards that are both attainable and attractive to consumers. Intensifying competition will make it more difficult for us to do this. For our database marketing services, our ability to continue to capture detailed transaction data on consumers is critical in providing effective CRM strategies for our clients.

TRANSACTION SERVICES. The payment processing industry is highly competitive, especially among the five largest payment processors in the U.S., which processed approximately 14 billion transactions during 1998. On a pro forma basis, we would have been the fourth largest payment processor in the U.S., processing 1.8 billion transactions during 1998. Our top three competitors have built their businesses by focusing on merchant banking relationships, while our focus has been on industry segments characterized by companies with large customer bases, customer rich data and high transaction volumes. Our focus on specific market sectors allows us to develop and deliver solutions targeted to the needs of these sectors. This focus is consistent with our marketing strategy for all products and services. Additionally, we believe we effectively distinguish ourselves from other payment processors by providing solutions that help our clients leverage investments they have made in their payment systems by using these systems for electronic marketing programs.

CREDIT SERVICES. Within our Credit Services business, our competition consists primarily of financial institutions whose marketing focus has been on developing credit card programs with large revolving balances. Our competition further drives their businesses by cross selling their other financial products to their cardholders. Our focus has been on targeting retailers that understand the competitive advantage of developing loyal customers. Typically these retailers have customers that make more frequent and smaller transactions. This results in the effective capture of detail-rich data within our database marketing services, allowing us to mine and analyze this data to develop successful CRM strategies for our clients.

As an issuer of private label credit cards, we compete with other card payment types, primarily general-purpose credit cards like Visa, MasterCard and American Express, as well as cash, checks and debit cards.

REGULATION

PRIVACY LEGISLATION. The enactment of legislation or industry regulations arising from public concern over consumer privacy issues could have a material adverse impact on our loyalty and database marketing services. Restrictions could be placed upon the collection and use of information, in which case our cost of collecting some kinds of data might be materially increased. Legislation or industry regulation could also prohibit us from collecting or disseminating certain types of data, which could adversely affect our ability to meet our clients' expectations.

In November 1999, President Clinton signed into law the Gramm-Leach-Bliley Act, which requires financial institutions to comply with various notice procedures in order to disclose nonpublic personal information about their consumers to nonaffiliated third parties and restricts their ability to share account numbers. The requirements of this law also apply to the disclosure of any list, description or other grouping of consumers derived from nonpublic personal information. This law makes it more difficult to collect and use information that has been legally available and may increase our costs of collecting some data. This law could have a material adverse effect on our business, financial condition and operating results.

The Clinton Administration is investigating further administrative action in the area of privacy. In addition, Congress and a number of states are considering further privacy legislation. It is possible that

new privacy protections will not be limited to financial institutions but could broadly apply to the activities of all companies.

The Canadian federal government and Minister of Industry of Canada are sponsoring comprehensive private sector privacy legislation that would apply to organizations engaged in any commercial activities in Canada. Because the legislation has government support, it will likely be enacted in the near term. If enacted as currently proposed, it would enact into law 10 privacy principles from the Canadian Standards Association's Model Privacy Code. The bill would also require organizations to obtain consent to the collection, use or disclosure of personal information. The nature of the required consent will depend on the sensitivity of the personal information and will permit personal information to be used only for the purposes for which it was collected. The Province of Quebec has had similar privacy legislation applicable to the private sector in that province since 1994 and other provinces are considering further privacy legislation.

FAIR CREDIT REPORTING ACT. The Fair Credit Reporting Act regulates consumer reporting agencies. Under this Act, an entity risks becoming a consumer reporting agency if it furnishes consumer reports to third parties. A consumer report is a communication of information which bears on a consumer's creditworthiness, credit capacity, credit standing or certain other characteristics and which is collected or used or expected to be used to determine the consumer's eligibility for credit, insurance, employment or certain other purposes. The Fair Credit Reporting Act explicitly excludes from the definition of consumer report a report containing information solely as to transactions or experiences between the consumer and the entity making the report. An entity may share consumer reports with any of its affiliates so long as that entity provides consumers with an appropriate disclosure and an opportunity to opt out of this affiliate sharing.

Our objective is to conduct our operations in a manner that would fall outside the definition of consumer reporting agency under the Fair Credit Reporting Act. If we were deemed to be a consumer reporting agency, however, we would be subject to a number of complex and burdensome regulatory requirements and restrictions. These restrictions could have a significant adverse economic impact on us.

INTERSTATE TAXATION. Several states have passed legislation that attempts to tax the income from interstate financial activities, including credit cards, derived from accounts held by local state residents. We believe that this legislation will not materially affect us. Our belief is based upon current interpretations of the enforceability of such legislation, prior court decisions and the volume of business we conduct in states that have passed legislation.

REGULATION OF THE BANK. WFNNB is a credit card bank chartered as a national banking association and a member of the Federal Reserve System. Its deposits are insured by the Bank Insurance Fund, which is administered by the Federal Deposit Insurance Corporation. WFNNB is subject to comprehensive regulation and periodic examination by the Office of the Comptroller of the Currency, or the OCC, its primary regulator, and is also subject to regulation by the Board of Governors of the Federal Reserve System and the FDIC, as back-up regulators. WFNNB is not a "bank" as defined under the Bank Holding Company Act; instead, it is a credit card bank because it is in compliance with the following requirements:

- it engages only in credit card operations;

- it does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties or others;

- it does not accept any savings or time deposits of less than $100,000, except for deposits pledged as collateral for extensions of credit;

- it maintains only one office that accepts deposits; and

- it does not engage in the business of making commercial loans.

If WFNNB failed to meet the credit card bank criteria described above, WFNNB's status as an insured bank would make us subject to the provisions of the Bank Holding Company Act. We believe that becoming a bank holding company would significantly harm us, as we would be required to either divest our non-banking activities or cease all activities that are not permissible for a bank holding company and its affiliates.

INVESTMENT IN OUR COMPANY AND WORLD FINANCIAL NETWORK NATIONAL BANK. Because of our ownership of WFNNB, certain acquisitions of our common stock may be subject to regulatory approval or notice under Federal law. Investors are responsible for insuring that they do not directly or indirectly acquire our common stock in excess of the amount that can be acquired without regulatory approval.

EXPORTATION OF INTEREST RATES AND FEES. National banks such as WFNNB may charge interest at the rate allowed by the laws of the state where the bank is located, and may "export" those interest rates on loans to borrowers in other states, without regard to the laws of such other states. In 1996, the United States Supreme Court ruled that national banks may also impose fees material to a determination of the interest rate allowed by the laws of the state where the national bank is located on borrowers in other states, without regard to the laws of such other states. The Supreme Court based its opinion largely on its deference to a regulation adopted by the OCC that includes certain fees, including late fees, over limit fees, annual fees, cash advance fees and membership fees, within the term "interest" under the provision of the National Bank Act that has been interpreted to permit national banks to export interest rates. As a result, national banks such as WFNNB may export such fees.

DIVIDENDS AND TRANSFERS OF FUNDS. Federal law limits the extent to which WFNNB can finance or otherwise supply funds to us and our affiliates through dividends, loans or otherwise. These limitations include:

- minimum regulatory capital requirements; and

- restrictions concerning the payment of dividends out of net profits or surplus and Sections 23A and 23B of the Federal Reserve Act governing transactions between a bank and its affiliates.

In general, Federal law prohibits a national bank such as WFNNB from making dividend distributions on common stock if the dividend would exceed currently available undistributed profits. In addition, WFNNB must get OCC prior approval for a dividend if the distribution would exceed current year net income combined with retained earnings from the prior two years less dividends paid in the current fiscal year. WFNNB cannot make a dividend payment if the distribution would cause it to fail to meet applicable capital adequacy standards.

COMPTROLLER OF THE CURRENCY

SAFETY AND SOUNDNESS. The Federal Deposit Insurance Corporation Improvement Act of 1991 requires banking agencies to prescribe certain non-capital standards for safety and soundness relating generally to operations and management, asset quality and executive compensation. The Improvement Act also provides that regulatory action may be taken against a bank that does not meet such standards.

CAPITAL ADEQUACY. The OCC has adopted regulations that define the five capital categories for banks: (1) well capitalized, (2) adequately capitalized, (3) undercapitalized, (4) significantly undercapitalized and (5) critically undercapitalized. These categories are identified by the Improvement Act, using the total risk-based capital, Tier 1 risk-based capital and leveraged capital ratios as the relevant capital measures. Such regulations establish various degrees of corrective action to be taken when an institution is considered undercapitalized. Under the regulations, a "well capitalized" institution must have a Tier 1 capital ratio of at least six percent, a total capital ratio of at least 10 percent and a leverage ratio of at least five percent and not be subject to a capital directive order. An "adequately capitalized" institution must have a Tier 1 capital ratio of at least four percent, a total capital ratio of at least eight percent and a leverage ratio of at least four percent, but three percent is allowed in some cases. Under these guidelines, WFNNB is considered well capitalized. As of September 30, 1999, WFNNB's Tier 1 capital ratio was 52.1, total capital ratio was 53.3 and leverage ratio was 54.2.

The OCC's risk-based capital standards explicitly consider a bank's exposure to declines in the economic value of its capital due to changes in interest rates when evaluating a bank's capital adequacy. Interest rate risk is the exposure of a bank's current and future earnings and equity capital arising from adverse movements in interest rates. The evaluation will be made as a part of the institution's regular safety and soundness examination.

FEDERAL DEPOSIT INSURANCE CORPORATION IMPROVEMENT ACT OF 1991. The Improvement Act requires the FDIC to implement a system of risk-based premiums for deposit insurance. Pursuant to this system, the premiums paid by a depository institution will be based on the probability that the FDIC will incur a loss in respect of that institution. The FDIC has adopted a system that imposes insurance premiums based upon a matrix that takes into account a bank's capital level and supervisory rating. Due to its capital level and supervisory rating, WFNNB currently pays the lowest rate on deposit insurance premiums.

Under the Improvement Act, only "well capitalized" and "adequately capitalized" banks may accept brokered deposits. "Adequately capitalized" banks, however, must first obtain a waiver from the FDIC before accepting brokered deposits and these deposits may not pay rates that significantly exceed the rates paid on deposits of similar size and maturity accepted from the bank's normal market area or the national rate on deposits of comparable maturity, as determined by the FDIC, for deposits from outside the bank's normal market area. WFNNB issues certificates of deposit in amounts of $100,000 or greater.

LENDING ACTIVITIES. WFNNB's activities as a credit card lender are also subject to regulation under various Federal consumer protection laws including the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Community Reinvestment Act, the Soldiers' and Sailors' Civil Relief Act, and under state consumer protection laws. Regulators are authorized to impose penalties for violations of these statutes and, in certain cases, to order banks such as WFNNB to pay restitution to injured cardholders. Cardholders may also bring actions of certain alleged violations of such regulations. Federal and state bankruptcy and debtor relief laws also affect WFNNB's ability to collect outstanding balances owed by cardholders who seek relief under these laws.

For the purposes of the OCC's Community Reinvestment Act Regulations, WFNNB has applied for and received a limited purpose designation. The regulations subject banks receiving such a designation to a community development test for evaluating required Community Reinvestment Act compliance. The community development performance of a limited purpose bank is evaluated pursuant to various criteria involving qualified investments and community development services. As of September 30, 1999, WFNNB had met its minimum responsibilities under the Act.

CONSUMER AND DEBTOR PROTECTION LAWS. From time to time legislation has been proposed in Congress to limit interest rates and fees that could be charged on credit card accounts or otherwise restrict practices of credit card issuers. If this or similar legislation is proposed and adopted, our ability to collect on account balances or maintain previous levels of finance charges and other fees could be adversely affected. Additionally, changes have been proposed to the Federal bankruptcy laws. Changes in Federal bankruptcy laws and any changes to state debtor relief and collection laws could adversely affect us if these changes result in, among other things, accounts being charged off as uncollectible and additional administrative expenses. It is unclear at this time whether and in what form any legislation will be adopted or, if adopted, what its impact on us would be. Congress may in the future consider other legislation that would materially affect the credit card and related fee-based services industries.

Existing laws and regulations may permit class action lawsuits on behalf of customers in the event of violations of applicable laws, and these lawsuits can be very expensive to defend, even without any violation. If a class action were determined adversely, it might have a material adverse effect on us.

EMPLOYEES

As of December 31, 1999, we employed approximately 5,200 people in the U.S., Canada and New Zealand.

LEGAL PROCEEDINGS

From time to time, we are involved in various claims and lawsuits incidental to our business, including claims and lawsuits alleging breaches of contractual obligations. A breach of contract claim was filed against us in July 1999 by Service Merchandise, Inc. in U.S. Bankruptcy Court for the Middle District of Tennessee. Service Merchandise is in voluntary Chapter 11 bankruptcy and alleges that WFNNB breached its contractual obligation by changing its underwriting standards for newly created credit card accounts, causing Service Merchandise to suspend performance under the agreement and subsequently to terminate it. Alleged damages have not been specified. As of September 30, 1999, we had a balance of $149.3 million in credit card receivables related to the Service Merchandise agreement. We believe this suit is without merit and we intend to defend it vigorously. Although the outcome of this matter is undetermined, we do not believe that this will have a material adverse effect on our business, financial condition or operating results.

PROPERTIES

The following table sets forth information with respect to our principal facilities.

LOCATION	SEGMENT	CURRENT MONTHLY LEASE RATE	APPROXIMATE SQUARE FOOTAGE
Northglenn, Colorado	Transaction Services	$ 37,104	65,000
Buffalo Grove, Illinois	Transaction Services	$ 35,399	24,136
Lenexa, Kansas	Transaction Services	$ 45,244	65,000
Mission, Kansas	Transaction Services	$ 14,107	40,019
Minneapolis, Minnesota	Loyalty and Database Marketing Services and Transaction Services	$ 4,386	3,105
Minneapolis, Minnesota	Loyalty and Database Marketing Services and Transaction Services	$ 31,997	28,442
Voorhees, New Jersey	Transaction Services	$ 75, 431	67,050
Columbus, Ohio	Transaction Services	$ 36,536	103,161
Columbus, Ohio	Transaction Services and Credit Services	$ 69,407	100,800
Columbus, Ohio	Transaction Services	$ 14,400	57,600
Columbus, Ohio	Loyalty and Database Marketing Services, Transaction Services and Credit Services	$ 40,733	54,615
Columbus, Ohio	Transaction Services and Credit Services	$ 25,535	32,255
Columbus, Ohio	Loyalty and Database Marketing Services, Transaction Services and Credit Services	$ 10,820	39,951
Marietta, Ohio	Credit Services	$ 5,200	6,240
Gray, Tennessee	Transaction Services	$ 2,500	1,930
Dallas, Texas	Loyalty and Database Marketing Services and Transaction Services	$ 114,228	114,419
Dallas, Texas	Loyalty and Database Marketing Services, Transaction Services and Credit Services	$ 57,479	61,750
Dallas, Texas	Transaction Services	$ 18,224	72,897
San Antonio, Texas	Transaction Services	$ 47,692	67,540
Mississauga, Ontario, Canada	Loyalty and Database Marketing Services	$ 42,500	40,000
Toronto, Ontario, Canada	Loyalty and Database Marketing Services	$ 81,492	91,534
Montreal, Quebec, Canada	Loyalty and Database Marketing Services	$ 3,125	5,000
Calgary, Alberta, Canada	Loyalty and Database Marketing Services	$ 9,066	8,059
Auckland, New Zealand	Transaction Services	$ 12,041	11,700
Total		$ 834,646	1,162,203

LOCATION	LEASE EXPIRATION DATE
Northglenn, Colorado	August 31, 2007
Buffalo Grove, Illinois	February 29, 2010
Lenexa, Kansas	January 31, 2008
Mission, Kansas	June 30, 2000
Minneapolis, Minnesota	August 31, 2004
Minneapolis, Minnesota	August 31, 2004
Voorhees, New Jersey	January 1, 2005
Columbus, Ohio	January 31, 2008
Columbus, Ohio	January 25, 2001
Columbus, Ohio	August 31, 2004
Columbus, Ohio	August 31, 2007
Columbus, Ohio	August 31, 2007
Columbus, Ohio	August 31, 2002
Marietta, Ohio	April 30, 2000
Gray, Tennessee	November 14, 2000
Dallas, Texas	November 30, 2009
Dallas, Texas	July 31, 2007
Dallas, Texas	April 30, 2006
San Antonio, Texas	January 31, 2002
Mississauga, Ontario, Canada	August 31, 2009
Toronto, Ontario, Canada	September 16, 2007
Montreal, Quebec, Canada	June 30, 2009
Calgary, Alberta, Canada	December 31, 2004
Auckland, New Zealand	September 13, 2005
Total	

We recently signed an amendment to the lease for one of our properties in Dallas, Texas. The amendment provides for the construction and lease of an

expansion building adjacent to one of our existing buildings. We expect the expansion building to be completed by October 11, 2000. We believe our current and proposed facilities are suitable to our businesses and that we will be able to lease, purchase or newly construct additional facilities as needed.

The following table sets forth the name, age and positions of each of our executive officers, business unit presidents and directors as of September 30, 1999:

NAME	AGE	POSITION
J. Michael Parks	48	Chairman of the Board of Directors, Chief Executive Officer and President
Ivan Szeftel	46	Executive Vice President and President, Retail Credit Services
John Scullion	42	President and Chief Executive Officer, The Loyalty Group
Ronald G. Carter	48	Executive Vice President and President, Network Services
James E. Anderson	45	Executive Vice President and President, Utilities Services
Michael A. Beltz	43	Executive Vice President and President, Business Development and Planning
Edward K. Mims	49	Executive Vice President and Chief Financial Officer
Dwayne H. Tucker	43	Senior Vice President, Human Resources and Administration
Steven T. Walensky	42	Senior Vice President, Chief Information Officer
Robert P. Armiak	38	Vice President and Treasurer
Michael D. Kubic	44	Vice President, Corporate Controller and Chief Accounting Officer
Carolyn S. Melvin	46	Vice President, Secretary and General Counsel
Richard E. Schumacher, Jr	32	Vice President, Tax
Bruce K. Anderson	59	Director
Anthony J. deNicola	35	Director
Daniel P. Finkelman	43	Director
Robert A. Minicucci	47	Director
Bruce A. Soll	42	Director

J. MICHAEL PARKS, chairman of the board of directors, chief executive officer and president, joined us in March 1997. Before joining us, Mr. Parks was president of First Data Resources, the credit card processing and billing division of First Data Corporation, from December 1993 to July 1994. Mr. Parks joined First Data Corporation in July 1976 where he gained increased responsibility for sales, service, operations and profit and loss management during his 18 years of service. Mr. Parks holds a Bachelor's degree from the University of Kansas.

IVAN SZEFTEL, executive vice president and president of our Retail Services business unit, joined us in May 1998. Before joining us, he served as chief operating officer of Forman Mills, Inc. from November 1996 to April 1998. Prior to that, he served as executive vice president and chief financial officer of Charming Shoppes, Inc. from November 1981 to February 1996. Mr. Szeftel holds Bachelor's and post graduate degrees from the University of Cape Town and is a Certified Public Accountant in the State of Pennsylvania.

JOHN SCULLION, president and chief executive officer of Loyalty Management Group Canada Inc., joined The Loyalty Group in October 1993. Prior to becoming president, he served as chief operating officer for The Loyalty Group. Prior to that, he served as chief financial officer of The Rider Group from September 1988 to October 1993. Mr. Scullion holds a Bachelor's degree from the University of Toronto.

RONALD G. CARTER, executive vice president and president of our Network Services business unit, joined us in February 1998. Before joining us, he served as president of BuyPass Corporation, the network services division of Concord EFS, Inc., from June 1995 to February 1998. Prior to BuyPass Corporation, he held positions at First Data Corporation from August 1992 to January 1995. Mr. Carter holds a Bachelor's degree from the University of Tulsa.

JAMES E. ANDERSON, executive vice president and president of our Utilities Services business unit, joined us in May 1997. Before joining us, he served as executive vice president of Bank Card Services, a business unit of First Data Corporation, from December 1994 to March 1997, where he was responsible for acquisition integration and various processing units. He holds a Bachelor's degree from the University of Iowa and a Master's degree from National University.

MICHAEL A. BELTZ, executive vice president and president of business development and planning, joined us in May 1997. He is responsible for database marketing services, new market identification, corporate product development and marketing, acquisitions and strategic planning. Before joining us, he served as executive vice president of sales and acquisitions of First Data Corporation from July 1983 to April 1997. Mr. Beltz holds a Bachelor's degree from the University of Nebraska.

EDWARD K. MIMS, executive vice president and chief financial officer, joined us in February 1998. Before joining us, he had served as executive vice president and chief financial officer of Vidpro International Inc. from May 1997 to February 1998. Prior to that, he had served as executive vice president and chief financial officer of Comerica Bank--Texas from October 1983 to March 1997. He holds a Bachelor's degree from Southern Methodist University and is a Certified Public Accountant in the State of Texas.

DWAYNE H. TUCKER, senior vice president of human resources and administration, joined us in June 1999. He is responsible for recruitment, organization development, training, facilities and corporate communications. Before joining us, he served as vice president of human resources for Northwest Airlines from February 1998 to February 1999 and as senior vice president of human resources for First Data Corporation from March 1990 to February 1998. Mr. Tucker holds a Bachelor's degree from Tennessee State University.

STEVEN T. WALENSKY, senior vice president and chief information officer, joined us in July 1998. He is responsible for the management of the corporate information services organization. Before joining us, he served as senior vice president of data center services for First Data Corporation from October 1995 to June 1998. Prior to that, he held management positions with Visa International and Sprint. Mr. Walensky holds a Bachelor's degree from Rockhurst College located in Kansas City, Missouri.

ROBERT P. ARMIAK, vice president and treasurer, joined us in February 1996. He is responsible for cash management, hedging strategy, risk management and capital structure. Before joining us, he held several positions, including most recently, treasurer, at FTD Inc. from August 1990 to February 1996. He holds a Bachelor's degree from Michigan State University and an MBA from Wayne State University.

MICHAEL D. KUBIC, vice president, corporate controller and chief accounting officer, joined us in October 1999. Before joining us, he served as vice president of finance for Kevco, Inc. from March 1999 to October 1999. Prior to that he served as vice president and corporate controller for BancTec, Inc. from September 1993 to February 1998. Mr. Kubic holds a Bachelor's degree from the University of Massachusetts and is a Certified Public Accountant in the State of Texas.

CAROLYN S. MELVIN, vice president of Legal Services, general counsel and secretary, joined us in September 1995 as vice president, general counsel and secretary of WFNNB. She is responsible for legal, audit and compliance. Before joining us, she served as vice president and counsel for National City Corporation from December 1982 until September 1995. Ms. Melvin holds a B.A. degree from Dickinson College and a J.D. from Ohio State University College of Law.

RICHARD E. SCHUMACHER, JR., vice president of tax, joined us in October 1999. He is responsible for corporate tax affairs. Before joining us, he served as tax senior manager for Deloitte & Touche, LLP from 1989 to October 1999 where he was responsible for client tax services, practice management and was in the national tax practice serving the banking and financial services industry. Mr. Schumacher holds a Bachelor's degree from Ohio State University and a Master's from Capital University Law and Graduate School and is a Certified Public Accountant in the State of Ohio.

BRUCE K. ANDERSON has served as a director since our merger in August 1996. Since March 1979, he has been a partner and co-founder of the investment firm, Welsh, Carson, Anderson and Stowe. Prior to that, he spent nine years with ADP where as executive vice president and a member of the board of directors, he was active in corporate development and general management. Before joining ADP, Mr. Anderson spent four years in computer marketing with IBM and two years in consulting. Mr. Anderson is currently a director of Amdocs Limited. He holds a Bachelor's degree from the University of Minnesota.

ANTHONY J. DENICOLA has served as a director since our merger in August 1996. Mr. deNicola is a partner with Welsh, Carson, Anderson and Stowe, joining the firm in April 1994. Prior to that, he spent four years with William Blair & Company, financing middle market buy-outs from July 1990 to February 1994. Mr. deNicola is currently a director of Centennial Cellular Corporation. He holds a Bachelor's degree from DePauw University and an MBA from Harvard Business School.

DANIEL P. FINKELMAN has served as a director since January 1998. Mr. Finkelman is senior vice president of The Limited, Inc. and is responsible for all brand and business planning for that specialty retailer. He has been employed with The Limited since August 1996. Before joining The Limited, he was self-employed as a consultant from February 1996 to August 1996 and he served as executive vice president of marketing for Cardinal Health, Inc. from May 1994 to February 1996. Prior to that, he was a partner with McKinsey & Company where he was co-leader of the firm's marketing practice, focusing on loyalty and customer relationship management. Mr. Finkelman holds a Bachelor's degree from Grinnell College and graduated as a Baker Scholar at Harvard Business School.

ROBERT A. MINICUCCI has served as a director since our merger in August 1996. Mr. Minicucci is a partner with Welsh, Carson, Anderson and Stowe, joining the firm in August 1993. Before joining Welsh, Carson, Anderson and Stowe, he served as senior vice president and chief financial officer of First Data Corporation from December 1991 to August 1993. Mr. Minicucci is currently a director of Amdocs Limited. Mr. Minicucci holds a Bachelor's degree from Amherst College and an MBA from Harvard Business School.

BRUCE A. SOLL has served as a director since February 1996. Mr. Soll is senior vice president and counsel of The Limited, where he has been employed since September 1991. Before joining The Limited, he served as the Counsellor to the Secretary of Commerce in the Bush Administration from February 1989 to September 1991 where he was a senior policy official, focusing on international trade, telecommunications and technology. Mr. Soll holds a Bachelor's degree from Claremont McKenna College and a J.D. from the University of Southern California Law School.

CLASSES OF BOARD OF DIRECTORS

Our certificate of incorporation authorizes there to be between six and 12 directors. Our board of directors currently consists of six members and we intend to designate three additional independent directors before consummation of this offering. Our board is divided into three classes that serve staggered three-year terms, as follows:

CLASS	EXPIRATION OF TERM	MEMBERS
Class I	2000	--
Class II	2001	--
Class III	2002	--

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. There are no family relationships among any of our directors, executive officers or division presidents.

COMMITTEES OF THE BOARD OF DIRECTORS

Upon the consummation of this offering, our board of directors will establish an audit committee, which will consist of Messrs. , and , a compensation committee, which will consist of Messrs. and , and an executive committee, which will consist of Messrs. , , and .

The audit committee will review the scope and approach of the annual audit, our annual financial statements and related auditors' report and the auditors' comments relative to the adequacy of our system of internal controls and accounting systems. The audit committee will also recommend to our board of directors the appointment of independent public accountants for the following year. The audit committee will consist of at least three members, all of whom will be financially literate and will be independent directors. has significant experience in the [ACCOUNTING/FINANCE] industry. Our audit committee will adopt and periodically review a written charter that will specify the scope of its responsibilities.

The compensation committee will review management compensation levels and provide recommendations to our board of directors regarding salaries and other compensation for our executive officers, including bonuses and incentive plans, and will administer our stock option plan.

The executive committee will have the power and authority of our board of directors to manage our affairs between meetings. The executive committee will also regularly review significant corporate matters and recommend action as appropriate to our board of directors.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Prior to this offering, our board of directors as a whole made decisions relating to the compensation of Michael Parks and the executive officers reporting directly to him. During this time, Mr. Parks participated in all discussions concerning compensation of the executive officers reporting directly to him, except that Mr. Parks was excluded from discussions regarding his own compensation. None of our executive officers served as a member of the board of directors or the compensation committee of any entity that has one or more executive officers serving on our board of directors or on the compensation committee of our board of directors.

DIRECTOR COMPENSATION

Our directors do not currently receive compensation for their services as members of the board of directors. All directors are reimbursed for their reasonable out-of-pocket expenses in serving on the board of directors and any committee of the board of directors.

Non-employee directors currently participate in our stock option and restricted stock purchase plan. We anticipate compensating non-employee board members at a rate competitive with the market and industry peers in some combination of cash compensation and stock options. These plans have not been finalized as of this filing. Directors are reimbursed for reasonable out-of-pocket expenses incurred while serving on the board of directors and any committee of the board of directors.

EXECUTIVE COMPENSATION

The following table sets forth the annual and long-term compensation for each of the last three fiscal years for our chief executive officer and our four other most highly compensated executive officers during 1999. These five individuals are referred to as the named executive officers.

		ANNUAL COMPENSATION		LONG-TERM COMPENSATION	
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS(1)	SECURITIES UNDERLYING OPTIONS, SARS (#)	ALL OTHER COMPENSATION
J. Michael Parks(2).....	1999				
Chairman of the Board,	1998	$ 475,000	$ 440,000	--	$ 18,773
Chief Executive Officer and President	1997	$ 395,833	$ 160,000	428,571	$ 61,474
Ivan Szeftel(3).....	1999				
President, Retail Credit Services	1998	$ 192,115	$ 155,833	142,857	$ 29,430
Michael A. Beltz(4).....	1999				
Executive Vice President and President,	1998	$ 250,000	$ 220,000	85,714	$ 6,448
Business Development and Planning	1997	$ 163,141	$ 125,000	57,143	$ 64,112
Edward K. Mims(5).....	1999				
Executive Vice President and Chief Financial Officer	1998	$ 189,231	$ 123,750	71,429	$ 4,294
James E. Anderson(6).....	1999				
Executive Vice President and	1998	$ 202,500	$ 112,063	35,715	$ 5,770
President, Utilities Services	1997	$ 126,667	$ 70,000	35,714	$ 47,315

(1) Bonuses represent amounts earned by each executive officer during the referenced year, although paid in the following year. We historically pay bonuses each March for the prior year.

(2) Mr. Parks has been employed with us since March 1997.

(3) Mr. Szeftel has been employed with us since May 1998.

(4) Mr. Beltz has been employed with us since May 1997.

(5) Mr. Mims has been employed with us since February 1998.

(6) Mr. Anderson has been employed with us since May 1997.

All other compensation amounts include our matching contributions to the 401(k) and Retirement Savings Plan, the Supplemental Executive Retirement Plan, the life insurance premiums we pay on behalf of each executive officer, relocation expenses and sign-on bonuses as follows:

	YEAR	401(K) PLAN	LIFE INSURANCE PREMIUMS	SERP	RELOCATION	SIGN-ON BONUS
J. Michael Parks	1999				--	--
	1998	$10,743	$180	$7,850	--	--
	1997	$ 3,829	180	--	$57,465	--
Ivan Szeftel	1999				--	
	1998	$ 4,286	$144	--	--	$25,000
Michael A. Beltz	1999				--	--
	1998	$ 4,375	$120	--	$ 1,953	--
	1997	--	$120	--	$63,992	--
Edward K. Mims	1999				--	--
	1998	$ 4,186	$108	--	--	--
James E. Anderson	1999				--	--
	1998	$ 4,100	$ 91	--	$ 1,578	--
	1997	--	$ 91	--	$47,224	--

OPTION GRANTS IN LAST FISCAL YEAR

The following table sets forth certain information concerning option grants made to the named executive officers during 1999 pursuant to our stock option plan.

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM ($)(2)	
	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(#)	PERCENTAGE OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR(1)	EXERCISE PRICE ($/SH)	EXPIRATION DATE	5%	10%
J. Michael Parks	107,143	13.1%	$7.70	2/1/2008	$518,838	$1,314,838
Ivan Szeftel	28,571	3.5%	$7.70	2/1/2008	$138,357	$ 350,623
Michael A. Beltz	28,571	3.5%	$7.70	2/1/2008	$138,357	$ 350,623
Edward K. Mims	42,857	5.2%	$7.70	2/1/2008	$207,535	$ 525,935
James E. Anderson	42,857	5.2%	$7.70	2/1/2008	$207,535	$ 525,935

- ------------------------

(1) Options to purchase a total of 633,143 shares of common stock at an exercise price of $7.70 per share and options to purchase a total of 187,857 shares of common stock at an exercise price of $8.25 per share were granted in 1999.

(2) In accordance with the rules of the SEC, the amounts shown on this table represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. These gains are based on the assumed rates of stock appreciation of 5% and 10% compounded annually from the date the respective options were granted to their expiration date and do not reflect our estimates or projections of the future price of our common stock. The gains shown are net of the option exercise price, but do not include deductions for taxes or other expenses associated with the exercise. Actual gains, if any, on stock option exercises will depend on the future performance of our common stock, the option holder's continued employment through the option period, and the date on which the options are exercised.

OPTION EXERCISES IN LAST FISCAL YEAR

The following table sets forth certain information concerning all unexercised options held by the named executive officers as of December 31, 1999. No options were exercised during 1999.

	NUMBER OF UNEXERCISED OPTIONS AT FISCAL YEAR-END(#)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END(1)	
NAME	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
J. Michael Parks	267,857	267,857		
Ivan Szeftel	35,714	135,715		
Michael A. Beltz	46,429	125,000		
Edward K. Mims	17,857	96,429		
James E. Anderson	24,554	89,732		

- ------------------------

(1) Value for "in-the-money" options represents the positive spread between the respective exercise prices of outstanding options and the anticipated initial public offering price of $ per share.

EMPLOYMENT AND INDEMNIFICATION AGREEMENTS

We generally do not to enter into employment agreements with our employees. However, as part of some of our acquisitions, we have entered into agreements with selected key individuals to ensure the success of the integration of the acquisition and long-term business strategies. In addition, we have entered into letter agreements with Mr. Parks and Mr. Szeftel.

J. MICHAEL PARKS. Mr. Parks entered into an employment agreement effective March 10, 1997 to serve as our chairman of the board and chief executive officer. During the term of this agreement, Mr. Parks will receive a minimum base salary of $475,000. Mr. Parks is entitled to an incentive bonus of $400,000 based on the achievement of our annual financial goals. Under the agreement, Mr. Parks was granted options to purchase 428,571 shares of our common stock at an exercise price of $7.00 per share. Of these shares, 142,857 shares vested on Mr. Parks second year anniversary with us. The remaining 285,714 shares vest annually over four years based upon the achievement of corporate performance goals. Mr. Parks is entitled to participate in our 401(k) and Retirement Savings Plan, our 1999 Incentive Compensation Plan and any other employee benefits as provided to other senior executives.

IVAN SZEFTEL. Mr. Szeftel entered into an employment agreement dated May 4, 1998 to serve as the president of our retail services division. During the remaining term of his agreement, Mr. Szeftel is entitled to receive a minimum base salary of $325,000, subject to increases based on annual reviews. Mr. Szeftel is entitled to an incentive bonus of $200,000 based on the achievement of our annual financial goals. In addition, we granted Mr. Szeftel options to purchase 142,857 shares of our common stock at an exercise price of $7.00 per share. Mr. Szeftel is entitled to participate in our 401(k) and Retirement Savings Plan, our 1999 Incentive Compensation Plan and any other employee benefits as provided to other senior executives.

The employment agreement provides severance payments to Mr. Szeftel if we terminate his employment without cause or if Mr. Szeftel terminates his employment for good reason. In such cases, Mr. Szeftel will be entitled to six months base salary if terminated in his first year, nine months base salary if terminated in his second year and 12 months base salary if terminated after his second year.

STOCK OPTION AND RESTRICTED STOCK PURCHASE PLAN

We adopted the Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Purchase Plan in August 1996. This plan provides for grants of incentive stock options, nonqualified stock options and awards to selected employees, officers, directors and other persons

performing services for us or any of our subsidiaries. A total of 3,821,428 shares of common stock have been reserved for issuance pursuant to the plan. As of December 31, 1999, there were 3,017,428 shares of common stock subject to options previously granted at a weighted average exercise price of $7.38 per share.

Incentive stock options may be granted to any person, including a director or officer, employed on a full-time basis by us or any of our subsidiaries. Nonqualified stock options and awards may be granted to any of our stockholders, any employees of our stockholders that perform services for us and any person employed by, or performing services for, us or any of our subsidiaries, including our directors and officers.

The exercise price for incentive stock options granted under the plan may not be less than 100% of the fair market value of the common stock on the option grant date. If an incentive stock option is granted to an employee who owns more than 10% of our common stock, the exercise price of that option may not be less than 110% of the fair market value of the common stock on the option grant date. The exercise price for nonqualified stock options granted under the plan may be equal to, more than or less than 100% of the fair market value of the common stock on the option grant date.

The plan gives the compensation committee or the board of directors the sole discretion to determine the vesting provisions for each individual award. All options vest on a common vesting date, which is the first day of February. The normal vesting provision provides for vesting of 33 1/3% of the options each year over a three-year period, beginning on the first day of February of the eighth year after the options have been awarded. Options terminate on the tenth anniversary of the date of grant. However, if we meet the annual operating income goal as determined by our board of directors, vesting can be accelerated. Our board of directors designates a percentage of the options that will vest in this accelerated manner if we meet the annual operating income goal. Historically, this designated percentage has been equal to 25% of the options granted.

Restricted stock may be sold to directors, employees and consultants at various prices, but not below par value, and may be made subject to restrictions such as the participant's continued employment or the satisfaction of performance targets. In general, restricted stock may not be sold or transferred until the restrictions are removed or expire. We may repurchase restricted stock from a participant at the original purchase price if the conditions or restrictions are not met.

The compensation committee of our board of directors administers the plan with respect to members of our executive committee and determines the pool of shares available to other participants. Our chairman of the board and chief executive officer is responsible for making individual determinations regarding awards to those participants.

ALLIANCE DATA SYSTEMS 401(K) AND RETIREMENT SAVINGS PLAN

The Alliance Data Systems 401(k) and Retirement Savings Plan is a defined contribution plan that is qualified under Section 401(k) of the Internal Revenue Code of 1986, as amended, so that contributions made by employees or by us to the plan, and income earned on these contributions, are not taxable to employees until withdrawn from the plan. The plan covers U.S. employees of ADS Alliance Data Systems, Inc., our wholly-owned subsidiary, and any other subsidiary or affiliated organization that adopts this plan. We and all of our U.S. subsidiaries are currently covered under the plan. All employees who either (1) have been employed for at least one year and are at least 21 years old or (2) are at least 45 years old and are scheduled to work at least 1,000 hours in the plan year are eligible to participate. Effective January 1, 2000, all employees who are at least 21 years old and who we have employed for at least six months and who have worked at least 500 hours will be eligible to participate.

Under this plan, we make regular matching contributions on the first 3% of each participant's contributions. An additional matching contribution on the second 3% of each participant's

contributions may be made annually at the discretion of our board of directors. Each of our matching contributions vests 20% over five years for employees with less than five years of service, all contributions vest immediately or earlier if the participating employee retires at age 65, becomes disabled, dies or is terminated. In addition to matching contributions, we make a non-discretionary retirement contribution based on the participant's age and years of service with us. The retirement contributions become 100% vested once the participant has served five years with us.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

We adopted the ADS Alliance Data Systems, Inc. Supplemental Executive Retirement Plan in May 1999 to help certain key individuals maximize their pre-tax savings and company contributions that are otherwise restricted due to tax limitations. Eligibility under the plan requires an individual to: (1) be a regular, full-time U.S. employee of ADS Alliance Data Systems, (2) receive compensation equal to or greater than the IRS compensation limit as of December 31 of the previous calendar year and (3) be a participant in the Alliance Data Systems 401(k) and Retirement Savings Plan.

This plan allows the participant to contribute:

- up to 16% of eligible compensation on a pre-tax basis;

- any 401(k) contributions that would otherwise be returned because of reaching the statutory limit; and

- any retirement savings plan contributions for compensation in excess of the statutory limits.

The participant is always 100% vested in his or her own contributions. A participant becomes 100% vested in the retirement savings plan contributions after five continuous years of service. The contributions accrue interest at a rate of 8% a year, which may be adjusted periodically by the 401(k) and Retirement Savings Plan Investment Committee.

The participant does not have access to any of the contributions or interest while actively employed with us, unless the participant experiences an unforeseeable financial emergency. Loans are not available under this plan. If the participant ceases to be actively employed, retires or becomes disabled, the participant will receive the value of his or her account within 60 days of the end of the quarter in which he or she became eligible for the distribution. A distribution from the plan is taxed as ordinary income and is not eligible for any special tax treatment.

1999 INCENTIVE COMPENSATION PLAN

The Alliance Data Systems 1999 Incentive Compensation Plan provides an opportunity for certain U.S. employees to be eligible for a cash bonus based on achieving certain objectives. To be eligible under the plan, employees must meet certain eligibility requirements and be selected by the compensation committee.

Under the plan, each participant has an incentive compensation target that is expressed as a percent of annual base earnings. The participant's incentive compensation target is based on various objectives that are weighted to reflect the participant's contributions to company, business unit and individual goals, which are established at the beginning of the plan year. The company objective is based on our operating income, the business unit objective is based on financial and operational objectives and the individual objectives are items of importance to us that the individual can impact. The amount of compensation a participant receives depends on the percentage of objectives that were achieved. Eighty percent of the objectives must be achieved before a participant is eligible for any payout. The maximum payout is equal to 150% of the participant's incentive compensation target.

PRINCIPAL STOCKHOLDERS

The following table sets forth information with respect to the beneficial ownership of our common stock as of December 31, 1999 by:

(1) each person who is known by us to own beneficially more than 5% of our common stock;

(2) each current director;

(3) each of the named executive officers; and

(4) all directors and executive officers as a group.

Except as indicated in this table and pursuant to applicable community property laws, each stockholder named in the table has sole voting and investment power with respect to the shares set forth opposite such stockholder's name. Percentage of ownership is based on 73,073,999 shares of our common stock outstanding on December 31, 1999, and shares of our common stock outstanding after completion of this offering, both of which reflect the conversion of all outstanding shares of Series A preferred stock into common shares and the exercise of all outstanding warrants.

NAME OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED BEFORE AND AFTER OFFERING(1)	PERCENT OF SHARES BENEFICIALLY OWNED(1)	
		BEFORE OFFERING	AFTER OFFERING
Welsh, Carson, Anderson & Stowe(2) ..... 320 Park Avenue, Suite 2500 New York, New York 10022-6815	53,859,878	73.7%	
Limited Commerce Corp. ..... Three Limited Parkway Columbus, Ohio 43230	18,852,912	25.8	
J. Michael Parks(3).....	267,857	*	*
Ivan Szeftel(4).....	35,714	*	*
Michael A. Beltz(5).....	46,429	*	*
Edward K. Mims(6).....	17,857	*	*
James E. Anderson(7).....	24,554	*	*
Bruce K. Anderson(8).....	444,486	*	*
Anthony J. deNicola(8).....	72,869	*	*
Robert A. Minicucci(8).....	116,443	*	*
All directors and executive officers as a group (16 individuals)(9).....	1,101,701	1.5%	

* Less than 1%

(1) Beneficial ownership is determined in accordance with the SEC's rules. In computing percentage ownership of each person, shares of common stock subject to options, warrants or convertible preferred stock held by that person that are currently exercisable or convertible, or exercisable or convertible within 60 days of December 31, 1999, are deemed to be beneficially owned. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of each other person.

(2) Includes 11,750,641 shares issuable upon conversion of Series A preferred stock owned of record by WCAS VIII L.P., WCAS Information Partners, L.P. and 20 other individuals. Also includes

- 7,142,850 shares of common stock held by Welsh, Carson, Anderson & Stowe VI, L.P.,

- 23,043,146 shares of common stock held by Welsh, Carson, Anderson & Stowe VII, L.P.,

- 9,207,792 shares of common stock held by Welsh, Carson, Anderson & Stowe VIII, L.P.,

- 140,873 shares of common stock held by WCAS Information Partners LP,

- 345,083 shares of common stock held by WCAS Capital Partners II LP,

- 842,857 shares of common stock held by WCAS Capital Partners III LP, and

- 1,386,636 shares of common stock held by individual partners of Welsh Carson.

(3) Represents options to purchase 267,857 shares of common stock which are exercisable within 60 days of December 31, 1999.

(4) Represents options to purchase 35,714 shares of common stock which are exercisable within 60 days of December 31, 1999.

(5) Represents options to purchase 46,429 shares of common stock which are exercisable within 60 days of December 31, 1999.

(6) Represents options to purchase 17,857 shares of common stock which are exercisable within 60 days of December 31, 1999.

(7) Represents options to purchase 24,554 shares of common stock which are exercisable within 60 days of December 31, 1999.

(8) The number of shares beneficially owned by Mr. Anderson includes 128,149 shares issuable upon conversion of Series A preferred stock. The number of shares beneficially owned by Mr. deNicola includes 42,427 shares issuable upon conversion of Series A preferred stock. The number of shares beneficially owned by Mr. Minicucci includes 12,233 shares issuable upon conversion of Series A preferred stock. Each of Bruce K. Anderson, Anthony J. deNicola and Robert A. Minicucci are partners of Welsh, Carson, Anderson & Stowe and certain of its affiliates and may be deemed to be the beneficial owner of the common stock beneficially owned by Welsh Carson and described in note 2 above.

(9) Includes options to purchase an aggregate of 392,411 shares of common stock which are exercisable within 60 days of December 31, 1999 held by Messrs. Parks, Szeftel, Beltz, Mims and Anderson, and 182,809 shares issuable upon conversion of Series A preferred stock.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

TRANSACTIONS WITH WELSH, CARSON, ANDERSON & STOWE

Welsh, Carson, Anderson & Stowe VI, L.P., Welsh, Carson, Anderson & Stowe VII, L.P., Welsh, Carson, Anderson & Stowe VIII, L.P., WCAS Capital Partners II, L.P., WCAS Capital Partners III, L.P., WCAS Information Partners, L.P., WCA Management Corporation and various other individuals who are limited partners of the Welsh Carson limited partnerships beneficially owned approximately 73.7% of our outstanding common stock as of December 31, 1999. The individual partners of the Welsh Carson limited partnerships include Bruce K. Anderson, Anthony J. deNicola and Robert A. Minicucci, each of whom is a member of our board of directors.

In July 1999, we sold 120,000 shares of Series A preferred stock to Welsh, Carson, Anderson & Stowe VIII, L.P., WCAS Information Partners, L.P. and 20 individuals who are partners of some or all of the Welsh Carson limited partnerships for an aggregate purchase price of $120.0 million. The preferred shares were issued to finance, in part, the acquisition of the network services business of SPS Payment Systems, Inc. Prior to the completion of this offering, these preferred shares will be converted into an aggregate of 11,428,571 shares of our common stock.

In July 1998, we sold 12,987,013 shares of common stock to Welsh, Carson, Anderson & Stowe VIII, L.P., Welsh, Carson, Anderson & Stowe VII, L.P., WCAS Information Partners, L.P., and 16 other individuals who are partners of some or all of the Welsh Carson limited partnerships for an aggregate purchase price of $100.0 million. The shares were issued to finance, in part, the acquisition of all outstanding stock of Loyalty.

In August 1998, we sold 38,961 shares of common stock to WCAS Capital Partners II, L.P. at a value of $7.70 per share as consideration for WCAS Capital Partners II, L.P. extending the maturity of a 10% subordinated note we issued to it in January 1996 in the principal amount of $30.0 million and originally due January 24, 2002. Principal on the note is due on October 25, 2005 and interest is payable semi-annually in arrears on each January 1 and July 1. The note was originally issued to finance, in part, the acquisition of BSI Business Services, Inc., now known as ADS Alliance Data Systems, Inc. This note will be paid in full with the proceeds of this offering.

In September 1998, we issued 842,857 shares of common stock to WCAS Capital Partners III, L.P. and issued a 10% subordinated note to WCAS Capital Partners III, L.P. in the principal amount of $52.0 million to finance, in part, the acquisition of Harmonic Systems Incorporated. Principal on the note is due in two equal installments on September 15, 2007 and September 15, 2008. Interest is payable semi-annually in arrears on each March 15 and September 15. This note will be paid in full with the proceeds of this offering.

We paid Welsh, Carson, Anderson & Stowe $2.0 million in fiscal 1998 and $1.2 million in fiscal 1999 for investment banking services rendered in connection with our acquisitions.

We have evaluated the creation of a coalition loyalty program in the U.S. Because of the significant funding obligation to establish such a program, we have elected not to pursue the program. Our existing stockholders may decide to pursue the program through a separate company that they will fund to the extent that they choose to participate. In the event our existing stockholders choose to pursue the program, we anticipate providing the intellectual property and expertise necessary for the program through a service agreement, which will be negotiated on an arms-length basis.

TRANSACTIONS WITH THE LIMITED

The Limited Commerce Corp. beneficially owned approximately 25.8% of our common stock as of December 31, 1999. The Limited Commerce Corp. is owned by Structure, Inc., which is owned by The Limited, Inc. Therefore, The Limited, Inc., a significant customer of ours, indirectly owns one of our principal stockholders. Pursuant to a stockholders agreement with Welsh Carson and Limited

Commerce Corp., Limited Commerce Corp. has the right to maintain two designees on our board of directors until the completion of this offering. Mr. Finkelman and Mr. Soll are the current Limited Commerce Corp. designees on our board of directors.

The Limited, Inc. operates through a variety of different retail and catalog affiliates that operate under different names, including Bath & Body Works, The Limited Stores, Structure, Victoria's Secret Catalogue, Victoria's Secret Store, Lerner New York, Lane Bryant and Express. Many of these affiliates have entered into credit card processing agreements with WFNNB, and these affiliates of The Limited represented approximately 50% of our credit card receivables as of September 30, 1999.

Pursuant to these credit card processing agreements, WFNNB provides credit card processing services and issues private label credit cards on behalf of the businesses. Under these agreements, WFNNB pays the business an amount equal to the amount charged by the business's customers using the private label credit card issued by WFNNB, less a discount, which varies among agreements. WFNNB assumes the credit risk for these credit card transactions. Payments are also made to WFNNB from the businesses relating to credit card issuance and processing.

Most of these credit card processing agreements were entered into in 1996 and expire in 2006. These agreements give the businesses various termination rights, including the ability to terminate these contracts under certain circumstances after the first six years if WFNNB is unable to remain competitive with independent third parties that provide similar services.

In general, WFNNB owns information relating to the holders of credit cards issued under these agreements, but WFNNB is prohibited from disclosing information about these holders to third parties that the Limited determines competes with The Limited or its affiliated businesses. WFNNB is also prohibited from providing marketing services to competitors of The Limited or its affiliated businesses as determined by The Limited. WFNNB may provide marketing services to other third parties that are not competitors of The Limited or its affiliated businesses, but it must share revenue from these services with The Limited and its affiliated businesses.

We periodically enter into agreements with various retail affiliates of The Limited to provide database marketing programs and projects. These agreements are generally short-term in nature, ranging from three to six months.

We received total revenues directly from The Limited and its retail affiliates of $30.6 million during 1997, $33.0 million during 1998 and $36.4 million during 1999.

In August 1998, we sold 25,974 shares of common stock to Limited Commerce Corp. at a value of $7.70 per share as consideration for Limited Commerce Corp. extending the maturity of a 10% subordinated note we issued in January 1996 to WCAS Capital Partners II, L.P., which sold the note to Limited Commerce Corp. The note is in the principal amount of $20.0 million and was originally due January 24, 2002. Principal on the note is due on October 25, 2005 and interest is payable semi-annually in arrears on each January 1 and July 1. The note was originally issued to finance, in part, the acquisition of BSI Business Services, Inc., now known as ADS Alliance Data Systems, Inc. This note will be paid in full with the proceeds of this offering.

The Limited guarantees WFNNB's lease obligations under a lease for a 100,800 square foot facility in Columbus, Ohio. The lease expires in January 2001 and the current monthly lease rate is $69,407.

STOCKHOLDERS' AGREEMENT WITH WELSH CARSON AND THE LIMITED

In connection with the above sale of shares to the Welsh Carson affiliates and Limited Commerce Corp., we entered into a stockholders agreement, as amended, with Limited Commerce Corp., various Welsh Carson affiliates and various individual stockholders who are partners in some or all of the Welsh Carson limited partnerships. This agreement contains transfer restrictions, various stockholder rights, provisions allowing Welsh Carson to designate up to three members of our board of directors

and allowing Limited Commerce Corp. to designate up to two members of our board of directors, provisions relating to the amendment of our certificate of incorporation and bylaws and capital calls. Welsh Carson also has the right to appoint a representative to attend and participate in board and committee meetings. All of these provisions will terminate upon completion of this offering.

Pursuant to the stockholders agreement, we granted the Welsh Carson affiliates and Limited Commerce Corp. two demand registration rights and "piggyback" registration rights. The demand rights enable the Welsh Carson affiliates and Limited Commerce Corp. to require us to register their shares with the SEC under the Securities Act at any time after the consummation of this initial public offering. Piggyback rights allow the Welsh Carson affiliates and Limited Commerce Corp. to register the shares of our common stock that they purchased along with any shares that we register with the SEC. These registration rights are subject to conditions and limitations, including the right of the underwriters of an offering to limit the number of shares, and are subject to the lock-up agreements entered into between holders of registration rights and Bear, Stearns & Co. Inc. We anticipate that Welsh Carson affiliates and Limited Commerce Corp. will waive these registration rights in connection with this offering.

INTERCOMPANY INDEBTEDNESS

In December 1998, our subsidiaries issued to us revolving promissory notes, due November 30, 2002, as described below. Principal payments are due on demand. The notes accrue interest at the rate of 10% per annum and interest is payable quarterly or upon demand.

	CREDIT LINE	AMOUNT OF PRINCIPAL OUTSTANDING AS OF SEPTEMBER 30, 1999
World Financial Network National Bank note	$100,000,000	$ --
ADS Alliance Data Systems, Inc. note	200,000,000	120,000,000
Alliance Data Systems (New Zealand) Limited note	11,250,000	9,750,000
Harmonic Systems Incorporated note	62,000,000	52,000,000
Loyalty Management Group Canada Inc. note	20,000,000	--

DESCRIPTION OF CAPITAL STOCK

Upon the completion of this offering, our authorized capital stock will consist of shares of common stock, par value $0.01 per share, of which shares will be issued and outstanding, and shares of preferred stock, par value $0.01 per share, of which no shares will be outstanding. The following summary of our capital stock is qualified in its entirety by reference to our restated certificate of incorporation and our bylaws.

COMMON STOCK

Our common stockholders are entitled to one vote for each share on all matters voted upon by our stockholders, including the election of directors, and do not have cumulative voting rights. Subject to the rights of holders of any then outstanding shares of our preferred stock, our common stockholders are entitled to any dividends that may be declared by our board of directors. Holders of our common stock are entitled to share ratably in our net assets upon our dissolution or liquidation after payment or provision for all liabilities and any preferential liquidation rights of our preferred stock then outstanding. Our common stockholders have no preemptive rights to purchase shares of our stock. The shares of our common stock are not subject to any redemption provisions and are not convertible into any other shares of our capital stock. All outstanding shares of our common stock are, and the shares of common stock to be issued in the offering will be, upon payment therefor, fully paid and nonassessable. The rights, preferences and privileges of holders of our common stock will be subject to those of the holders of any shares of our preferred stock we may issue in the future.

PREFERRED STOCK

Our board of directors may from time to time authorize the issuance of one or more classes or series of preferred stock without stockholder approval. Subject to the provisions of our certificate of incorporation and limitations prescribed by law, our board of directors is authorized to adopt resolutions to issue shares, establish the number of shares, change the number of shares constituting any series, and provide or change the voting powers, designations, preferences and relative rights, qualifications, limitations or restrictions on shares of our preferred stock, including dividend rights, terms of redemption, conversion rights and liquidation preferences, in each case without any action or vote by our stockholders.

One of the effects of undesignated preferred stock may be to enable our board of directors to discourage an attempt to obtain control of our company by means of a tender offer, proxy contest, merger or otherwise. The issuance of preferred stock may adversely affect the rights of our common stockholders by, among other things:

- restricting dividends on the common stock;
- diluting the voting power of the common stock;
- impairing the liquidation rights of the common stock; or
- delaying or preventing a change in control without further action by the stockholders.

SERIES A PREFERRED STOCK

Upon consummation of the offering, all of the outstanding shares of Series A preferred stock will be converted into shares of common stock and there will be no Series A preferred stock outstanding.

EFFECTS OF AUTHORIZED BUT UNISSUED STOCK

Upon consummation of the offering there will be authorized but unissued shares of our common stock and shares of preferred stock available for our future issuance without stockholder approval. Of the shares of common stock available for future issuance, 3,821,428 shares have been reserved for issuance under our stock option and restricted stock purchase plan.

Shares of common stock and preferred stock available for future issuance may be utilized for a variety of corporate purposes, including to facilitate acquisitions or future public offerings to raise additional capital. We do not currently have any plans to issue additional shares of common stock or preferred stock, other than shares of common stock issuable under our stock option plans.

ANTI-TAKEOVER CONSIDERATIONS AND SPECIAL PROVISIONS OF THE CERTIFICATE OF INCORPORATION, BYLAWS AND DELAWARE LAW

CERTIFICATE OF INCORPORATION AND BYLAWS. A number of provisions of our certificate of incorporation and bylaws concern matters of corporate governance and the rights of our stockholders. Provisions such as those that provide for the classification of our board of directors and that grant our board of directors the ability to issue shares of preferred stock and to set the voting rights, preferences and other terms thereof, may have an anti-takeover effect and may discourage takeover attempts not first approved by our board of directors, including takeovers which may be considered by some stockholders to be in their best interests. To the extent takeover attempts are discouraged, temporary fluctuations in the market price of our common stock, which may result from actual or rumored takeover attempts, may be inhibited. Such provisions also could delay or frustrate the removal of incumbent directors or the assumption of control by stockholders, even if such removal or assumption would be beneficial to our stockholders. These provisions also could discourage or make more difficult a merger, tender offer or proxy contest, even if they could be favorable to the interests of stockholders, and could potentially depress the market price of our common stock. Our board of directors believes that these provisions are appropriate to protect our interests and the interests of our stockholders.

CLASSIFIED BOARD OF DIRECTORS. Our certificate of incorporation divides our board of directors into three classes. The directors in each class serve in terms of three years and until their successors are duly elected and qualified. The terms of directors are staggered by class. The classification system of electing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of our company and may maintain the incumbency of our board of directors, as the classification of our board of directors and such other provisions generally increase the difficulty of, or may delay, replacing a majority of the directors. Our bylaws provide that directors may be removed only for cause, by the holders of a majority of the shares entitled to vote at an election of directors. A majority of the directors then in office, by action at a meeting or by written consent, may elect a successor to fill any vacancies or newly created directorships.

MEETINGS OF STOCKHOLDERS. Our bylaws provide that annual meetings of our stockholders may take place at the time and place established by our board of directors, provided that the date is not more than 120 days after the end of our fiscal year. A special meeting of our stockholders may be called by our board of directors or our chief executive officer and will be called by our chief executive officer or secretary upon written request by a majority of our board of directors.

ADVANCE NOTICE PROVISIONS. Our bylaws provide that nominations for directors may not be made by stockholders at any annual or special meeting thereof unless the stockholder intending to make a nomination notifies us of its intention a specified number of days in advance of the meeting and furnishes to us certain information regarding itself and the intended nominee. Our bylaws also require a stockholder to provide to our secretary advance notice of business to be brought by such stockholder before any annual or special meeting of our stockholders, as well as certain information regarding the stockholder and any material interest the stockholder may have in the proposed business. These provisions could delay stockholder actions that are favored by the holders of a majority of our outstanding stock until the next stockholders' meeting.

AMENDMENT OF THE BYLAWS. Our bylaws may be altered, amended, repealed or replaced by our board of directors or our stockholders at any annual or regular meeting, or at any special meeting if notice of the alteration, amendment, repeal or replacement is given in the notice of the meeting.

DELAWARE ANTI-TAKEOVER LAW. We are subject to the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. This section prevents certain Delaware corporations, under certain circumstances, from engaging in a "business combination" with:

- a stockholder who owns 15% or more of our outstanding voting stock (otherwise known as an "interested stockholder"),

- an affiliate of an interested stockholder, or

- an associate of an interested stockholder,

for three years following the date that the stockholder became an "interested stockholder." A "business combination" includes a merger or sale of more than 10% of our assets.

However, the above provisions of Section 203 do not apply if:

- our board approves the transaction that made the stockholder an "interested stockholder," prior to the date of that transaction;

- after the completion of the transaction that resulted in the stockholder becoming an "interested stockholder," that stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding shares owned by our officers and directors; or

- on or subsequent to the date of the transaction, the business combination is approved by our board and authorized at a meeting of our stockholders by an affirmative vote of at least two-thirds of the outstanding voting stock not owned by the "interested stockholder."

This statute could prohibit or delay mergers or other change in control attempts, and thus may discourage attempts to acquire us.

LIMITATIONS ON LIABILITY AND INDEMNIFICATION OF OFFICERS AND DIRECTORS

Our certificate of incorporation includes a provision that eliminates the personal liability of our directors for monetary damages for breach of fiduciary duty as a director, to the fullest extent permitted by Delaware Law.

Our certificate of incorporation and bylaws provide that:

- we must indemnify our directors, officers, employees and agents to the fullest extent permitted by applicable law;

- we must advance expenses, as incurred, to our directors and executive officers in connection with a legal proceeding to the fullest extent permitted by Delaware law, subject to very limited exceptions.

Prior to the consummation of this offering, we intend to obtain directors' and officers' insurance for our directors, officers and some employees for specified liabilities.

The limitation of liability and indemnification provisions in our certificate of incorporation and bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. They may also have the effect of reducing the likelihood of derivative litigation against directors and officers, even though an action of this kind, if successful, might otherwise benefit us and our stockholders. Furthermore, a stockholders' investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. However, we believe that these indemnification provisions are necessary to attract and retain qualified directors and officers.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is Harris Trust and Savings Bank.

SHARES ELIGIBLE FOR FUTURE SALE

Future sales of a substantial number of shares of our common stock in the public market could adversely affect trading prices prevailing from time to time. As of December 31, 1999, principal stockholders held 72,712,790 shares, representing 99.5% of the outstanding shares of our common stock. After this offering, we will have shares of our common stock outstanding. Of these shares, all shares sold in the offering, other than shares, if any, purchased by our affiliates, will be freely tradable. Of the remaining shares, shares will be freely transferable and shares will be "restricted securities" as that term is defined in Rule 144 under the Securities Act. Restricted shares may be sold in the public market only if such sale is registered under the Securities Act or if such sale qualifies for an exemption from registration, such as the one provided by Rule 144. Sales of the restricted shares in the open market, or the availability of such shares for sale, could adversely affect the trading price of our common stock.

Subject to the lock-up agreements described below and the provisions of Rule 144 and 144(k), additional shares will be available for sale in the public market.

LOCK-UP AGREEMENTS

Our officers, directors and other stockholders who hold in the aggregate shares of our common stock and holders of options to purchase shares of our common stock which vest and are exercisable within the next days, have agreed not to sell or otherwise dispose of any shares of our common stock for a period of 180 days after the date of this prospectus, without the prior written consent of Bear, Stearns & Co. Inc.

RULE 144

In general, under Rule 144 as currently in effect, a person, or persons whose shares are aggregated, who has beneficially owned restricted shares for at least one year following the later of the date of the acquisition of such shares from the issuer or from an affiliate of the issuer would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, approximately shares immediately after this offering; or
- the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of a Form 144 with respect to such sale.

Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements and the availability of current public information about us.

RULE 144(K)

Under Rule 144(k), a person who is not deemed to have been an affiliate of us at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years following the later of the date of the acquisition of such shares from the issuer or an affiliate of the issuer, is entitled to sell such shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

RULE 701

In general, under Rule 701, any of our employees or directors who purchase shares from us in connection with our stock option plan or other written agreements are eligible to resell these shares 90 days after the date of this offering in reliance on Rule 144, without compliance with certain restrictions contained in Rule 144, including the holding period.

We intend to file registration statements to register shares of common stock reserved for issuance under our stock option plan. These registration statements will permit the resale of shares issued under these plans by non-affiliates in the public market without restriction, subject to the lock-up agreements.

UNDERWRITING

UNDERWRITING AGREEMENT. Subject to the terms and conditions set forth in an underwriting agreement among us and the underwriters, each of the underwriters named below, for whom Bear, Stearns & Co. Inc., Merrill Lynch, Pierce Fenner & Smith Incorporated and Donaldson, Lufkin & Jenrette Securities Corporation are acting as representatives, has severally agreed to purchase from us the number of shares of common stock set forth opposite its name below:

UNDERWRITER	NUMBER OF SHARES
Bear, Stearns & Co. Inc.	
Merrill Lynch, Pierce Fenner & Smith Incorporated	
Donaldson, Lufkin & Jenrette Securities Corporation	
Total	

The obligations of the underwriters under the underwriting agreement are several and not joint. This means that each underwriter is obligated to purchase from us only the number of shares of common stock set forth opposite its name in the table above. Except in limited circumstances set forth in the underwriting agreement, an underwriter has no obligation in relation to the shares of common stock which any other underwriter has agreed to purchase.

The underwriting agreement provides that the obligations of the several underwriters are subject to approval of various legal matters by their counsel and to various other conditions including delivery of legal opinions by our counsel, the delivery of a letter by our independent auditors and the accuracy of the representations and warranties made by us in the underwriting agreement. Under the underwriting agreement, the underwriters are obliged to purchase and pay for all of the above shares of common stock if any are purchased.

PUBLIC OFFERING PRICE AND DEALERS CONCESSION. The underwriters propose initially to offer the shares of common stock offered by this prospectus to the public at the initial public offering price per share set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and these dealers may reallow, concessions not in excess of $ per share on sales to certain other dealers. After commencement of this offering, the offering price, concessions and other selling terms may be changed by the underwriters. No such change will alter the amount of proceeds to be received by us as set forth on the cover page of this prospectus.

OVER-ALLOTMENT OPTION. We have granted the underwriters an option, which may be exercised within 30 days after the date of this prospectus, to purchase up to additional shares of common stock to cover over-allotments, if any, at the initial public offering price less the underwriting discount, each as set forth on the cover page of this prospectus. If the underwriters exercise this option in whole or in part, each of the underwriters will be severally committed, subject to certain conditions, to purchase these additional shares of common stock in proportion to their respective purchase commitments as indicated in the preceding table and we will be obligated to sell these additional shares to the underwriters. The underwriters may exercise this option only to cover over-allotments made in connection with the sale of the shares of common stock offered by this prospectus. These additional shares will be sold by the underwriters on the same terms as those on which the shares offered by this prospectus are being sold.

UNDERWRITING COMPENSATION. The following table summarizes the compensation to be paid to the underwriters by us in connection with this offering:

		TOTAL	
		WITHOUT EXERCISE OF THE OVER-ALLOTMENT	WITH EXERCISE OF THE OVER-ALLOTMENT
	PER SHARE	OPTION	OPTION
Underwriting discounts.....			

INDEMNIFICATION AND CONTRIBUTION. In the underwriting agreement, we have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in connection with these liabilities.

DISCRETIONARY ACCOUNTS. The underwriters have informed us that they do not intend to confirm sales to any account over which they exercise discretionary authority.

LOCK-UP AGREEMENTS. We, all of our directors and officers and other stockholders holding an aggregate of shares of our common stock have agreed not to sell or offer to sell or otherwise dispose of any shares of our common stock, subject to certain exceptions, for a period of 180 days after the date of this prospectus, without the prior written consent of Bear, Stearns & Co. Inc.

DETERMINATION OF OFFERING PRICE. Prior to this offering, there has been no market for our common stock. Accordingly, the initial public offering price for the common stock was determined by negotiation between us and the representatives of the underwriters. Among the factors considered in these negotiations were:

- the results of our operations in recent periods;
- our financial condition;
- estimates of our future prospects and of the prospects for the industry in which we compete;
- an assessment of our management;
- the general state of the securities markets at the time of this offering; and
- the prices of similar securities of companies considered comparable to us.

We intend to apply to have our common stock listed on the New York Stock Exchange under the symbol "ADD". There can be no assurance, however, that an active or orderly trading market will develop for our common stock or that our common stock will trade in the public markets after this offering at or above the initial offering price.

RESERVED SHARE PROGRAM. The underwriters have reserved for sale, at the initial public offering price, up to shares of our common stock for our employees, directors and other persons or entities with whom we have a business relationship. The number of shares available for sale to the general public in the offering will be reduced to the extent those persons purchase these reserved shares. Purchases of reserved shares are to be made through accounts at Bear, Stearns & Co. Inc., Merrill Lynch, Pierce Fenner & Smith Incorporated or Donaldson, Lufkin & Jenrette Securities Corporation in accordance with their respective procedures for opening accounts and transacting in securities. Any reserved shares not so purchased will be offered by the underwriters to the general public on the same terms as the other shares offered in this offering.

STABILIZATION AND OTHER TRANSACTIONS. In order to facilitate this offering, persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the common stock during and after this offering, including over-allotment, stabilizing and short-covering transactions and the imposition of penalty bids. Specifically, the underwriters may over-allot or otherwise create a short position in the common stock for their own account by selling more shares of

common stock than have been sold to them by us. The underwriters may elect to cover this short position by purchasing shares of common stock in the open market or by exercising the over-allotment option granted to the underwriters. In addition, the underwriters may stabilize or maintain the price of the common stock by bidding for or purchasing shares of common stock in the open market and may impose penalty bids, under which selling concessions allowed to syndicate members or other broker-dealers participating in this offering are reclaimed if shares of common stock previously distributed in this offering are repurchased in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of the common stock to the extent that it discourages resales. No representation is made as to the magnitude or effect of these stabilization transactions. These transactions may be effected on the New York Stock Exchange or otherwise and, if commenced, may be discontinued at any time.

LEGAL MATTERS

The validity of the shares of our common stock offered hereby will be passed upon for us by Akin, Gump, Strauss, Hauer & Feld, L.L.P. Legal matters in connection with this offering will be passed upon for the underwriters by Gibson, Dunn & Crutcher LLP, Los Angeles, California.

EXPERTS

The consolidated financial statements of Alliance Data Systems Corporation and subsidiaries as of January 31, 1998 and December 31, 1998 and for the eleven months ended December 31, 1998, and each of the two fiscal years in the period ended January 31, 1998 included in this prospectus and the related financial statement schedules included elsewhere in the registration statement have been audited by Deloitte & Touche LLP, independent auditors, as stated in their reports appearing herein and elsewhere in the registration statement, and have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

Ernst & Young LLP, independent auditors, have audited the consolidated financial statements of Loyalty Management Group Canada Inc. as of April 30, 1997 and 1998, and for each of the two years in the period ended April 30, 1998, as set forth in their report. We have included these financial statements in the propectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

Ernst & Young LLP, independent auditors, have audited the consolidated financial statements of Harmonic Systems Incorporated at December 31, 1996 and 1997, and for each of the two years in the period ended December 31, 1997, as set forth in their report (which contains an explanatory paragraph describing conditions that raise substantial doubt about Harmonic Systems Incorporated's ability to continue as a going concern as described in Note 12 to the consolidated financial statements). We have included these financial statements in the prospectus and elsewhere in the registration statement in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act for the common stock sold in this offering. This prospectus does not contain all of the information set forth in the registration statement and the accompanying exhibits and schedules. For further information about us and our common stock, we refer you to the registration statement and the accompanying exhibits and schedules. Statements contained in this prospectus regarding the contents of any contract or any other document to which we refer are not necessarily complete. In each instance, reference is made to the copy of the contract or document filed as an exhibit to the registration statement, and each statement is qualified in all respects by that reference. Copies of the registration statement and the accompanying exhibits and schedules may be inspected without charge at the public reference facilities maintained by the Securities and Exchange Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the Securities and Exchange Commission located at Seven World Trade Center, Suite 1300, New York, New York 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of these materials may be obtained at prescribed rates from the Public Reference Room of the Securities and Exchange Commission Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission. The address of the site is http://www.sec.gov.

After this offering, we will become subject to the information and reporting requirements of the Securities Exchange Act. As a result, we will file periodic reports, proxy statements and other information with the Securities and Exchange Commission.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

ALLIANCE DATA SYSTEMS CORPORATION

ALLIANCE DATA SYSTEMS CORPORATION
INDEPENDENT AUDITORS' REPORT

To the Stockholders of
Alliance Data Systems Corporation

We have audited the accompanying consolidated balance sheets of Alliance Data Systems Corporation and subsidiaries as of January 31, 1998 and December 31, 1998, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the fiscal years ended February 1, 1997 and January 31, 1998 and for the eleven months ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies as of January 31, 1998 and December 31, 1998 and the results of their operations and their cash flows for the respective stated periods in conformity with generally accepted accounting principles.

/s/ Deloitte & Touche LLP
Columbus, Ohio
March 29, 1999, except for Note 18,
as to which the date is January 13, 2000

ALLIANCE DATA SYSTEMS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATION

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED JANUARY 31, 1998	11 MONTHS ENDED DECEMBER 31, 1998
Revenues			
Processing and servicing fees	$199,405	$225,504	$306,366
Financing charges, net	86,709	127,007	119,352
Other income	11,224	888	8,591
Total revenue	297,338	353,399	434,309
Operating expenses			
Processing and servicing	144,038	161,360	209,013
Salaries and employee benefit	109,582	127,087	156,464
Depreciation and other amortization	6,860	7,402	8,270
Amortization of purchased intangibles	15,603	19,061	34,321
Total operating expenses	276,083	314,910	408,068
Operating income	21,255	38,489	26,241
Interest expense	5,649	15,459	27,884
Income (loss) from continuing operations before income taxes	15,606	23,030	(1,643)
Income tax expense	4,612	8,420	6,653
Income (loss) from continuing operations	10,994	14,610	(8,296)
Loss from discontinued operations, net of taxes	--	(8,247)	(300)
Net income (loss)	$ 10,994	$ 6,363	$ (8,596)
Earnings (loss) from continuing operations per share--basic and diluted	$ 0.03	$ 0.04	$ (0.02)
Earnings (loss) per share--basic and diluted	$ 0.03	$ 0.02	$ (0.02)
Weighted average shares--basic and diluted	328,686	329,512	375,563

See accompanying notes

ALLIANCE DATA SYSTEMS CORPORATION

CONSOLIDATED BALANCE SHEETS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	JANUARY 31, 1998	DECEMBER 31, 1998
ASSETS		
Cash and cash equivalents	$ 20,595	$ 47,036
Restricted cash and cash equivalents	--	17,909
Securities available-for-sale	--	52,269
Trade receivables less allowance for doubtful accounts ($2,561 and $3,576 at January 31, 1998 and December 31, 1998 respectively)	104,361	143,286
Credit card receivables and seller's interest	144,440	139,458
Other current assets	44,137	54,604
Total current assets	313,533	454,562
Property and equipment, net	54,067	66,339
Other non-current assets	27,941	62,411
Due from securitizations	126,912	121,442
Intangible assets and goodwill, net	104,356	305,365
Total assets	$626,809	$1,010,119
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 34,941	$ 44,329
Accrued expenses	27,542	58,590
Deferred income	17,739	17,733
Debt, current portion	136,309	148,149
Total current liabilities	216,531	268,801
Other liabilities	21,223	21,131
Redemption obligation	--	80,213
Long-term and subordinated debt	177,391	331,835
Total liabilities	415,145	701,980
Commitments and contingencies		
Common stock, $0.01 par value; authorized 450,000 shares, issued 329,567 shares (January 31, 1998) and 427,383 shares (December 31, 1998)	3,296	4,274
Additional paid-in capital	115,934	221,998
Retained earnings	92,434	83,838
Accumulated other comprehensive loss	--	(1,971)
Total stockholders' equity	211,664	308,139
Total liabilities and stockholders' equity	$626,809	$1,010,119

See accompanying notes

ALLIANCE DATA SYSTEMS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(AMOUNTS IN THOUSANDS)

	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL COMPREHENSIVE LOSS	TOTAL STOCKHOLDERS' EQUITY
FEBRUARY 3, 1996.....	329,471	$3,295	$115,839	$75,077	$ --		$194,211
Net income.....				10,994			10,994
FEBRUARY 1, 1997.....	329,471	3,295	115,839	86,071	--		205,205
Net income.....				6,363			6,363
Common stock issued.....	96	1	95				96
JANUARY 31, 1998.....	329,567	3,296	115,934	92,434	--		211,664
Net loss.....				(8,596)		$ (8,596)	(8,596)
Other comprehensive loss, net of tax:.....							
Unrealized gains on securities available-for-sale, net.....					1,207	1,207	1,207
Foreign currency translation adjustments.....					(3,178)	(3,178)	(3,178)
Other comprehensive income...					(1,971)		
Total comprehensive loss.....						$(10,567)	
Common stock issued.....	97,816	978	106,064				107,042
DECEMBER 31, 1998.....	427,383	$4,274	$221,998	$83,838	$(1,971)		$308,139

See accompanying notes

ALLIANCE DATA SYSTEMS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(AMOUNTS IN THOUSANDS)

	52 WEEKS ENDED FEBRUARY 1, 1997	53 WEEKS ENDED JANUARY 31, 1998	11 MONTHS ENDED DECEMBER 31, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income (loss) from continuing operations	$ 10,994	$ 14,610	$ (8,296)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:			
Loss from discontinued operations	--	(8,247)	(300)
Depreciation and amortization	22,463	26,463	43,093
Provision for doubtful accounts	7,571	(294)	(3,383)
Change in operating assets:			
Deferred income taxes	(4,186)	(1,413)	(1,011)
Impairment of assets	--	--	4,000
Accretion of deferred income	(4,369)	(5,934)	(9,395)
Change in trade accounts receivables	4,310	(75,876)	(20,868)
Change in accounts payable and accrued expenses	22,661	15,393	6,076
Change in other assets	(2,327)	1,659	(17,546)
Change in other liabilities	(509)	2,961	12,099
Net cash provided by operating activities	56,608	(30,678)	4,469
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in intangible assets	(57,291)	(8,715)	--
Change in deferred income	30,130	--	--
Purchase of credit card receivables	(385,063)	(344,464)	--
Change in due from securitizations	(48,670)	(46,456)	5,470
Change in available for sale securities	--	--	(14,704)
Net cash paid for corporate acquisition	--	(716)	(133,973)
Proceeds from sale of credit card receivable portfolios	--	--	94,091
Proceeds from securitization	335,000	321,831	
Change in seller's interest	(871)	14,130	(76,975)
Capital expenditures	(10,868)	(39,356)	(14,443)
Net cash used in investing activities	(137,633)	(103,746)	(140,534)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under debt agreements	523,911	582,497	382,043
Repayment of borrowings	(441,900)	(477,723)	(325,803)
Proceeds from issuance of common stock	--	96	107,042
Net cash provided by financing activities	82,011	104,870	163,282
Effect of exchange rate changes	--	--	(776)
Change in cash and cash equivalents	986	(29,554)	26,441
Cash and cash equivalents at beginning of period	49,163	50,149	20,595
Cash and cash equivalents at end of period	$ 50,149	$ 20,595	$ 47,036
SUPPLEMENTAL CASH FLOW DISCLOSURE:			
Interest paid	$ 13,027	$ 21,669	$ 33,695
Income taxes paid	$ 12,804	$ 8,466	$ 12,406

See accompanying notes

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND ACQUISITIONS

DESCRIPTION OF THE BUSINESS--Alliance Data Systems Corporation ("ADSC" or, including its wholly-owned subsidiaries the "Company") is a leading provider of integrated information-based loyalty and marketing solutions primarily focused on business-to-consumer commerce. The Company develops and executes programs designed to help its clients target, acquire and retain loyal, profitable customers. The Company creates value for its clients through effective customer relationship management by: (1) facilitating transactions between its clients and their customers through multiple distribution channels; (2) assisting its clients in identifying and acquiring new customers; and (3) increasing the loyalty and profitability of existing customers.

The Company operates in three reportable segments: Loyalty and Database Marketing Services, Transaction Services and Credit Services. Loyalty and Database Marketing Services provides a membership rewards program for multiple sponsors and marketing services to its customers by way of providing processing services for loyalty and rewards programs, data mining and database tools and reports. Transaction Services encompasses transaction processing, including network services and bank card settlement and card processing and servicing, such as account processing, billing and payment processing and customer care. Credit Services provides underwriting and risk management services. Credit Services generally securitizes the credit card receivables that it underwrites from its private label programs.

BASIS OF PRESENTATION--During fiscal 1998, the Company changed its year end to a calendar year end basis. Prior to December 31, 1998, the Company operated a 52/53 week fiscal year that ended on the Saturday nearest January 31. Accordingly, fiscal 1996 represents the 52 weeks ended February 1, 1997, fiscal 1997 represents the 53 weeks ended January 31, 1998 and fiscal 1998 represents the 11 months ended December 31, 1998.

ACQUISITIONS--World Financial Network Holding Corporation ("WFNHC") provided private label credit card services and database marketing for The Limited. On January 24, 1996, Business Services Holdings, Inc. ("BSH") purchased J.C. Penney's credit card transaction service business, BSI Business Services, Inc. ("BSI"). On August 30, 1996, BSH was merged into WFNHC in a transaction accounted for as entities under common control. Prior to the merger WFNHC and BSH were under common ownership and common management. Fiscal 1996 financial statements include the accounts of BSH prior to the merger. Subsequent to the merger, WFNHC changed its name to Alliance Data Systems Corporation and BSI changed its name to ADS Alliance Data Systems, Inc. ("ADSI").

In November 1997, the Company formed a wholly-owned subsidiary, Alliance Data Systems (New Zealand) Limited ("ADSNZ"), to acquire the stock of Financial Automation Limited and Financial Automation Marketing Limited (collectively, "FAL") for approximately $10.5 million, financed through working capital. The acquisition was accounted for using the purchase method of accounting, and the excess purchase price over the fair value of the net identifiable assets acquired, approximately $2.8 million, was allocated to goodwill and is being amortized over 20 years using a straight-line basis. The results of operations of FAL have been included in the consolidated financial statements since November 1997. FAL developed and markets a proprietary fleet management tracking system to companies worldwide.

In July 1998, the Company acquired the stock of Loyalty Management Group Canada, Inc. ("Loyalty") for approximately $183.0 million of net cash financed through a capital infusion of $100.0 million from stockholders and a bank loan of $100.0 million. The acquisition was accounted for

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND ACQUISITIONS (CONTINUED)

using the purchase method of accounting, and the excess purchase price over the fair value of the net identifiable assets acquired, approximately $104 million, was allocated to goodwill and is being amortized over 25 years using a straight line basis. The results of operations of Loyalty have been included in the consolidated financial statements since July 1998.

In September 1998 the Company acquired the stock of Harmonic Systems Incorporated ("HSI") for approximately $51.3 million of net cash financed through subordinated notes of $52.0 million. The acquisition was accounted for using the purchase method of accounting, and the excess purchase price over the fair value of the net identifiable assets acquired, approximately $38.4 million, was allocated to goodwill and is being amortized over 25 years using a straight line basis. The results of operations of HSI have been included in the consolidated financial statements since September 1998. HSI provides retail chains with private data communications networks for the transmission of electronic data between their stores, a merchant's corporate data center and third party information service providers.

SUPPLEMENTARY UNAUDITED PRO FORMA INFORMATION

Unaudited pro forma information for the Company is presented below as if the Loyalty and the HSI acquisitions had occurred at the beginning of fiscal 1997 (in thousands, except per share amounts):

	FISCAL 1998
Revenue	$508,150
Net income (loss)	(33,860)
Earnings per share	$ (0.08)
Weighted average number of shares	422,923

2. SUMMARY OF SIGNIFICANT POLICIES

PRINCIPLES OF CONSOLIDATION--The accompanying consolidated financial statements include the accounts of ADSC and its wholly-owned subsidiaries, World Financial Network National Bank ("WFNNB"), a credit card bank under the Competitive Equality Banking Act of 1987, ADSI, Loyalty, HSI and ADSNZ. All significant intercompany transactions have been eliminated.

CASH AND CASH EQUIVALENTS--The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

RESTRICTED CASH AND CASH EQUIVALENTS--Restricted cash and cash equivalents relate to a reserve fund for the Air Miles reward program. The reserve fund is maintained to fund redemptions of Air Miles reward miles from collectors.

CREDIT CARD RECEIVABLES--Credit card receivables are generally securitized immediately or shortly after origination. As part of its securitization agreements, the Company is required to retain an interest in the credit card receivables for credit enhancements, which is referred to as seller's interest. Seller's interest is carried at fair value and credit card receivables are carried at lower of cost or market less an allowance for doubtful accounts.

SECURITIES AVAILABLE-FOR-SALE--Debt securities for which the Company does not have the positive intent and ability to hold to maturity are classified as securities available-for-sale. These securities are

2. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

stated at fair value, with the unrealized gains and losses, net of tax, reported as a component of cumulative other comprehensive income.

PROPERTY AND EQUIPMENT--Furniture, fixtures, computer equipment and software, and leasehold improvements are carried at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis, using estimated lives ranging from 3 to 15 years. Leasehold improvements are amortized over the remaining useful lives of the respective leases or the remaining useful lives of the improvements, whichever are shorter.

REVENUE RECOGNITION POLICY--The Company derives substantially all of its revenue from two principal sources. The Company receives fees for providing information and transaction processing services to sponsors. It also earns financing income from its credit card receivables and securitization program.

PROCESSING AND SERVICING FEES--The Company earns fees from sponsors by charging for participation in its loyalty program, thus allowing several sponsors to operate under a common membership rewards program. The Company is paid for these services on a per transaction basis, subject to certain sponsor-guaranteed minimums. Revenue is recognized upon completion of the related transaction, provided that there are no remaining significant obligations to be performed. Revenue from other processing and servicing fees is recognized as such services are performed.

FINANCING CHARGES, NET--Financing charges, net, represents gains and losses on securitization of credit card receivables and interest income on seller's interest less a provision (credit) for doubtful accounts of $7.6 million provision, $0.3 million credit and $3.4 million credit and related interest expense of $7.2 million, $9.4 million and $8.4 million for fiscal 1996, 1997 and 1998, respectively.

The Company records gains or losses on the securitization of credit card receivables on the date of sale based on the estimated fair value of assets sold and retained and liabilities incurred in the sale. Gains represent the present value of estimated future cash flows the Company has retained over the estimated outstanding period of the receivables. This excess cash flow essentially represents an interest only ("I/O") strip, consisting of the excess of finance charges and past-due fees over the sum of the return paid to certificate holders, and credit losses. The I/O strip is carried at fair value, with changes in the fair value reported as a component of cumulative other comprehensive income. The I/O strip is amortized over the life of the credit card receivables. Certain estimates inherent in the determination of fair value of the I/O strip are influenced by factors outside the Company's control, and as a result, such estimates could materially change in the near term. The gains on securitizations and other income from securitizations are included in finance charges, net.

REDEMPTION OBLIGATION--The Company accrues a liability for its estimated future redemption obligations at the time it recognizes the related revenue. The Company makes payments to merchants pursuant to contractual arrangements when collectors redeem Air Miles reward miles. The Company records estimated future incremental costs of providing free travel or other free merchandise earned. The Company uses its historical business experience to make estimates of the amount of the rewards that will ultimately be redeemed, basing the estimates on historical patterns of usage and other factors. These redemption obligation estimates are evaluated and adjusted periodically. Any adjustments resulting from such evaluations are included in the results of operations for the periods in which the evaluations are completed.

GOODWILL AND OTHER INTANGIBLES--Goodwill represents the excess of purchase price over the fair value of net assets acquired arising from business combinations and is being amortized on a

2. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

straight-line basis over estimated useful lives ranging from 20 to 25 years. Other intangible assets consist primarily of capitalized systems development costs and are amortized on a straight-line basis over the length of the associated contract or benefit period, which generally ranges from three to 20 years.

MARKETING--The Company expenses marketing costs as incurred.

EARNINGS PER SHARE--Basic earnings per share is based only on the weighted average number of common shares outstanding, excluding any dilutive effects of options or other dilutive securities. Diluted earnings per share is based on the weighted average number of common and common equivalent shares, dilutive stock options or other dilutive securities outstanding during the year.

The following table sets forth the computation of basic and diluted net income (loss) per share for the periods indicated (in thousands, except per share data):

	FISCAL		
	1996	1997	1998
NUMERATOR			
Income (loss) from continuing operations	$10,994	$14,610	$(8,296)
Loss from discontinued operations	--	(8,247)	(300)
Net income (loss) available to common stockholders	$10,994	$ 6,363	$(8,596)
DENOMINATOR			
Weighted average shares	328,686	329,512	375,563
Weighted average effect of dilutive securities:			
Net effect of dilutive stock options	--	--	--
Net effect of dilutive stock warrants	--	--	--
Denominator for diluted calculation	328,686	329,512	375,563
Income (loss) from continuing operations--basic and diluted	$ 0.03	$ 0.04	$ (0.02)
Loss from discontinued operations--basic and diluted	--	(0.02)	--
Net income (loss) per share--basic and diluted	$ 0.03	$ 0.02	$ (0.02)

MANAGEMENT ESTIMATES--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CURRENCY TRANSLATION--The assets and liabilities of the Company's subsidiaries outside the U.S. are translated into U.S. dollars at the rates of exchange in effect at the balance sheet dates. Income and expense items are translated at the average exchange rates prevailing during the period. Gains and losses resulting from currency transactions are recognized currently in income and those resulting from translation of financial statements are accumulated in a separate component of stockholders' equity.

INCOME TAXES--Deferred income taxes are provided for differences arising in the timing of income and expenses for financial reporting and for income tax purposes using the asset/liability method of accounting. Under this method, deferred income taxes are recognized for the future tax consequences

2. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

attributable to the differences between the financial statements' carrying amounts of existing assets and liabilities and their respective tax bases, using enacted tax rates.

LONG-LIVED ASSETS--Long-lived assets, goodwill and other intangible assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets or intangibles may not be recoverable. Recoverability is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS--The nature and composition of some of the Company's assets and liabilities and off-balance sheet items expose the Company to interest rate risk. To mitigate this risk, the Company enters into interest rate swap agreements. All of the Company's interest rate swaps are designated and effective as hedges of specific existing or anticipated assets, liabilities or off-balance sheet items. The Company's foreign currency denominated assets and liabilities expose it to foreign currency exchange rate risk. The Company has entered into cross-currency hedges to fix the exchange rate on Canadian debt. The Company does not hedge its net investment in its Canadian subsidiary. The Company does not hold or issue derivative financial instruments for trading purposes.

Swap agreements involve the periodic exchange of payments over the life of the agreements. Amounts to be paid or received are recorded on an accrual basis as an adjustment to the related income or expense of the item to which the agreements are designated. As of January 31, 1998, the related amount receivable from counterparties was $251. As of December 31, 1998, the related amount payable to counterparties was $1.7 million. Changes in the fair value of interest rate swaps are not reflected in the accompanying financial statements where designated to existing or anticipated assets, liabilities or off-balance sheet items and where swaps effectively modify or reduce interest rate sensitivity.

Realized and unrealized gains or losses at the time of maturity, termination, sale or repayment of a derivative contract are recorded in a manner consistent with its original designation. Amounts are deferred and amortized as an adjustment to the related income or expense over the original period of exposure, provided the designated asset, liability or off-balance sheet item continues to exist, or in the case of anticipated transactions, is probable of occurring. Realized and unrealized changes in the fair value of swaps designated with items that no longer exist or are no longer probable to occur are recorded as a component of the gain or loss arising from the disposition of the designated item.

Interest rate and foreign currency exchange rate risk management contracts are generally expressed in notional principal or contract amounts that are much larger than the amounts potentially at risk for nonperformance by counterparties. In the event of nonperformance by the counterparties, the Company's credit exposure on derivative financial instruments is limited to the value of the contracts that have become favorable to the Company. The Company actively monitors the credit ratings of its counterparties. Under the terms of certain swaps, each party may be required to pledge collateral if the market value of the swaps exceeds an amount set forth in the agreement or in the event of a change in its credit rating.

SEGMENT INFORMATION--Effective December 31, 1998, the Company adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information". The new rules establish revised standards for public companies relating to the reporting of financial and descriptive information about their operating segments in financial statements. The adoption of SFAS No. 131 did not have any

2. SUMMARY OF SIGNIFICANT POLICIES (CONTINUED)

effect on the Company's primary financial statements, but did affect the disclosure of segment information contained elsewhere herein.

RECENTLY ISSUED ACCOUNTING STANDARDS--In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which establishes accounting and reporting standards for derivative instruments and for hedging activities, and requires companies to recognize all derivatives as either assets or liabilities in the balance sheet and measure such instruments at fair value. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133" which deferred the effective date of SFAS No. 133 to fiscal years beginning after June 15, 2000. Adoption of this statement is not anticipated to materially impact the Company's results of operations, but may require revised balance sheet classifications and will require revised disclosures in the notes to the consolidated financial statements.

RECLASSIFICATIONS--For purposes of comparability, certain prior period amounts have been reclassified to conform with the current year presentation.

3. SECURITIES AVAILABLE-FOR-SALE

Securities available-for-sale are primarily used to settle the Company's redemption obligation under its Air Miles reward program in Canada. These securities are primarily denominated in Canadian dollars. Realized gains and losses from the sale of investment securities were not material. The principal components of securities available-for-sale, which are carried at fair value, are as follows:

	DECEMBER 31, 1998			
		UNREALIZED		
	COST	GAINS	(LOSSES)	FAIR VALUE
	(IN THOUSANDS)			
Fixed income securities:				
Government	$19,951	$ 554	$ (82)	$20,423
Corporate	10,162	200	(300)	10,062
Equity securities	22,420	1,508	(2,144)	21,784
Total	$52,533	$2,262	$(2,526)	$52,269

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	JANUARY 31, 1998	DECEMBER 31, 1998
	(IN THOUSANDS)	
Computer equipment and software	$ 66,339	$ 64,205
Furniture and fixtures	11,832	40,197
Leasehold improvements	22,834	28,253
Construction in progress	11,032	2,586
Total	112,037	135,241
Accumulated depreciation	(57,970)	(68,902)
Property and equipment, net	$ 54,067	$ 66,339

During fiscal 1998, the Company recorded an impairment of $4.0 million on computer equipment and software related to the Loyalty and Database Marketing Services segment. The related computer equipment and software was deemed by management to be inadequate. The related charge is included in processing and servicing expenses in the consolidated statements of operations.

5. SECURITIZATION OF CREDIT CARD RECEIVABLES

The Company regularly securitizes its credit card receivables. During fiscal 1996, fiscal 1997 and fiscal 1998, the Company securitized $1.7 billion, $4.2 billion, and $3.9 billion, respectively, of credit card receivables. The total amount of securitized credit card receivables outstanding as of January 31, 1998 and December 31, 1998 was $2.1 billion and $2.0 billion, respectively, maturing from 1999 to 2003. As of January 31, 1998 and December 31, 1998, seller's interest consisted of $123,552 and $139,071, respectively.

During the initial period of a securitization reinvestment period, the Company generally retains principal collections in exchange for the transfer of additional credit card receivables into the securitized pool of assets. During the amortization or accumulation period of a securitization, the investors' share of principal collections (in certain cases, up to a maximum specified amount each month) is either distributed each month to the investors or held in an account until it accumulates to the total amount, at which time it is paid to the investors in a lump sum. One of the Company's securitization trusts has entered an early amortization period as a result of a private label customer entering bankruptcy proceedings. The receivables associated with the customer are in a different trust from all of the Company's other receivables; therefore, those proceedings will not affect the other trusts. The Company's outstanding securitizations are scheduled to begin their amortization or accumulation periods at various times between 1999 and 2003.

5. SECURITIZATION OF CREDIT CARD RECEIVABLES (CONTINUED)

"Due from securitizations" consists primarily of spread deposits, I/O strip receivables and excess funding deposits as shown in the table below:

	JANUARY 31, 1998	DECEMBER 31, 1998
	(IN THOUSANDS)	
Spread deposits	$ 88,890	$ 82,875
I/O strip receivables	9,022	21,967
Excess funding deposits	29,000	16,600
	$126,912	$121,442

Spread deposits, carried at estimated fair value, represent interest earning deposits that are held by a trustee or agent and are used to absorb losses related to securitized credit card receivables should they exceed the available net cash flows arising from the securitized credit card receivables. The amounts required to be deposited range from 3% to 11% of credit card receivables in the trust depending upon performance of individual trusts. Spread deposits are generally released proportionately as investors are repaid, although some spread deposits are released only when investors have been paid in full. None of these spread deposits were required to be used to cover losses on securitized credit card receivables in the three-year period ended December 31, 1998.

The Company is required to maintain minimum interests ranging from 7% to 9% of the securitized credit card receivables. This requirement is met through seller's interest, and is supplemented through the excess funding deposits. Excess funding deposits represent cash amounts deposited with the trustee of the securitizations.

6. INTANGIBLE ASSETS AND GOODWILL

Intangible assets and goodwill consist of the following:

	JANUARY 31 1998	DECEMBER 31, 1998	AMORTIZATION LIFE AND METHOD
	(IN THOUSANDS)		
Premium on purchased credit card portfolio...	$ 44,000	$ 37,539	15 years--straight line
Customer contracts and lists.....	27,000	27,000	20 years--straight line
Noncompete agreement.....	19,000	19,000	3 years--straight line
Goodwill.....	35,047	174,338	20-25 years--straight line
Deferred incentives.....	--	10,454	27 months--straight line
Sponsor contracts.....	--	37,244	5 years--declining balance
Collector database.....	--	45,738	15%--declining balance
Total.....	125,047	351,313	
Accumulated amortization.....	(20,691)	(45,948)	
Intangible assets and goodwill, net.....	$104,356	$305,365	

7. DEBT

Debt consists of the following:

	JANUARY 31, 1998	DECEMBER 31, 1998
	(IN THOUSANDS)	
Certificates of deposit.....	$ 50,900	$ 49,500
Revolving credit loan agreement.....	82,800	98,484
Subordinated notes.....	50,000	102,000
Credit agreement.....	130,000	130,000
Term loans.....	--	100,000
	313,700	479,984
Less: current portion.....	(136,309)	(148,149)
Long term portion.....	$ 177,391	$ 331,835

CERTIFICATES OF DEPOSIT--Terms of the certificates of deposit range from six months to 24 months with annual interest rates ranging from 5.4% to 6.1% at January 31, 1998 and from 5.1% to 5.9% at December 31, 1998. Interest is paid monthly and at maturity.

REVOLVING CREDIT LOAN AGREEMENT--In fiscal 1996, in connection with the Company's purchase of certain trade receivables, the Company entered into a revolving credit loan agreement, expiring December 1999, that provides for revolving credit loans of up to $100.0 million, based on the outstanding amount of trade receivables. The loans are secured by the trade receivables and bear interest at a variable rate (6.53% and 5.75% at January 31, 1998 and December 31, 1998, respectively). The agreement contains restrictive covenants which, among others, limits the amount of annual dividends the Company may pay and requires the Company to maintain a certain level of tangible net

7. DEBT (CONTINUED)

worth, as defined. At December 31, 1998, approximately $20.0 million of retained earnings are available for distribution.

SUBORDINATED NOTES--The Company has outstanding a subordinated note with an affiliate in the principal amount of $50.0 million. Such note bears interest at 10% payable semiannually. This note was issued at a discount of approximately $3.6 million, and such discount is accreted into interest expense using the effective rate of approximately 12% over the life of the note. The note is to be repaid on October 25, 2005. The Company may, at its option, prepay the note at its face amount.

The Company has outstanding a subordinated note with an affiliate in the principal amount of $52.0 million. Such note bears interest at 10% payable semi-annually. This note was issued at a discount of approximately $6.5 million, and such discount is accreted into interest expense using the effective rate of approximately 12% over the life of the note. The discount was issued in the form of 5.9 million shares of common stock issued to the affiliate. The note is to be repaid in two equal installments in September 2007 and September 2008. The Company may, at its option, prepay the note at its face amount.

CREDIT AGREEMENT--In fiscal 1997, the Company entered into a credit agreement to borrow $130.0 million. Funds borrowed under this facility bear interest at the higher of (i) the prime rate for such day or (ii) the sum of 1/2 of 1% plus the Federal funds rate for a base rate loan or (iii) the sum of the Euro-dollar margin plus the LIBOR rate applicable to such period for each Euro-dollar loan. Interest is payable quarterly in arrears. The effective interest rates were 6.67% and 7.94% at January 31, 1998 and December 31, 1998, respectively. The revolving promissory note matures July 25, 2003. The note is collateralized by cash, transferor's interest in trust receivables, charge card receivables and securities.

TERM LOANS--The Company has outstanding two separate term loan facilities each in the amount of $50.0 million. The first term loan is payable in four separate annual installments of $3.1 million commencing July 30, 1999 with a final lump sum payment of $37.5 million due July 25, 2003. The second term loan is payable in six separate annual installments of $1.0 million commencing July 30, 1999 with a final lump sum payment of $44.0 million due July 25, 2005. Both loans bear interest at the higher of (i) the prime rate for such day or (ii) the sum of 1/2 of 1% plus the Federal funds rate for a base rate loan or (iii) the sum of Euro-dollar margin plus the LIBOR rate applicable to such period for each Euro-dollar loan. Interest is payable quarterly in arrears. The effective interest rates on the two term loans were 8.44% and 7.94%, respectively, at December 31, 1998.

LINE OF CREDIT--The Company has available borrowings under a line of credit agreement of $100.0 million. The line of credit bears interest at the higher of (i) the prime rate for such day, or (ii) the sum of 1/2 of 1% plus the Federal funds rate for a base rate loan or (iii) the sum of Euro-dollar margin plus the LIBOR rate applicable to such period for each Euro-dollar loan. The agreement matures on July 25, 2003. There were no amounts outstanding on the line of credit at January 31, 1998 or December 31, 1998.

Any outstanding balances, including interest, on all debt balances will become payable immediately if the Company consummates a public offering of equity securities. The Company has agreed to comply with certain covenants as part of all non-subordinated debt agreements.

7. DEBT (CONTINUED)

Debt at December 31, 1998 matures as follows (in thousands):

1999	$148,149
2000	27,725
2001	34,125
2002	44,125
2003	78,860
Thereafter	147,000
	$479,984

8. INCOME TAXES

The Company files a consolidated Federal income tax return. Components of the provision (credit) for income taxes are as follows:

	FISCAL		
	1996	1997	1998
	(IN THOUSANDS)		
CURRENT			
Federal	$ 8,798	$ 9,464	$ 5,789
State	--	347	98
Foreign	--	22	1,777
Total current	8,798	9,833	7,664
DEFERRED			
Federal	(3,820)	(1,021)	(1,843)
State	(366)	(392)	(808)
Foreign	--		1,640
Total deferred	(4,186)	(1,413)	(1,011)
	4,612	8,420	6,653
Tax benefit of discontinued operations	--	(4,440)	(159)
Total income tax provision	$ 4,612	$ 3,980	$ 6,494

8. INCOME TAXES (CONTINUED)

A reconciliation of recorded federal income tax expenses (benefit) to the expected expense computed by applying the federal statutory rate of 35% for all periods to income before income taxes is as follows:

	FISCAL		
	1996	1997	1998
	(IN THOUSANDS)		
Expected (benefit) expense at statutory rate	$5,462	$8,061	$ (575)
increase/ (decrease) in income taxes resulting from:			
State and foreign income taxes (benefit)	(677)	225	63
Non-deductible foreign losses	--	159	832
Non-deductible acquired goodwill and other intangibles	--	--	5,944
Other--net	(173)	(25)	389
Total	$4,612	$8,420	$6,653

Deferred tax assets and liabilities consist of the following:

	JANUARY 31, 1998	DECEMBER 31, 1998
	(IN THOUSANDS)	
DEFERRED TAX ASSETS		
Deferred income	$ 5,746	$ 5,424
Allowance for doubtful accounts	1,616	2,733
Intangible assets	7,333	10,762
Estimated loss on contracts	1,479	1,841
Net operating loss carryforwards	1,190	10,553
Depreciation	1,197	1,800
Other	1,546	3,709
Valuation allowance	--	(8,797)
Total deferred tax assets	20,107	28,025
DEFERRED TAX LIABILITIES		
Servicing rights	3,158	7,771
Accrued bonuses	--	1,283
Other	--	970
Total deferred tax liabilities	$ 3,158	$10,024
Net deferred tax asset	$16,949	$18,001

8. INCOME TAXES (CONTINUED)

At December 31, 1998, the Company had approximately $21.9 million of Federal net operating loss carryforwards, $21.4 million related to HSI and $460,000 related to ADSI, which expire at various times through 2013. In addition, the Company has approximately $101.1 million of state net operating loss carryforwards, $22.4 million related to HSI and $78.8 million related to ADSI, which expire at various times through 2014. The utilization of these carryforwards is dependent on the ability of HSI and ADSI to separately generate sufficient taxable income during the carryforward periods. In addition, the utilization of the Federal net operating loss carryforwards related to HSI are subject to limitations under Section 382 of the Internal Revenue Code due to changes in the equity ownership of HSI. Due to losses incurred by HSI for both reporting and tax reporting purposes, a valuation allowance has been established for the tax benefit associated with the Federal and state net operating loss carryforwards generated by HSI prior to its acquisition by the Company.

9. STOCKHOLDERS' EQUITY

At December 31, 1998, the Company had stock purchase warrants outstanding to purchase up to 1.5 million shares of the Company's common stock at $1.00 per share and expiring in January 2008. The warrants and any stock issued upon exercise of the warrants contain or will contain transfer restrictions.

10. STOCK COMPENSATION PLANS

Certain of the Company's employees have been granted stock options under the Company's Stock Option and Restricted Stock Purchase Plan (the "Plan"). The purpose of the Plan is to benefit and advance the interests of the Company by rewarding certain key employees for their contributions to the financial success of the Company and thereby motivating them to continue to make such contributions in the future. The stock options generally vest over a three year period, beginning on the first day of February of the eighth year after the date of grant and expire 10 years after the date of grant. Terms of all awards are determined by the Board of Directors at the time of award.

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

	FISCAL		
	1996	1997	1998
Expected dividend yield	--	--	--
Risk-free interest rate	6.0%	6.0%	6.0%
Expected life of options (years)	4.0	4.0	4.0

The weighted-average fair value of each option as of the grant date was 0.20, 0.21 and 0.31 in fiscal 1996, fiscal 1997, and fiscal 1998, respectively.

10. STOCK COMPENSATION PLANS (CONTINUED)

The following table summarizes stock option activity under the Plan:

	OPTIONS OUTSTANDING	WEIGHTED-AVERAGE EXERCISE PRICE
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	
BALANCE AT FEBRUARY 3, 1996	--	$ --
Granted	5,764	1.00
Exercised	--	--
Canceled	--	--
BALANCE AT FEBRUARY 1, 1997	5,764	1.00
Granted	5,368	1.00
Exercised	(141)	1.00
Canceled	(584)	1.00
BALANCE AT JANUARY 31, 1998	10,407	1.00
Granted	8,213	1.05
Exercised	(508)	1.00
Canceled	(1,752)	1.00
BALANCE AT DECEMBER 31, 1998	16,360	1.02

The following table summarizes information concerning currently outstanding and exercisable stock options at December 31, 1998 (in thousands, except per share amounts):

	OUTSTANDING			EXERCISABLE	
RANGE OF EXERCISE PRICES	OPTIONS	REMAINING CONTRACTUAL LIFE (YEARS)	WEIGHTED-AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED-AVERAGE EXERCISE PRICE
$1.00 to $1.25	16,360	8.91	$1.02	5,627	$1.00

The Company applies APB Opinion No. 25 and related interpretations in accounting for the Plan. The effect of determining compensation cost for the Company's stock-based compensation plan based on the fair value at the grant dates for awards under the Plan consistent with the methods of SFAS No. 123 is disclosed in the following pro forma information (in thousands, except per share amounts):

	FISCAL		
	1996	1997	1998
Pro forma net income (loss)	$10,744	$6,228	$ (9,233)
Basic pro forma earnings per share	$ 0.03	$ 0.02	$ (0.02)
Diluted pro forma earnings per share	$ 0.03	$ 0.02	$ (0.02)

11. EMPLOYEE BENEFIT PLANS

The Company sponsors separate defined contribution pension plans for WFNNB and ADSI that cover qualifying employees based on service and age requirements. The Company makes matching (WFNNB) or discretionary (ADSI) contributions as determined by the Board of Directors.

12. COMMITMENTS AND CONTINGENCIES

The Company has entered into certain contractual arrangements that result in a fee being billed to the sponsors upon redemption of Air Miles reward miles. The Company has obtained revolving letters of credit from certain of these sponsors that expire at various dates. These letters of credit total $68.0 million at December 31, 1998, which exceeds the estimated amount of the obligation to provide travel and other rewards.

In December 1996, the Company entered into a three year agreement with an unrelated third party to finance trade receivables in an aggregate amount not to exceed $100.0 million at any time. At January 31, 1998 and December 31, 1998, the Company had outstanding receivables financed under this agreement of $83.0 million and $99.0 million, respectively.

The Company leases certain office facilities and equipment under noncancellable operating leases and is generally responsible for property taxes and insurance. Future annual minimum rental payments required under noncancellable operating leases, some of which contain renewal options, as of December 31, 1998 are (in thousands):

YEAR:	
1999	$32,677
2000	25,994
2001	20,906
2002	5,606
2003	3,288
Thereafter	5,083
Total	$93,554

WFNNB is subject to various regulatory capital requirements administered by the Federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, WFNNB must meet specific capital guidelines that involve quantitative measures of WFNNB's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. WFNNB's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Management believes, as of December 31, 1998, that WFNNB meets all capital adequacy requirements to which it is subject.

Holders of credit cards issued by the Company have available lines of credit, which vary by accountholder, that can be used for purchases of merchandise offered for sale by clients of the Company. These lines of credit represent elements of risk in excess of the amount recognized in the financial statements. The lines of credit are subject to change or cancellation by the Company. As of December 31, 1998, WFNNB had approximately 27.0 million active accountholders, having an unused line of credit averaging $763 per account.

SIGNIFICANT CONCENTRATION OF CREDIT RISK--The Company's Credit Services segment is active in originating private label credit cards in the United States. The Company reviews each potential customer's credit application and evaluates the applicant's financial history and ability and perceived willingness to repay. Credit card loans are made primarily on an unsecured basis. Card holders reside throughout the United States and are not significantly concentrated in any one area.

13. FINANCIAL INSTRUMENTS

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financial needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit through charge cards, interest rate swaps and futures contracts. Such instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or normal amounts of these instruments reflect the extent of the Company's involvement in particular classes of financial instruments.

FAIR VALUE OF FINANCIAL INSTRUMENTS--The estimated fair values of the Company's financial instruments were as follows:

	JANUARY 31, 1998		DECEMBER 31, 1998	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
	(IN THOUSANDS)			
FINANCIAL ASSETS				
Cash and cash equivalents	$ 20,595	$ 20,595	$ 47,036	$ 47,036
Restricted cash and cash equivalents	--	--	17,909	17,909
Securities available-for-sale	--	--	52,269	52,269
Trade receivables	104,361	104,361	143,286	143,286
Credit card receivables, net	144,440	144,440	139,458	139,458
Due from securitizations	126,912	126,912	121,442	121,442
FINANCIAL LIABILITIES				
Accounts payable	34,941	34,941	44,329	44,329
Long-term and subordinated debt	313,700	314,326	479,984	491,192

	NOTIONAL AMOUNT	FAIR VALUE	NOTIONAL AMOUNT	FAIR VALUE
Unrecognized financial instruments and interest swaps	$800,000	$(16,841)	$900,000	$(14,148)

The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

CASH AND CASH EQUIVALENTS--The carrying amount approximates fair value due to the short maturity of the cash investments.

TRADE RECEIVABLES--The carrying amount approximates fair value due to the short maturity and the average interest rates approximate current market origination rates.

CREDIT CARD RECEIVABLES--The carrying amount of credit card receivables approximates fair value due to the short maturity and the average interest rates approximate current market origination rates.

SECURITIES AVAILABLE-FOR-SALE--Fair value for securities are based on quoted market prices.

DUE FROM SECURITIZATIONS--The carrying amount of the securitization spread account approximates its fair value due to the relatively short maturity period and average interest rates which approximate current market rates.

ACCOUNTS PAYABLE--Due to the relatively short maturity periods, the carrying amount approximates the fair value.

LONG-TERM AND SUBORDINATED DEBT--The fair value was estimated based on the current rates available to the Company for debt with similar remaining maturities.

13. FINANCIAL INSTRUMENTS (CONTINUED)

INTEREST SWAPS--The fair value was estimated based on the cost to the Company to terminate the agreements.

14. INTEREST SWAPS

INTEREST SWAPS--In March 1997, WFNNB entered into three interest rate swap agreements with JP Morgan Company ("Morgan") with a notional amounts totalling of $500.0 million. These interest rate swaps effectively change WFNNB's interest rate exposure on $300.0 million and $200.0 million of securitized accounts receivable to a fixed rate of approximately 6.34% and 6.72%, respectively. On January 30, 1998, WFNNB entered into an interest rate swap agreement with Morgan with a notional amount of $300.0 million. This interest rate swap effectively changed WFNNB's interest rate exposure on $300.0 million of securitized accounts receivable to a variable rate based on LIBOR. In October 1998, Loyalty entered into two cross-currency interest rate swap agreements with Morgan with a notional amount of $100.0 million. The interest rate swaps effectively changed Loyalty's interest rate exposure on $50.0 million and $50.0 million of notes payable to a variable rate based on Canadian Bankers Acceptance and to a fixed rate of 8.995%, respectively. The following briefly outlines the terms of each swap agreement:

AMOUNT NOTIONAL	SWAP PERIOD	FIXED/VARIABLE RATE RECEIVED	FIXED/VARIABLE RATE PAID
$250,000,000.....	March 10, 1997 through March 10, 2000	USD-CP-H.15	6.340%
$50,000,000.....	March 10, 1997 through March 10, 2000	USD-LIBOR-BBA	6.345%
$200,000,000.....	May 15, 1997 through May 15, 2004	USD-LIBOR-BBA	6.720%
$300,000,000.....	January 30, 1998 through March 15, 2003	5.67%	USD-LIBOR-BBA
$50,000,000.....	October 26, 1998 through July 25, 2003	USD-LIBOR-BBA+2.5%	CAD-BA-CDOR+2.725%
$50,000,000.....	October 26, 1998 through July 25, 2005	USD-LIBOR-BBA+3.0%	8.995%

DEFERRED INCOME--In fiscal 1995, the Company entered into five-year and seven-year forward rate locks to mitigate the impact of interest rate fluctuations of the five and seven year Asset-Backed Securities ("ABS") issued in a public offering in connection with the securitization of certain credit card receivables. At the forward rate lock hedge determination date, the Company was in a favorable position and received $17,700 (five year) and $16,800 (seven year) which was recorded as deferred income and is being amortized ratably over five and seven year periods, respectively. The hedging reduced the effective interest rate of the five year ABS's from approximately 6.7% to 6.0% and reduced the effective interest rate of the seven year ABS's from approximately 7.0% to 6.2%.

15. PARENT ONLY FINANCIAL STATEMENTS

ALLIANCE DATA SYSTEMS CORPORATION
(PARENT COMPANY ONLY)
CONDENSED FINANCIAL INFORMATION

BALANCE SHEETS	JANUARY 31, 1998	DECEMBER 31, 1998
	(IN THOUSANDS)	
Assets:		
Cash and cash equivalents	$ 634	$ 889
Investment in subsidiaries	92,372	191,872
Loans to subsidiaries	169,750	271,750
Trade receivables	82,163	97,635
Other	2,246	10,217
Total assets	$347,165	$572,363
Liabilities:		
Long-term and subordinated debt	$212,183	$317,666
Borrowings from subsidiaries		17,510
Other	12,877	7,324
Total liabilities	225,060	342,500
Stockholders' equity	122,105	229,863
Total liabilities and stockholders' equity	$347,165	$572,363

	FISCAL		
STATEMENTS OF INCOME	1996	1997	1998
	(IN THOUSANDS)		
Interest from loans to subsidiaries	$1,795	$3,578	$17,907
Processing and servicing fees	129	695	4,457
Other income		240	156
Total revenue	1,924	4,513	22,520
Interest expense	--	1,945	21,165
Other expense	100	17	153
Total expense	100	1,962	21,318
Income before income taxes	1,824	2,551	1,202
Income tax benefit	652	848	486
Net income	$1,172	$1,703	$ 716

Note: Alliance Data Systems Corporation accounts for its investments in subsidiaries under the cost method.

15. PARENT ONLY FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CASH FLOWS	FISCAL 1996	FISCAL 1997	FISCAL 1998
		(IN THOUSANDS)	
Net cash provided by (used in) operating activities.....	$(8,723)	$ (59,919)	$ 25,720
Investing activities:			
Net cash paid for corporate acquisitions.....	--	(3,250)	(151,500)
Loans to subsidiaries.....	(2,084)	(137,669)	--
Net cash used for investing activities.....	(2,084)	(140,919)	(151,500)
Financing Activities:			
Borrowings from subsidiaries.....	--	--	17,510
Issuance of long-term and subordinated debt.....	10,811	421,998	327,159
Repayment of long-term and subordinated debt.....	--	(220,626)	(221,676)
Net proceeds from issuances of common stock.....	--	96	107,042
Net cash provided by (used for) financing activities.....	10,811	201,468	230,015
Increase (decrease) in cash and cash equivalents.....	4	630	107,869
Cash and cash equivalents at beginning of period.....	--	4	634
Cash and cash equivalents at end of period.....	$ 4	$ 634	$ 889

16. SEGMENT INFORMATION

Operating segments are defined by SFAS 131 as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision making group is the Executive Committee, which consists of the Chairman of the Board and Chief Executive Officer, Presidents of the divisions; Executive Vice Presidents; and certain other officers. The operating segments are reviewed separately because each operating segment represents a strategic business unit that generally offers different products and serves different markets.

The accounting policies of the operating segments are generally the same as those described in the summary of significant accounting policies. Corporate overhead is allocated to the segments based on a percentage of the segment's revenues. Interest expense and income taxes are not allocated to the segments in the computation of segment operating profit for internal evaluation purposes. Transaction Services performs servicing activities related to Credit Services. For this, Transaction Services receives a fee equal to its direct costs before corporate overhead allocation plus a margin that it would charge an unrelated third party for similar functions. No segment information for fiscal 1996 is presented as

16. SEGMENT INFORMATION (CONTINUED)

management did not review the business on a segment basis during that period. Revenues are attributed to geographic areas based on the location of the unit processing the underlying transactions.

FISCAL 1997	LOYALTY AND DATABASE MARKETING	TRANSACTION SERVICES	CREDIT SERVICES	OTHER/ ELIMINATION	TOTAL
			(IN THOUSANDS)		
Revenues	$23,348	$256,730	$211,921	$(138,600)	$353,399
Depreciation and amortization	--	4,323	2,966	19,174	26,463
Operating profit	8,393	22,886	26,384	(19,174)	38,489

FISCAL 1998	LOYALTY AND DATABASE MARKETING	TRANSACTION SERVICES	CREDIT SERVICES	OTHER/ ELIMINATION	TOTAL
			(IN THOUSANDS)		
Revenues	$ 84,288	$286,605	$212,663	$(149,247)	$434,309
Depreciation and amortization	13,968	6,818	3,204	18,601	42,591
Operating profit	1,847	6,804	36,191	(18,601)	26,241

Information concerning principal geographic areas is as follows:

	UNITED STATES	REST OF WORLD(1)	TOTAL
		(IN THOUSANDS)	
Revenues			
Fiscal 1997	$352,975	$ 424	$ 353,399
Fiscal 1998	367,588	66,721	434,309
Total assets			
January 31, 1998	996,291	13,428	1,010,119
December 31, 1998	318,397	308,412	626,809

- ------------------------

(1) Primarily consists of Canada following the Loyalty acquisition in July 1998.

17. RELATED PARTY TRANSACTIONS

One of the Company's stockholders, Welsh, Carson, Anderson & Stowe and related affiliates ("WCAS"), have provided significant financing to the Company since the initial merger in August 1996. The related transactions are as follows:

- The Company issued a 10% subordinated note to WCAS in January 1996, in the principal amount of $30.0 million. Principal on the note is due on October 25, 2005 and interest is payable semi-annually in arrears on each January 1 and July 1. The note was originally issued to finance, in part, the acquisition of BSI Business Services, Inc., now known as ADSI. Additionally, the Company issued similar notes to The Limited in the amount of $20.0 million.

- The Company sold 90.9 million shares of common stock to WCAS in July 1998, for an aggregate purchase price of $100.0 million. The shares were issued to finance, in part, the acquisition of all outstanding stock of Loyalty.

- The Company sold 272,727 shares of common stock to WCAS and 181,818 shares of common stock to The Limited, in August 1998, for an aggregate purchase price of $300, with $200 to The Limited.

- In September 1998, the Company issued 5,900,000 shares of common stock to WCAS and issued a 10% subordinated note to WCAS, in the principal amount of $52.0 million. Principal on the note is due in two equal installments on September 15, 2007 and September 15, 2008. Interest is

17. RELATED PARTY TRANSACTIONS (CONTINUED)

payable semi-annually in arrears on each March 15 and September 15. The shares and the note was originally issued to finance, in part, the acquisition of HSI.

The Company paid Welsh, Carson, Anderson & Anderson $2.0 million in fiscal 1998 for fees related to acquisitions.

The other significant stockholder of the Company, The Limited (through affiliates), is a significant customer. The Company has entered into credit card processing agreements with several affiliates of The Limited. The Company has received fees from The Limited and its affiliates of $30.6 million for fiscal 1997 and $33.0 million for fiscal 1998.

18. SUBSEQUENT EVENTS

In July 1999, the Company entered into a preferred stock purchase agreement and issued 120,000 shares of its Series A Cumulative Convertible Preferred Stock for proceeds of $120.0 million to WCAS. The terms of the preferred stock purchase agreement include, among other things, the following, which are described in more detail in the agreement:

- Dividends are payable by the Company upon declaration by the Board of Directors. Dividends are cumulative and dividends not paid currently will accrue and compound quarterly at an annual rate of 6.0%.

- Each share is convertible into common shares at a conversion rate of $1.50, at the option of the holder, at any time following issuance. Upon a $75.0 million or greater initial public offering, shares will be mandatorily convertible into common stock at a stated conversion price.

- The shares have an aggregate liquidation preference equal to the face amount plus all accrued and unpaid dividends.

- Each share may be voted together with the common stock on an as-converted basis.

- All issued and outstanding shares are redeemable on July 12, 2007 at a per share redemption price as defined in the agreement.

Effective July 1, 1999, the Company acquired the network services business of SPS Payment Systems, Inc., a wholly-owned subsidiary of Associates First Capital Corporation, for $170.0 million, which was financed by $120.0 million of Series A Cumulative Convertible Preferred Stock and $50.0 million of working capital. This transaction was accounted for using the purchase method of accounting, and the excess purchase price over the fair value to the net identifiable assets, approximately $142.1 million, was allocated to goodwill and is being amortized over 20 years using a straight line basis.

During July 1999, the stockholders approved an increase in the number of authorized shares from 450,000,000 shares to 600,000,000 shares.

During September 1999, the Board of Directors decided to discontinue the Company's subscriber services business when the Company a major customer was acquired by a third party. The business is expected to wind down by second quarter 2000. The business had revenues of approximately $27.4 million and approximately $44.9 million in fiscal 1997 and 1998, respectively. The net assets of the business were immaterial.

ALLIANCE DATA SYSTEMS CORPORATION

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATION

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999
REVENUES		
Processing and servicing fees	$207,175	$344,842
Financing charges, net	111,322	110,852
Other income	11,713	9,571
Total revenue	330,210	465,265
OPERATING EXPENSES		
Processing and servicing	147,845	244,034
Salaries and employee benefit	121,229	141,995
Depreciation and other amortization	6,201	10,219
Amortization of purchased intangibles	21,875	35,152
Total operating expenses	297,150	431,400
Operating income	33,060	33,865
Interest expense	19,165	33,018
Income from continuing operations before income taxes	13,895	847
Income tax expense	7,939	15,686
Income (loss) from continuing operations	5,956	(14,839)
Income (loss) from discontinued operations, net of taxes	(4,483)	7,688
Loss on disposal of discontinued operations, net of taxes	--	(3,737)
Net (loss) income	$ 1,473	$(10,888)
Earnings per share from continuing operation--basic and diluted	$ 0.02	$ (0.03)
Earnings per share--basic and diluted	$ 0.00	$ (0.03)
Shares used in computing per share amounts		
Basic	352,962	427,427
Diluted	353,291	427,427

See accompanying notes

ALLIANCE DATA SYSTEMS CORPORATION

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	DECEMBER 31, 1998	SEPTEMBER 30, 1999	
		ACTUAL	PRO FORMA STOCKHOLDERS' EQUITY
	(AUDITED)		
ASSETS			
Cash and cash equivalents	$ 47,036	$ 88,498	
Restricted cash and cash equivalents	17,909	32,946	
Securities available-for-sale	52,269	64,436	
Trade receivables	143,286	86,711	
Credit card receivables and seller's interest	139,458	143,093	
Other current assets	54,604	32,106	
Total current assets	454,562	447,790	
Property and equipment, net	66,339	85,909	
Other non-current assets	62,411	78,518	
Due from securitizations	121,442	131,704	
Intangible assets and goodwill, net	305,365	457,709	
Total assets	$1,010,119	$1,201,630	
LIABILITIES AND STOCKHOLDERS' EQUITY			
Accounts payable	$ 44,329	$ 77,716	
Accrued expenses	58,590	85,841	
Deferred income	17,733	35,014	
Debt, current portion	148,149	117,041	
Total current liabilities	268,801	315,612	
Other liabilities	21,131	22,210	
Redemption obligation	80,213	112,081	
Long-term and subordinated debt	331,835	334,943	
Total liabilities	701,980	784,846	
Commitments and contingencies			
Series A cumulative convertible preferred stock, $0.01 par value; 120 shares authorized and issued; pro forma--none outstanding	--	120,000	$ --
Common Stock, $0.01 par value; authorized 450,000 shares (December 31, 1998), 600,000 (September 30, 1999), issued 427,383 shares (December 31, 1998), 427,490 shares (September 30, 1999), 507,490 (pro forma)	4,274	4,275	4,355
Additional paid-in capital	221,998	221,504	341,424
Retained earnings	83,838	74,483	74,483
Cumulative other comprehensive loss	(1,971)	(3,478)	(3,478)
Total stockholders' equity	308,139	296,784	$416,784
Total liabilities and stockholders' equity	$1,010,119	$1,201,630	

See accompanying notes

ALLIANCE DATA SYSTEMS CORPORATION

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(AMOUNTS IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) from continuing operations	$ 5,956	$ (14,839)
Adjustments to reconcile income (loss) from continuing operations to net cash provided by operating activities:		
Income (loss) from discontinued operations	(4,483)	7,688
Loss on disposal of discontinued operations	--	(3,737)
Depreciation and amortization	28,946	36,946
Provision for doubtful accounts	5,521	1,814
Changes in operating assets:		
Change in trade accounts receivables	22,895	59,761
Change in other assets	(28,747)	7,391
Change in other accounts payable and accrued expenses	14,825	60,638
Change in other liabilities	4,811	18,360
Redemption obligation	13,807	31,868
Other operating activity	745	(17,468)
Net cash provided by operating activities	64,276	188,422
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities available-for-sale, net	--	(10,660)
Increase in restricted cash and cash equivalents	--	(15,037)
Purchase of credit card receivables	(5,126)	(33,817)
Change in seller's interest	32,530	32,154
Change in due from securitization	(30,603)	(10,262)
Net cash paid for corporate acquisition	(160,644)	(170,000)
Capital expenditures	(9,067)	(27,516)
Net cash used in investing activities	(172,910)	(235,138)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under debt agreements	515,395	377,433
Repayment of borrowings	(485,050)	(405,433)
Proceeds from issuance of common stock	114,776	--
Proceeds from issuance of preferred stock	--	120,000
Net cash provided by financing activities	145,121	92,000
Effect of exchange rate changes	(323)	(3,821)
Change in cash and cash equivalents	36,164	41,463
Cash and cash equivalents at beginning of period	29,034	47,035
Cash and cash equivalents at end of period	$ 65,467	$ 88,498
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	$ 1,422	$ 6,451
Income taxes paid	$ 15,544	$ 27,507

See accompanying notes

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

1. BASIS OF PRESENTATION

The interim consolidated financial statements and related notes of the business and operations of Alliance Data Systems Corporation (collectively, the "Company" or "ADSC"), for the nine months ended September 30, 1998 and 1999 and as of September 30, 1999 have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and are unaudited.

In the opinion of management, the interim consolidated financial statements include all recurring adjustments and normal accruals necessary to present fairly the Company's consolidated financial position and its consolidated results of operations for the dates and periods presented. Results for interim periods are not necessarily indicative of the results to be expected during the remainder of the current year or for any future period. All significant intercompany accounts and transactions have been eliminated in consolidation.

These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the 52 weeks ended February 1, 1997, the 53 weeks ended January 31, 1998, and the 11 months ended December 31, 1998 presented herein.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) was as follows:

	NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999
	(IN THOUSANDS)	
Net income (loss)	$1,475	$(10,888)
Unrealized gains on securities available-for-sale	(1,417)	(1,802)
Currency translation adjustment	(324)	(295)
Total comprehensive income (loss)	$ (266)	$(12,395)

1. BASIS OF PRESENTATION (CONTINUED)

EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted net income (loss) per share for the period indicated (in thousands, except per share amounts):

	NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1999
NUMERATOR		
Net income (loss)	$ 1,473	$(10,888)
Preferred stock dividends	--	(1,623)
Numerator for basic and diluted earnings per share--income available to common stock holders	$ 1,473	$(12,511)
DENOMINATOR		
Weighted average shares	352,962	427,427
Weighted average effect of dilutive securities:		
Net effect of dilutive stock options	292	--
Net effect of dilutive stock warrants	37	--
Net effect of dilutive convertible preferred stock	--	--
Demominator for diluted calculations	353,291	427,427
NET INCOME (LOSS) PER SHARE		
Basic and diluted	$ 0.00	$ (0.03)

PRO FORMA STOCKHOLDERS' EQUITY

If the offering contemplated by this prospectus is consummated, all of the Series A Cumulative Convertible Preferred Stock outstanding at the closing date will be converted into shares of common stock. The unaudited pro forma stockholders' equity as of September 30, 1999 reflects the conversion of all outstanding convertible preferred stock at September 30, 1999 into 80,000,000 shares of common stock.

2. SEGMENT INFORMATION

Operating segments are defined by SFAS 131 as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision making group is the Executive Committee, which consists of the Chairman of the Board and Chief Executive Officer, Presidents of the divisions; Executive Vice Presidents; and certain other officers. The operating segments are reviewed separately because each operating segment represents a strategic business unit that generally offers different products and serves different markets.

The accounting policies of the operating segments are generally the same as those described in the summary of significant accounting policies. Corporate overhead is allocated to the segments based on a percentage of the segment's revenues. Interest expense and income taxes are not allocated to the segments in the computation of segment operating profit for internal evaluation purposes. Transaction Services performs servicing activities related to Credit Services. For this, Transaction Services receives a

2. SEGMENT INFORMATION (CONTINUED)

fee equal to its direct costs before corporate overhead allocation plus a margin that it would charge an unrelated third party for similar functions.

NINE MONTHS ENDED SEPTEMBER 30, 1998	LOYALTY AND DATABASE MARKETING	TRANSACTION SERVICES	CREDIT SERVICES	OTHER/ ELIMINATION	TOTAL
			(IN THOUSANDS)		
Revenues	$43,870	$230,921	$176,953	$(121,534)	$330,210
Depreciation and amortization	6,044	4,090	2,576	15,368	28,076
Operating profit	6,754	8,864	34,172	(16,924)	33,061

NINE MONTHS ENDED SEPTEMBER 30, 1999	LOYALTY AND DATABASE MARKETING	TRANSACTION SERVICES	CREDIT SERVICES	OTHER/ ELIMINATION	TOTAL
			(IN THOUSANDS)		
Revenues	$138,032	$266,758	$185,060	$(124,585)	$465,265
Depreciation and amortization	25,344	11,160	2,356	6,510	45,371
Operating profit	(1,943)	21,829	34,005	(6,510)	33,865

3. SPS ACQUISITION

During the nine months ended September 30, 1999, the Company acquired the network services businesses of SPS Payment Services, a wholly-owned subsidiary of Associated First Capital Corporation, for $170.0 million, which was financed by $120.0 million of Series A Cumulative Convertible Preferred Stock and $50.0 million of working capital. This transaction was accounted for using the purchase method of accounting, and the excess purchase price over the fair value of the net identifiable assets, approximately $142.1 million, was allocated to goodwill and is being amortized over 20 years using a straight line basis. The results of operations have been included in the consolidated financial statements since July 1999.

4. SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK

On July 12, 1999, the Company entered into a preferred stock purchase agreement and issued 120,000 shares of its Series A cumulative convertible preferred stock for proceeds of $120.0 million. The terms of the preferred stock purchase agreement include, among other things, the following, which are described in more detail in the agreement:

- Dividends are payable by the Company upon declaration by the Board of Directors. Dividends are cumulative and dividends not paid currently will accrue and compound quarterly at an annual rate of 6.0%.

- Each share is convertible into common shares at a conversion price of $1.50, at the option of the holder, at any time following issuance. Upon a $75.0 million or greater initial public offering, shares will be mandatorily convertible into common stock at a stated conversion price.

4. SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK (CONTINUED)

- The shares have an aggregate liquidation preference equal to the face amount plus all accrued and unpaid dividends.

- Each share may be voted together with the common stock on an as-converted basis.

- All issued and outstanding shares are redeemable on July 12, 2007 at a per share redemption price as defined in the agreement.

5. DISCONTINUED OPERATIONS

During September 1999, the Board of Directors decided to discontinue the Company's subscriber services business when a major customer who was acquired by a third party. The business is expected to wind down by second quarter 2000. The business had revenues of approximately $27.4 million and approximately $44.9 million in fiscal 1997 and 1998, respectively. The net assets of the business were immaterial.

LOYALTY MANAGEMENT GROUP CANADA INC.
REPORT OF INDEPENDENT AUDITORS

To the Shareholders of
Loyalty Management Group Canada Inc.

We have audited the consolidated balance sheets of Loyalty Management Group Canada Inc. as at April 30, 1997 and April 30, 1998 and the consolidated statements of operations and retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 1997 and April 30, 1998 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in Canada.

/s/ ERNST AND YOUNG LLP
ERNST AND YOUNG LLP
Chartered Accountants

Toronto, Canada
June 12, 1998, except as to
Note 14, which is as at
January 12, 2000

LOYALTY MANAGEMENT GROUP CANADA INC.

CONSOLIDATED BALANCE SHEETS

(CANADIAN DOLLARS IN THOUSANDS)

	AS OF APRIL 30,	
	1997	1998
ASSETS		
Cash and cash equivalents	$11,371	$ 10,691
Trade receivables	15,269	20,841
Prepaid expenses and deposits	236	1,261
Total current assets	26,876	32,793
Restricted marketable securities and cash	46,002	76,613
Deferred financing costs, net	1,615	--
Furniture, fixtures and equipment, net	2,745	6,170
Deferred income taxes	400	560
Goodwill, net	11,254	9,917
Total assets	$88,892	$126,053
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Accounts payable and accrued liabilities	$12,801	$ 18,597
Income taxes payable	3,878	4,355
Deferred revenue and deposits	2,938	4,804
Due to related parties	307	412
Current portion of leasehold inducement	--	184
Current portion of term loan payable	3,750	--
Total current liabilities	23,674	28,352
Redemption obligation	60,237	90,555
Leasehold inducement	--	1,539
Term loan payable	6,563	--
Total liabilities	90,474	120,446
Capital stock; 1,434,464 authorized common shares; 1,189,542 issued common shares	730	730
Retained earnings (deficit)	(2,312)	4,877
Total shareholders' equity (deficiency)	(1,582)	5,607
Total liabilities and shareholders' equity (deficiency)	$88,892	$126,053

See accompanying notes

LOYALTY MANAGEMENT GROUP CANADA INC.
CONSOLIDATED STATEMENTS OF
OPERATIONS AND RETAINED EARNINGS (DEFICIT)

(CANADIAN DOLLARS IN THOUSANDS)

	YEAR ENDED APRIL 30,	
	1997	1998
REVENUES		
Air Miles revenue	$ 91,393	$143,723
Other income	6,248	9,492
Total revenues	97,641	153,215
OPERATING EXPENSES		
Program operations	73,142	119,331
General and administrative	9,380	12,518
Marketing	5,094	2,742
Amortization of goodwill	1,337	1,337
Amortization of deferred financing costs	669	1,615
Total operating expenses	89,622	137,543
Operating income	8,019	15,672
Interest expense	1,130	718
Income before income taxes	6,889	14,954
Income tax expense	3,500	7,765
Net income for the year	3,389	7,189
Deficit, beginning of year	(5,701)	(2,312)
Retained earnings (deficit), end of year	$ (2,312)	$ 4,877

See accompanying notes

LOYALTY MANAGEMENT GROUP CANADA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(CANADIAN DOLLARS IN THOUSANDS)

	YEAR ENDED APRIL 30,	
	1997	1998
OPERATING ACTIVITIES		
Net income	$ 3,389	$ 7,189
Add (deduct) items not affecting cash:		
Depreciation and amortization	3,679	4,715
Deferred income taxes	(400)	(160)
Increase in redemption obligation	12,930	30,318
Net change in non-cash working capital balances related to operations	1,323	1,647
	20,921	43,709
Increase in restricted marketable securities and cash	(10,639)	(30,611)
Cash provided by operating activities	10,282	13,098
INVESTING ACTIVITIES		
Capital expenditures	(1,587)	(5,188)
Cash used in investing activities	(1,587)	(5,188)
FINANCING ACTIVITIES		
Repayment of term loan payable	(4,688)	(10,313)
Leasehold inducement	--	1,723
Cash used in financing activities	(4,688)	(8,590)
Net increase (decrease) in cash during the year	4,007	(680)
Cash and cash equivalents, beginning of year	7,364	11,371
Cash and cash equivalents, end of year	$ 11,371	$ 10,691
Supplementary cash flow information:		
Interest paid	$ 1,130	$ 718
Income taxes paid	$ 20	$ 7,450

See accompanying notes

1. THE COMPANY

Loyalty Management Group Canada Inc. (the "Company") was incorporated under the laws of Ontario on May 23, 1990, and operates under the registered trademark name of The Loyalty Group. Its business is to design, develop, market and manage loyalty programs (the "programs") in Canada.

The Company's program, the Air Miles reward program, was launched in March 1992 and provides travel and other awards to participating consumers and businesses ("collectors") for purchases of products and services marketed by sponsors. The Company provides these awards through a subsidiary company under long-term exclusive arrangements with suppliers, including major airlines, certain hotels and other ancillary reward-related businesses.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The consolidated financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Significant differences between U.S. and Canadian GAAP are discussed in Note 14.

BASIS OF CONSOLIDATION

The consolidated financial statements of the Company include the assets, liabilities and results of operations of its wholly-owned subsidiary, LMG Travel Services Limited.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and short-term investments with original maturities of less than 90 days.

FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets as follows:

Office equipment and furniture	20%
Computers and telephone equipment	33%
Leasehold improvements	10%

GOODWILL

Goodwill acquired is amortized on a straight-line basis over its expected life of ten years.

On an ongoing basis, the Company determines whether there has been a permanent impairment in unamortized goodwill based on an estimation of undiscounted long-term cash flow of the operations. To date, no such impairment has been incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASEHOLD INDUCEMENTS

Leasehold inducements received upon the Company's move to new premises have been deferred in the accounts and are being amortized over the ten-year term of the lease.

INCOME TAXES

The Company follows the deferral method of accounting for income taxes. Accordingly, the provision for income taxes reflects the income tax effects of timing differences between amounts claimed for income tax purposes and amounts deducted for accounting purposes. The benefits resulting therefrom are shown as deferred income taxes.

REVENUE RECOGNITION

The Company records revenue for Air Miles reward miles issued through sponsors to collectors, and provides for the cost of estimated redemptions by collectors in the year during which the Air Miles reward miles are issued.

Other revenue consists primarily of ancillary revenue derived from operation of the program and is recorded when the services are rendered.

REDEMPTION OBLIGATION

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes.

The redemption obligation is estimated as the cost of providing travel and other awards to collectors and related redemption service expenses required to redeem Air Miles reward miles in the future based on management's best estimate of the Air Miles reward miles currently issued that will ultimately be redeemed. These estimates are revised periodically to reflect current expectations of future redemption costs. Significant changes in future conditions or assumptions could require a material change in the estimated amount of the redemption obligation. The redemption obligation is expected to be partially discharged in the following year in the amount of approximately $25.0 million and the same amount of cash is expected to be drawn from the restricted cash account to fund these payments. Due to significant uncertainty in the estimation of the amount and the timing of redemption activity, no current portion of the respective asset and liability are set out in the consolidated balance sheet.

RESTRICTED MARKETABLE SECURITIES AND CASH

In order to receive program awards, collectors must collect a specified number of Air Miles reward miles to qualify for a particular award. Currently, Air Miles reward miles in collector accounts which are active have no expiration date. As such, demand for redemption is expected to occur over a considerable period of time. This timing difference results in the availability of liquid assets, a portion of which must be segregated to satisfy expected future redemption costs under the terms of agreements with the Company's suppliers and sponsors ("restricted cash"). The Company funds a segregated

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

investment account with a portion of amounts paid by sponsors for Air Miles reward miles. These amounts, which earn investment income, are maintained under the terms of agreements with a trust company entered into in December 1992.

FINANCIAL INSTRUMENTS

The carrying amounts in the consolidated financial statements for cash, accounts receivable, accounts payable and accrued liabilities and deferred revenue and deposits approximate fair values due to the immediate or short-term maturities of these financial instruments.

The fair values of short-term investments and marketable securities are recorded at quoted market value which is considered to be the closing market price at year end.

3. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are short-term investments as follows:

	1997		1998	
	COST	FAIR VALUE	COST	FAIR VALUE
Short-term investments	$3,501	$3,505	$1,493	$1,500

4. RESTRICTED MARKETABLE SECURITIES AND CASH

Restricted marketable securities and cash consist of the following:

	1997		1998	
	COST	FAIR VALUE	COST	FAIR VALUE
Cash on hand	$11,756	$11,756	$11,909	$11,909
Short-term deposits--treasury bills, bankers' acceptances, corporate paper	15,462	15,523	14,695	14,695
Fixed income securities--government	17,075	17,332	22,394	22,414
Fixed income securities--corporate	1,709	1,767	4,978	4,915
Equity	--	--	22,637	22,399
	$46,002	$46,378	$76,613	$76,332

5. FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment consists of the following:

	1997	1998
Office equipment and furniture	$1,941	$ 2,963
Computer equipment	2,429	3,494
Telephone equipment	948	1,546
Leasehold improvements	730	2,508
	6,048	10,511
Less accumulated depreciation and amortization	3,303	4,341
	$2,745	$ 6,170

6. GOODWILL

On October 2, 1995, a financial restructuring took place involving the purchase of the minority interest in the Company. The transaction was accounted for under the purchase method of accounting and resulted in goodwill approximately equal to the cash consideration paid.

Goodwill consists of the following:

	1997	1998
Goodwill	$13,371	$13,371
Less accumulated amortization	2,117	3,454
	$11,254	$ 9,917

7. RELATED PARTY TRANSACTIONS

Amounts due to related parties represent amounts due to a shareholder and its subsidiaries. These amounts are non-interest bearing and due on demand.

Transactions with these related parties are recorded on a fair value basis. During the year, transactions with related parties were as follows:

	1997	1998
Royalty expense paid to subsidiaries of a shareholder	$957	$1,501
Management fees paid to a shareholder	120	120

8. CAPITAL STOCK

The Company has approved stock options to management totalling 234,774 shares, 209,207 of which were granted as of April 30, 1997 and 234,774 of which were granted as of April 30, 1998. The options are exercisable under certain terms and conditions at a nominal price and expire on January 6, 2003.

9. INCOME TAXES

A reconciliation of the combined basic federal and provincial income tax rate to the related effective rate is as follows:

	1997	1998
Combined basic Canadian federal and provincial income tax rate	44.6%	44.6%
Non-deductible amortization of goodwill	8.8	4.0
Other	(1.7)	3.3
Effective income tax rate	51.7%	51.9%

10. LEASE COMMITMENTS

Future minimum annual rental payments required under non-cancelable operating leases are as follows:

1999	$1,615
2000	1,418
2001	1,337
2002	1,303
2003 and thereafter	7,245

The Company is also committed to its share of operating costs with respect to office leases.

11. MARKETING AND PROGRAM OPERATIONS EXPENSES

Under the terms of contracts with certain sponsors, the Company is able to recover a specified amount of Air Miles reward program marketing expenses. Marketing expenses are presented net of these cost recoveries which amounted to $2.1 million during 1997 and $3.6 million during 1998. Program operations expenses are also presented net of cost recoveries which are received by the Reward Services department to offset the costs of processing redemptions. Total cost recoveries amount to $6.2 million in 1997 and $9.6 million in 1998.

12. CONTRACTUAL COMMITMENTS

The Company has entered into certain contractual arrangements that result in an obligation to provide travel and other awards upon redemption of Air Miles reward miles for a fee to be billed upon redemption to certain sponsors. The Company has obtained revolving letters of credit from certain of these sponsors that expire at various dates. The amounts of these letters of credit total $106.4 million, which exceeds the estimated amount of the fees to be received from these sponsors.

13. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 1998 consolidated financial statements.

14. DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Significant differences between U.S. and Canadian GAAP for these consolidated financial statements are:

(i) Under Canadian GAAP, restricted marketable securities and cash are carried at cost. Under U.S. GAAP, restricted marketable securities and cash are carried at fair value with the resulting difference between cost and fair value being recorded as a separate component of equity, net of tax. The differences as of April 30, 1997 and 1998 would not be material to the balance sheets or shareholders' equity (deficit).

(ii) Other differences between Canadian and U.S. GAAP are immaterial.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Harmonic Systems Incorporated

We have audited the accompanying consolidated balance sheets of Harmonic Systems Incorporated and subsidiary as of December 31, 1996 and 1997 and the related consolidated statements of operations, changes in shareholders' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Harmonic Systems Incorporated and subsidiary as of December 31, 1996 and 1997 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 12 the Company has incurred recurring operating losses and has had negative cash flow from operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 12. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the possible inability of the Company to continue as a going concern.

/s/ ERNST & YOUNG LLP
Ernst & Young LLP
Minneapolis, Minnesota
May 22, 1998

HARMONIC SYSTEMS INCORPORATED

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31	
	1996	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,558,545	$ 989,487
Accounts receivable (net of allowances of $236,000 in 1997 and $110,000 in 1996)	1,950,718	5,927,958
Receivable from related parties	7,223	--
Inventories:		
Finished goods	905,727	786,485
Work in progress	1,015,638	407,085
	1,921,410	1,193,570
Prepaid expenses	235,939	241,277
Total current assets	5,673,835	8,352,262
Property and equipment:		
Equipment	1,301,730	1,709,666
Furniture and fixtures	136,244	97,364
Leased furniture and equipment	430,706	1,137,430
Leasehold improvements	36,995	42,704
	1,905,675	2,987,164
Less accumulated depreciation and amortization	(528,856)	(1,016,180)
	1,376,819	1,970,984
Other assets	96,576	79,782
Total assets	$ 7,147,230	$ 10,403,028
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Note payable to bank	$ 927,170	$ --
Accounts payable	1,688,376	3,282,401
Deferred revenue	70,049	418,410
Employee compensation and taxes	153,963	393,094
Accrued interest	49,298	10,492
Accrued sales taxes	221,364	72,127
Other accrued expenses	403,937	439,868
Subordinated convertible debentures	3,050,135	425,000
Current maturities of long-term liabilities	582,987	354,366
Current maturities of capital lease obligations	76,561	165,464
Total current liabilities	7,223,840	5,561,222
Long-term liabilities, net of current maturities:		
Subordinated convertible debentures	575,000	--
Notes payable	81,023	13,120
Capital lease obligations	68,421	273,507
	724,444	286,627
Shareholders' equity (deficit):		
Preferred Stock, par value $.01 per share	62,591	119,079
Common Stock, par value $.01 per share	48,719	48,997
Additional paid-in-capital	11,273,531	21,383,502
Accumulated deficit	(12,185,895)	(16,996,399)
Total shareholders' equity (deficit)	(801,054)	4,555,179
Total liabilities and shareholders' deficit	$ 7,147,230	$ 10,403,028

See accompanying notes.

HARMONIC SYSTEMS INCORPORATED

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31	
	1996	1997
Revenues	$10,516,420	$15,022,001
Cost of revenues	8,269,006	11,408,183
	2,247,414	3,613,818
Operating expenses:		
Sales and marketing	2,041,079	1,724,839
General and administrative	1,558,078	2,416,947
Research and development	3,789,613	3,999,639
	7,388,770	8,141,425
Operating loss	(5,141,356)	(4,527,607)
Interest expense	(363,840)	(363,279)
Interest income	20,522	59,611
Other income, net	35,966	20,771
	(307,352)	(282,897)
Net loss	$(5,448,708)	$(4,810,504)

See accompanying notes.

HARMONIC SYSTEMS INCORPORATED

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL SHAREHOLDERS' DEFICIT
	SHARES	AMOUNT	SHARES	AMOUNT			
Balance December 31, 1994.....	2,902,412	$ 29,025	4,858,566	$ 48,586	$ 3,137,994	$(4,629,190)	$(1,413,585)
Private placement--Series D.....	1,200,000	12,000	--	--	2,974,072	--	2,986,072
Private placement--Series C.....	30,000	300	--	--	74,700	--	75,000
Net loss.....	--	--	--	--	--	(2,107,997)	(2,107,997)
Balance December 31, 1995.....	4,132,412	41,325	4,858,566	48,586	6,186,766	(6,737,187)	(460,510)
Private placement--Series E.....	2,060,000	20,600	--	--	5,025,898	--	5,046,498
Conversion of debentures.....	66,666	666	--	--	49,334	--	50,000
Exercise of stock option.....	--	--	13,333	133	11,533	--	11,666
Net loss.....	--	--	--	--	--	(5,448,708)	(5,448,708)
Balance December 31, 1996.....	6,259,078	62,591	4,871,899	48,719	11,273,531	(12,185,895)	(801,054)
Private placement--Series G.....	3,891,665	38,917	--	--	6,914,921	--	6,953,838
Conversion of debentures.....	1,757,160	17,571	--	--	3,145,328	--	3,162,899
Issuance of common shares.....	--	--	27,778	278	49,722	--	50,000
Net loss.....	--	--	--	--	--	(4,810,504)	(4,810,504)
Balance December 31, 1997.....	11,907,903	$119,079	4,899,677	$ 48,997	$21,383,502	$(16,996,399)	$ 4,555,179

See accompanying notes.

HARMONIC SYSTEMS INCORPORATED

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31	
	1996	1997
OPERATING ACTIVITIES		
Net loss	$(5,448,708)	$(4,810,504)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	293,158	496,760
Interest added to debt principal	50,135	112,764
Provisions for doubtful accounts	95,919	126,000
Changes in operating assets and liabilities:		
Accounts receivable	(841,115)	(4,103,240)
Due from related parties	(386)	7,223
Inventories	(1,297,281)	727,840
Prepaid expenses	(187,573)	(5,338)
Accounts payable	399,439	1,594,025
Deferred revenue	(325,940)	348,361
Accrued expenses	414,176	87,019
Net cash used in operating activities	(6,848,176)	(5,419,090)
INVESTING ACTIVITIES		
Purchases of property and equipment	(865,549)	(1,081,489)
Payment of security deposits	(6,074)	7,358
Proceeds from sale of property and equipment	--	400,051
Net cash used in investing activities	(871,623)	(674,080)
FINANCING ACTIVITIES		
Net (payments) proceeds from line of credit	927,170	(927,170)
Proceeds from issuance of notes payable	100,000	1,000,000
Proceeds from issuance of convertible debentures	3,000,000	--
Proceeds from issuance of preferred stock	5,046,497	5,953,838
Proceeds from issuance of common stock	11,666	50,000
Payments on long-term liabilities and capital lease obligations	(449,421)	(552,586)
Net cash provided by financing activities	8,635,912	5,524,082
(Decrease) increase in cash and cash equivalents	916,113	(569,088)
Cash and cash equivalents at beginning of year	642,432	1,558,545
Cash and cash equivalents at end of year	$ 1,558,545	$ 989,457
SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest	$ 313,705	$ 289,321

Supplemental disclosure of non-cash investing and financing activities:

In 1996 and 1997, lease obligations of $93,120 and $400,057, respectively, were capitalized in connection with the acquisition of equipment.

In 1996, $50,000 of debentures were converted into preferred stock.

In 1997, $4,162,899 of debentures, demand notes and accrued interest were converted into preferred stock.

See accompanying notes.

1. NATURE OF BUSINESS

Harmonic Systems Incorporated (the "Company") participates in the information services business. The Company provides retail chains with private data communications networks for the transmission of electronic data between their stores, a merchant's corporate data center, and third party information service providers.

The Company has a wholly-owned subsidiary (Harmonic Technology Licensing, Inc.) which will market and license Exxon Computing Services Company proprietary technology. This entity had no activity through December 31, 1997.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH EQUIVALENTS

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At December 31, 1997, cash in the amount of approximately $228,000 was escrowed for compilation of leasehold improvements on the Company's leased office space. The escrow amounts were released and paid to the lessor in February 1998.

INVENTORY

Inventories are stated at the lower of cost (first-in, first-out) or market.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to ten years.

The Company records impairment losses on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts.

RESEARCH AND DEVELOPMENT

Statement of Financial Accounting Standards No. 86, ACCOUNTING FOR THE COSTS OF COMPUTER SOFTWARE TO BE SOLD, LEASED OR OTHERWISE MARKETED, requires capitalization of certain software development costs subsequent to the establishment of technological feasibility. Based on the Company's product development process, technological feasibility is established upon completion of a working model. Costs incurred by the Company between completion of the working model and the point at which the product is ready for general release have been insignificant. All research and development costs have been expensed as incurred.

REVENUE RECOGNITION

Revenues pertaining to the sale of Enterprise Gateway Processor (EGP) equipment and related software are recognized when the Company has configured, delivered, installed, tested and determined that the system is operational. Revenues from the sale of Retail Integration Module (RIM) for pilot testing are recognized as revenue upon completion of the pilot test. Revenues from additional RIMs sold after the pilot test are recognized upon shipment. Revenues pertaining to software reconfiguration are recognized at the date the related services are completed. Revenues pertaining to service and maintenance agreements are recognized in the month in which the services are provided.

Revenues pertaining to development contracts are recognized when earned based on the completion of contract milestones or performance of other contract requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STOCK-BASED COMPENSATION

The Company has elected to recognize compensation cost for its stock based compensation plans in accordance with Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES. Accordingly, no compensation expense is recognized for stock options with exercise prices equal to, or in excess of, the market value of the underlying shares of stock at the date of grant. The Company follows the disclosure-only provisions of Statement of Financial accounting Standards No. 123 (SFAS No. 123), ACCOUNTING FOR STOCK-BASED COMPENSATION.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain reclassifications were made to the prior periods' financial statements to conform with the 1997 presentation.

3. DEBT OBLIGATIONS

Long-term debt obligations consist of the following:

	1996	1997
Mastercard debt, matures in 1998, unsecured, interest rate of 11%.....	$ 517,367	$318,233
Series F convertible debentures, mature December 1997, subordinated, interest rate of 10% payable quarterly.....	3,050,135	--
Series C convertible debentures, mature September to November 1998, subordinated, unsecured, interest rate of 11% payable quarterly.....	575,000	425,000
Note payable, approximately $3,370 monthly including interest at 13%, matures April 15, 1999, secured by certain computer equipment.....	81,003	49,253
Note payable, approximately $3,370 monthly including interest at 13%, matures October 1998, secured by specific equipment.....	65,640	--
	4,289,145	792,486
Less current maturities.....	3,633,122	779,366
	$ 656,023	$ 13,120

Future maturities of long-term debt are approximately $779,366 in 1998 and $13,120 in 1999.

The Mastercard agreement specifies that the debt will be reduced by $.001 per authorized transaction on a monthly basis. As an extension of the original March 1998 due date, the Company has agreed to make minimum monthly payments of $30,000 beginning March 1998. As a result all of the outstanding balance of $318,233 at December 31, 1997 is due in fiscal 1998.

3. DEBT OBLIGATIONS (CONTINUED)

The outstanding debentures at December 31, 1997 are subordinated to the Company's long-term debt and all future borrowings from financial institutions, and are convertible at $2.50 per share into preferred stock of the Company at any time on or before the maturity date at the debenture holder's discretion.

The Company has a secured bank credit line. The line of credit allows for borrowings not to exceed the lesser of $1,500,000 or 70% of eligible receivables. The principal balance outstanding bears interest at the bank's prime rate plus 3% per annum (11.5% at December 31, 1997). The line of credit matures in May 1998, is subject to automatic renewal and contains certain financial and non-financial covenants. All borrowings are secured by substantially all the Company's personal property. Under this agreement, $927,170 was outstanding at December 31, 1996. The Company renegotiated the terms of the credit agreement in 1998 (see subsequent events footnote).

4. LEASE OBLIGATIONS

The Company leases furniture and equipment under capital leases expiring in years through 2000. Imputed interest rates on capitalized leases vary from 10.5% to 30.2%. The Company entered into a new capital lease line in 1997 of $1,130,000 of which $400,051 was used in 1997.

Included in property and equipment are assets leased under capital leases with costs of $1,137,430 and $430,706 and accumulated amortization of $425,264 and $173,061 at December 31, 1997 and 1996, respectively.

Amortization of assets under capital leases included in depreciation expense was $199,849 in 1997 and $73,145 in 1996.

The Company leases office space under a non-cancelable operating lease, which expires in August 2002. The lease contains an escalating rent clause over the term of the lease.

The Company is responsible for common area maintenance costs and real estate taxes which are charged as additional rent by the lessor. Total rent expense was $428,829 and $334,660 for the years ended December 31, 1997 and 1996, respectively.

4. LEASE OBLIGATIONS (CONTINUED)

Future minimum payments under capital leases and non-cancelable operating leases with initial terms of one year or more consisted of the following at December 31, 1997:

	CAPITAL LEASES	OPERATING LEASES
Year ending December 31:		
1998	$199,801	$ 260,780
1999	181,864	318,103
2000	115,218	390,260
2001	--	404,489
2002	--	418,719
Thereafter	--	727,904
Total minimum lease payments	496,883	$2,520,255
Amount representing interest	57,912	
Present value of minimum leases	438,971	
Current portion	165,464	
Long-term capital lease obligation	$273,507	

5. COMMITMENTS AND CONTINGENCIES

EMPLOYMENT AGREEMENTS

The Company has entered into separate employment and noncompete agreements with two of the founders. The agreements specify, among other things, that these two founders are entitled to one year's severance in the event of a termination of employment with the Company in exchange for a one year covenant not to compete. Additional terms provide that the noncompete agreement can be extended for an additional year at the Company's discretion in exchange for one additional year of severance.

The Company also has an employment agreement with an additional founder that provides for a nine month severance payment in return for a nine month covenant not to compete.

In addition, the Company has entered into four retention agreements with key officers of the Company which provide for retention bonuses and a one year severance package in the event of a sale of the Company.

6. INCOME TAXES

As of December 31, 1997, the Company had unused research and development tax credit carryforwards of approximately $517,000 which expire in 2012. In addition, the Company has unused net operating loss carryforwards of approximately $16,100,000 which expire at various times through 2012. The utilization of these carryforwards is dependent on the Company's ability to generate sufficient taxable income during the carryforward periods and are subject to limitations under Section 382 of the Internal Revenue Code due to changes in the equity ownership of the Company. Due to losses incurred for both financial reporting and tax reporting purposes, a valuation allowance has been established for the entire tax benefit associated with these carryforwards as well as the other net deferred tax assets of the Company.

6. INCOME TAXES (CONTINUED)

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to property and equipment, net operating losses, research and development costs and various other accruals. The deferred tax assets and liabilities represent the future tax consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for tax credits that are available to offset future taxable income.

Net deferred taxes consist of the following:

	1996	1997
Deferred tax assets	$ 4,531,000	$6,833,000
Deferred tax liabilities	(28,000)	(8,000)
Valuation allowance	(4,503,000)	(6,825,000)
	$ --	$ --

7. SHAREHOLDERS' EQUITY

The Company's authorized, issued and outstanding shares with a par value of $.01 per share consist of the following:

	AUTHORIZED	ISSUED AND OUTSTANDING
Common shares	30,000,000	4,899,677
Series A Convertible Preferred shares	2,333,776	2,333,776
Series B Convertible Preferred shares	603,302	603,302
Series C Convertible Preferred shares	292,000	62,000
Series D Convertible Preferred shares	1,200,000	1,200,000
Series E Convertible Preferred shares	3,433,334	2,060,000
Series F Convertible Preferred shares	2,262,816	--
Series G Convertible Preferred shares	5,676,603	5,648,825
Undesignated shares	54,198,169	--
Total	100,000,00	16,807,580

The Company issued 2,060,000 shares of new Series E Convertible Preferred Stock at $2.50 per share to four investors in May 1996. Prior to the equity financing closing, three previous investors loaned the Company $1,150,000 at 10% interest which was converted to Series E Convertible Preferred Stock at the equity closing. Also prior to the closing of the equity financing, a new investor advanced the Company $750,000 in the form of a secured note at 12% interest which was repaid at the equity closing.

In May 1997, the Company issued 3,333,332 shares of new Series G Convertible Preferred Stock at $1.80 per share to an investor, Prior to the equity financing closing, two previous investors loaned the Company $500,000 at 10% interest and $500,000 at 12% interest which along with accrued interests was converted to 558,332 shares of Series G Convertible Preferred Stock.

7. SHAREHOLDERS' EQUITY (CONTINUED)

In addition to the new equity financing, the Series F Convertible debenture holders converted all of their debentures and accrued interest of $3,162,899 into 1,757,160 shares of Series G Preferred Stock at $1.80 per share, which conversion rate was adjusted as a result of the negotiated terms of the Series G financing from the originally stipulated rate.

As a result of the above mentioned financing, various provisions affecting Series D Preferred Stock and Series D and F Warrants were triggered resulting in the potential issuance of 208,451 additional shares of common stock upon the conversion Series D Convertible Preferred Stock and 35,234 additional Series D and 143,939 additional Series F Warrants upon the conversion of these shares into common stock.

The Series E Preferred Stock purchase agreement contained a provision that if the Series E Preferred Stock is not converted to common prior to November 30, 1997, and certain earnings targets were not achieved, the Series E conversion price drops from $2.50 per Share to $1.50 per share. This event did occur on November 30, 1997 and will result in 1,373,333 additional shares being issued to Series E Preferred shareholders upon conversion of the Series E shares to common stock.

PREFERRED STOCK

Preferred stock may be converted into common stock at the shareholder's option. The Series A, B and C preferred shares converts on a share-for-share basis. The Series D, E, F and G preferred shares contain certain ratchet provisions which increase the number of common shares to be issued upon conversion of the preferred shares. As of December 31, 1997 additional ratchet shares have been triggered by antidilution provisions in the preferred stock agreements. As a result of these ratchet provisions being triggered by additional financings, the potential increase in common shares to be issued would be 1,581,785 shares. The Company has reserved 13,489,688 shares of common stock for issuance upon conversion. The Company has reserved 170,000 shares of preferred stock for issuance upon conversion of debentures. The preferred stock has the same voting rights as common stock and automatically converts to common stock on any public offering. In the event of liquidation the preferred shareholders are entitled to receive distributions in amounts per share that reflect the original purchase price of the preferred stock to the various holders. In addition, the Series D and Series E shareholders receive a defined rate of return on their investment prior to any distribution to the common stock shareholders.

STOCK OPTION PLANS

The Company has an incentive stock Option plan for employees under which options to purchase shares of the Company's common stock are granted at the fair value of the common stock at the date of grant. Options may be exercised based on individual vesting schedules.

The Company also has a nonqualified stock option plan. Under this. plan, options to purchase shares of the Company's Common stock are granted at a price equal to the fair value of the common

7. SHAREHOLDERS' EQUITY (CONTINUED)

stock at the date of grant. These options may be exercised based on a five year vesting schedule. Following is a summary of incentive and nonqualified shock option activity:

	INCENTIVE STOCK OPTION PLAN			NONQUALIFIED STOCK OPTION PLAN		
	SHARES UNDER OPTION	PRICE PER SHARE	WEIGHTED AVERAGE PRICE PER SHARE	SHARES UNDER OPTION	PRICE PER SHARE	WEIGHTED AVERAGE PRICE PER SHARE
Outstanding December 31, 1995.....	824,766		$ 1.59	69,762		$ 1.59
Granted during the year.....	69,600		2.50	12,000		.875
Canceled during the year.....	(118,700)		1.09	--		--
Exercise during the year.....	(13,333)		.875	--		--
Outstanding December 31, 1996.....	762,333	$0.75 - $2.50	1.76	81.762	$ 0.875- $2.50	1.48
Granted during the year.....	657,376		1.80	28,000		1.80
Canceled during the year.....	(225,277)		1.85	--		
Outstanding December 31, 1997.....	1,194,432	0.75 - 2.50	1.76	109.762	0.875 - 2.50	1.56
Exercisable at December 31, 1996.....	247,884		1.20	23,252		1.39
Exercisable at December 31, 1997.....	352,092		1.61	47,851		1.43

The Company has elected to follow Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES (APB 25), and related Interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under FASB Statement No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION (Statement 123), requires use of option valuation models that were not developed for use in valuing employee stock options, Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. Pro forma information regarding net loss is required by Statement 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a minimum value option pricing model with the following weighted-average assumptions for 1997 and 1996, respectively: risk-free interest rate of 5.8% and 6.0%, respectively, and a weighted-average expected life of the option of 5 years.

The minimum value option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	1996	1997
Pro forma net loss.....	$5,485,275	$4,850,665

During the initial phase-in period, the effects of applying FASB 123 for recognizing compensation cost may not be representative of the effects on reported net loss or income for future years because the options in the Incentive Stock Option Plans vest over several years and additional awards will be made in the future.

7. SHAREHOLDERS' EQUITY (CONTINUED)

The weighted average fair value for options granted during fiscal 1997 and fiscal 1996 is $.47 and $.63 per share, respectively. As of December 31, 1997, outstanding options had a weighted average remaining contractual life of 2.9 years and 5.2 years, respectively.

At December 31, 1997 and 1996, there were a total of 2,289,667 and 1,200,000 shares respectively reserved for both stock option plans.

At December 31, 1997, the Company has outstanding warrants which provide the warrant holders the ability to purchase 2,169,124 shares of common stock of the Company. The data pertaining to the warrants follows:

HOLDER OF WARRANT	FINANCING TO WHICH THE WARRANT IS ATTACHED	COMMON SHARES COVERED BY THE WARRANT	EXERCISE PRICE	MATURITY DATE
Preferred shareholder	Series D preferred stock	189,873	$2.37	March 13, 2000
Shareholder	Note payables (Balance paid off in 1997)	9,600	3.00	October 15, 1998
Director/shareholder	Note payable (outstanding at December 31, 1997 with balance of $49,253)	9,600	3.00	April 15, 1999
Preferred shareholders/ director	Series E preferred stock	38,334	3.00	March 1, 2001
Director/shareholders	Series F convertible debt	1,893,939	2.31	September 30, 2006
Leasing Company	Capital lease line (outstanding at December 31, 1997 with balance of $370,849)	27,778	1.80	

8. RELATED PARTY TRANSACTIONS

The following financing arrangements were made with related parties:

	DATE	AMOUNT	MATURITY	INTEREST RATE	TYPE	STATUS
Chairman/director	10/11/96	$ 15,000	12/1/97	10%	Convertible Debenture	Converted to series G Preferred Stock in 1997
Shareholder/former director	9/5/94	50,000	9/5/98	11%	Convertible Debenture	Paid in full in 1997
	9/4/96	63,905	12/1/97	10%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
	10/21/96	50,000	12/1/97	10%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
Affiliate of former director	9/24/94	50,000	9/24/98	11%	Convertible Debenture	Paid in full in 1997
	10/15/95	65,641	10/15/98	13%	Secured Loan	Outstanding
	12/28/95	50,000	3/11/96	10%	Demand Note	Paid in full in 1996
	3/11/96	50,000	5/1/96	10%	Demand Note	Paid in full in 1996
	9/4/96	9,672	12/1/97	10%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
Shareholder/former director	9/25/94	20,000	9/25/98	11%	Convertible Debenture	Outstanding
	9/12/96	45,000	12/1/97	10%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
	10/29/96	20,000	12/1/97	10%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
Director/shareholder	9/25/94	180,000	9/25/98	11%	Convertible Debenture	Outstanding
	4/15/95	81,003	4/15/98	13%	Secured Loan	Outstanding
	12/28/95	250,000	3/11/96	10%	Demand Loan	Paid in full in 1996
	3/11/96	550,000	5/1/96	10%	Demand Loan	Paid in full in 1996
	8/8/96	500,000	9/16/96	12%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
	9/30/96	22,140	12/1/97	10%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
	10/25/96	230,427	12/1/97	10%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
	12/9/96	250,000	12/1/97	10%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
	4/23/97	125,000	5/23/97	10%	Demand Note	Converted to Series G Preferred Stock in 1997
	5/2/97	125,000	5/23/97	10%	Demand Note	Converted to Series G Preferred Stock in 1997
	5/15/97	250,000	5/23/97	12%	Demand Note	Converted to Series G Preferred Stock in
Relative of director	1/1/95	100,000	11/3/98	11%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
Relative of director	1/1/95	100,000	11/3/98	11%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
Relative of director/shareholder	10/10/94	25,000	10/10/98	11%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
	9/12/96	4,000	12/1/97	10%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
	9/12/96	22,965	12/1/97	10%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
Relative of shareholder/former director	9/24/94	50,000	9/24/98	11%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
An outside investor which subsequently became a preferred shareholder of the Company	4/21/96	750,000	5/1/96	12%	Demand Note	Converted to Series G Preferred Stock in 1997
	8/29/96	502,000	9/16/96	12%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
	9/16/96	272,000	12/1/97	10%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
	10/16/96	230,427	12/1/97	10%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
	11/26/96	250,000	12/1/97	10%	Convertible Debenture	Converted to Series G Preferred Stock in 1997
	4/23/97	125,000	5/23/97	10%	Demand Note	Converted to Series G Preferred Stock in 1997
	5/2/97	125,000	5/23/97	10%	Demand Note	Converted to Series G Preferred Stock in 1997
	5/15/97	250,000	5/23/97	12%	Demand Note	Converted to Series G Preferred Stock in

	1997
	Converted to Series G Preferred Stock in 1997
	Converted to Series G Preferred Stock in 1997
	Converted to Series G Preferred Stock in 1997
Relative of director.....	Outstanding
Relative of director.....	Outstanding
Relative of director/shareholder.....	Outstanding
	Converted to Series G Preferred Stock in 1997
	Converted to Series G Preferred Stock in 1997
Relative of shareholder/former director.....	Paid in full in 1997
An outside investor which subsequently became a preferred shareholder of the Company.....	Paid in full in 1996
	Converted to Series G Preferred Stock in 1997
	Converted to Series G Preferred Stock in 1997
	Converted to Series G Preferred Stock in 1997
	Converted to Series G Preferred Stock in 1997
	Converted to Series G Preferred Stock in 1997
	Converted to Series G Preferred Stock in 1997
	Converted to Series G Preferred Stock in 1997
	Converted to Series G Preferred Stock in 1997

Prepaid director's compensation, recorded as the result of 58,566 shares of common stock issued to directors in 1994, is being amortized on the straight-line basis over the board members' five-year term.

9. MAJOR CUSTOMERS

The Company sells a substantial portion of its product to a few customers. During 1997 and 1996, sales to the Company's four major customers aggregated $7,316,652 and $7,024,751, respectively.

10. YEAR 2000 ISSUE (UNAUDITED)

The Company has determined that it will not need to modify or replace significant portions of its software so that its computer systems will function properly with respect to dates in the Year 2000 and beyond. The Company will need to initiate discussions with its significant suppliers, large customers and financial institutions to ensure that those parties have appropriate plans to remediate Year 2000 issues where their system interfaces with the Company's systems or otherwise impacts its operations. The Company will need to assess the extent to which its operations are vulnerable should those organizations fail to properly remediate their computer systems.

11. SUBSEQUENT EVENT

In May 1998, the Company renegotiated the terms of its bank credit agreement whereby the maximum borrowing amount was increased from $1,500,000 to $2,000,000 and, the financial covenants were modified.

12. GOING CONCERN

The Company has incurred operating losses since inception accumulating a deficit of approximately $17 million through December 31, 1997. In addition, in the years ended December 31, 1997 and 1996, the Company used cash for operations of approximately $5,419,000 and $6,848,000, respectively. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management plans to mitigate these factors include, but are not limited to, efforts to obtain additional sources of equity or debt financing as well as to increase revenues from continued marketing efforts. However, achievement of those plans is in part dependent upon conditions beyond the control of management.

PROSPECTIVE INVESTORS MAY RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. NEITHER ALLIANCE DATA SYSTEMS CORPORATION NOR ANY UNDERWRITER HAS AUTHORIZED ANYONE TO PROVIDE PROSPECTIVE INVESTORS WITH DIFFERENT OR ADDITIONAL INFORMATION. THIS PROSPECTUS IS NOT AN OFFER TO SELL NOR IS IT SEEKING AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED. THE INFORMATION CONTAINED IN THIS PROSPECTUS IS CORRECT ONLY AS OF THE DATE OF THIS PROSPECTUS, REGARDLESS OF THE TIME OF THE DELIVERY OF THIS PROSPECTUS OR ANY SALE OF THESE SECURITIES.

NO ACTION IS BEING TAKEN IN ANY JURISDICTION OUTSIDE THE UNITED STATES TO PERMIT A PUBLIC OFFERING OF THE COMMON STOCK OR POSSESSION OR DISTRIBUTION OF THIS PROSPECTUS IN ANY OF THESE JURISDICTIONS. PERSONS WHO COME INTO POSSESSION OF THIS PROSPECTUS IN JURISDICTIONS OUTSIDE THE UNITED STATES ARE REQUIRED TO INFORM THEMSELVES ABOUT AND TO OBSERVE THE RESTRICTIONS OF THAT JURISDICTION RELATED TO THIS OFFERING AND THE DISTRIBUTIONS OF THIS PROSPECTUS.

TABLE OF CONTENTS

Dealer Prospectus Delivery Obligation:

Until , 2000 (25 days after the date of this prospectus), all dealers that buy, sell or trade these shares of common stock, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligations to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

[LOGO]

SHARES

COMMON STOCK

PROSPECTUS

BEAR, STEARNS & CO. INC.
MERRILL LYNCH & CO.
DONALDSON, LUFKIN & JENRETTE

, 2000

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13--OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The estimated expenses in connection with the issuance and distribution of the securities being registered, other than underwriting discounts and commissions are set forth in the following table. The Company will pay all expenses of issuance and distribution. Each amount, except for the SEC, NASD and New York Stock Exchange fees, is estimated.

SEC registration fees	$79,200
NASD filing fees	30,500
New York Stock Exchange application listing fee	
Transfer agent's and registrar's fees and expenses	
Printing and engraving expenses	
Legal fees and expenses	
Accounting fees and expenses	
Blue sky fees and expenses	5,000
Miscellaneous	
Total	$ *

- ------------------------

* To be completed by amendment

ITEM 14--INDEMNIFICATION OF DIRECTORS AND OFFICERS

Alliance Data Systems Corporation's Certificate of Incorporation provides that it shall, to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, indemnify all persons whom it may indemnify under Delaware law.

Section 145 of the Delaware General Corporation Law permits a corporation, under specified circumstances, to indemnify its directors, officers, employees or agents against expenses (including attorneys' fees), judgments, fines and amounts paid in settlements actually and reasonably incurred by them in connection with any action, suit or proceeding brought by third parties by reason of the fact that they were or are directors, officers, employees or agents of the corporation, if such directors, officers, employees or agents acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reason to believe their conduct was unlawful. In a derivative action, i.e., one by or in the right of the corporation, indemnification may be made only for expenses actually and reasonably incurred by directors, officers, employees or agents in connection with the defense or settlement of an action or suit, and only with respect to a matter as to which they shall have acted in good faith and in a manner they reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made if such person shall have been adjudged liable to the corporation, unless and only to the extent that the court in which the action or suit was brought shall determine upon application that the defendant directors, officers, employees or agents are fairly and reasonably entitled to indemnity for such expenses despite such adjudication of liability.

Alliance Data Systems Corporation's Bylaws provide for indemnification by it of its directors, officers and certain non-officer employees under certain circumstances against expenses (including attorneys' fees, judgments, fines and amounts paid in settlement) reasonably incurred in connection with the defense or settlement of any threatened, pending or completed legal proceeding in which any such person is involved by reason of the fact that such person is or was an officer or employee of Alliance Data Systems

Corporation if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of Alliance Data Systems Corporation, and, with respect to criminal actions or proceedings, if such person had no reasonable cause to believe his or her conduct was unlawful. Alliance Data Systems Corporation's Certificate of Incorporation also provides that, to the fullest extent permitted by the Delaware General Corporation Law, no director shall be personally liable to Alliance Data Systems Corporation or its stockholders for monetary damages resulting from breaches of their fiduciary duty as directors.

Expenses for the defense of any action for which indemnification may be available may be advanced by Alliance Data Systems Corporation under certain circumstances. The general effect of the foregoing provisions may be to reduce the circumstances which an officer or director may be required to bear the economic burden of the foregoing liabilities and expenses. Directors and officers will be covered by liability insurance indemnifying them against damages arising out of certain kinds of claims which might be made against them based on their negligent acts or omissions while acting in their capacity as such.

ITEM 15--RECENT SALES OF UNREGISTERED SECURITIES

Since January 1997, Alliance Data Systems Corporation has issued and sold the following unregistered securities:

(1) In July 1998, 12,386,913 shares of common stock were sold to various Welsh, Carson, Anderson & Stowe limited partnerships and a total of 600,100 shares of common stock were sold to a total of 16 individuals who are partners of some or all of the Welsh Carson limited partnerships for $100 million to finance, in part, the acquisition of all of the outstanding capital stock of the Loyalty Management Group Canada Inc.

(2) In August 1998, 38,961 shares of common stock were sold to WCAS Capital Partners II, L.P. at a value of $7.70 per share as consideration for extending the maturity on a 10% subordinated note, issued to WCAS Capital Partners II, originally due January 24, 2002 to October 25, 2005 and 25,974 shares were sold to Limited Commerce Corp. at a value of $7.70 per share as consideration for extending the maturity on a 10% subordinated note, issued to Limited Commerce Corp., originally due January 24, 2002 to October 25, 2005.

(3) In September 1998, 842,857 shares of common stock were sold to WCAS Capital Partners III, LP to finance, in part, the acquisition of Harmonic Systems Incorporated.

(4) In July 1999, a total of 120,000 shares of Series A preferred stock were sold to Welsh, Carson, Anderson & Stowe VIII, L.P., WCAS Information Partners, L.P. and 20 individuals who are also partners of some or all of the Welsh Carson limited partnerships for $120 million. The shares of Series A preferred stock were issued to finance, in part, the acquisition of the network transaction processing business of SPS Payment Systems, Inc.

(5) Since February 1997, Alliance Data Systems Corporation has granted stock options to purchase shares of its common stock under its stock option plan covering an aggregate of 2,761,142 shares, at exercise prices ranging from $7.00 to $8.75 per share. Since February 1997, Alliance Data Systems Corporation has issued 21,027 shares of Alliance Data Systems Corporation's common stock pursuant to the exercise of stock options. Since February 1997, 53,259 stock options have lapsed without being exercised.

The sales and issuances of securities in the transactions described above were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(2) of the Securities Act, Regulation D promulgated thereunder or Rule 701 promulgated under Section 3(b) of the Securities Act, as transactions by an issuer not involving any public offering or transactions pursuant to compensatory benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of securities in each transaction represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in such transactions. All recipients had adequate access, through their relationship with Alliance Data Systems, to information about the Company.

ITEM 16--EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) EXHIBITS

EXHIBIT NO.	EXHIBITS
*1	Form of Underwriting Agreement.
2.1	Agreement and Plan of Merger, dated as of August 30, 1996, by and between Business Services Holdings, Inc. and World Financial Network Holding Corporation.
2.2	Agreement and Plan of Merger, dated as of August 14, 1998, by and among Alliance Data Systems Corporation, HSI Acquisition Corp., and Harmonic Systems Incorporated.
2.3	Stock Purchase Agreement, dated June 8, 1998, by and between SPS Payment Systems, Inc., Alliance Data Systems Corporation, SPS Commercial Services, Inc., and ADS Network Services, Inc., amended July 12, 1999.
*2.4	Agreement for the Purchase of all the Shares of Loyalty Management Group Canada Inc., June 26, 1998, by and between Air Miles International Group B.V., certain other shareholders and option holders and Alliance Data Systems Corporation as amended July 14, 1998.
*3.1	Form of Second Amended and Restated Certificate of Incorporation of the Registrant.
*3.2	Form of Second Amended and Restated Bylaws of the Registrant.
*4	Specimen Certificate for shares of Common Stock of the Registrant.
*5	Opinion of Akin, Gump, Strauss, Hauer & Feld, L.L.P.
*10.1	Credit Card Processing Agreement between World Financial Network National Bank, Bath and Body Works, Inc. and Tri-State Factoring, Inc., dated January 31, 1996.
*10.2	Credit Card Processing Agreement between World Financial Network National Bank, Victoria's Secret Catalogue, Inc., and Far West Factoring Inc., dated January 31, 1996 (assigned by Victoria's Secret Catalogue, Inc. to Victoria's Secret Catalogue, LLC, May 2, 1998).
*10.3	Credit Card Processing Agreement between World Financial Network National Bank, Victoria's Secret Stores, Inc., and Lone Mountain Factoring, Inc., dated January 31, 1996.
*10.4	Credit Card Processing Agreement between World Financial Network National Bank, Lerner New York, Inc., and Nevada Receivable Factoring, Inc., dated January 31, 1996.

EXHIBIT NO.	EXHIBITS
*10.5	Credit Card Processing Agreement between World Financial Network National Bank, Express, Inc., and Retail Factoring, Inc., dated January 31, 1996.
*10.6	Credit Card Processing Agreement between World Financial Network National Bank, The Limited Stores, Inc., and American Receivable Factoring, Inc., dated January 31, 1996.
*10.7	Credit Card Processing Agreement between World Financial Network National Bank, Structure, Inc., and Mountain Factoring, Inc., dated January 31, 1996.
*10.8	Credit Card Processing Agreement between World Financial Network National Bank, Lane Bryant, Inc., and Sierra Nevada Factoring, dated January 31, 1996, and amended August 4, 1998 and September 12, 1999.
*10.9	Credit Card Processing Agreement between World Financial Network National Bank, Henri Bendel, Inc., and Western Factoring, Inc., dated January 31, 1996 and amended May 13, 1998.
*10.10	Supplier Agreement between Canadian Airlines International Ltd. and Loyalty Management Group Canada Inc., dated March 15, 1996, as amended.
10.11	Lease between Deerfield and Weiland Office Building, L.L.C. and ADS Alliance Data Systems, Inc., dated July 30, 1999.
10.12	Indenture of Sublease between J.C. Penney Company, Inc. and BSI Business Services, Inc., dated January 11, 1996.
10.13	Build-to-Suit Net Lease between Opus South Corporation and ADS Alliance Data Systems, Inc., dated January 29, 1998.
10.14	Industrial Lease Agreement between CIBC Development Corporation and Loyalty Management Group Canada Inc., dated October 19, 1998, amended January 26, 1999.
10.15	Lease between YCC Limited and London Life Insurance Company and Loyalty Management Group Canada Inc. dated May 28, 1997 and amended June 19, 1997 and January 15, 1998.
10.16	Deed of Lease between Boswell International Marine (PTE) Limited and Financial Automation Limited, dated August 3, 1999.
10.17	Office Lease between Office City, Inc. and World Financial Network National Bank, dated December 24, 1986, and amended January 19, 1987, May 11, 1988, August 4, 1989 and August 18, 1999.
10.18	Lease Agreement by and between Continental Acquisitions, Inc. and World Financial Network National Bank, dated July 2, 1990, and amended September 11, 1990, November 16, 1990 and February 18, 1991.
10.19	Lease Agreement by and between Americana Parkway Warehouse Limited and World Financial Network National Bank, dated June 28, 1994.
10.20	Lease Agreement by and between Morrison Taylor II, Ltd. and ADS Alliance Data Systems, Inc., dated June 18, 1998, and amended June 18, 1998.
10.21	Lease Agreement between Morrison Taylor, Ltd. and ADS Alliance Data Systems, Inc. dated July 1, 1997, and amended June 18, 1998.
10.22	Commercial Lease Agreement between Waterview Parkway, L.P. and ADS Alliance Data Systems, Inc., dated July 16, 1997.

EXHIBIT NO.	EXHIBITS
10.23	Preferred Stock Purchase Agreement by and between Alliance Data Systems Corporation and several persons named in Schedule I thereto, dated July 12, 1999.
10.24	Amended and Restated Stockholder Agreement, by and between World Financial Network Holding Corporation, Limited Commerce Corp., Welsh, Carson, Anderson, and Stowe VII, L.P., and the several other investors named in Annex 1 thereto dated August 30, 1996, and amended July 24, 1998, August 31, 1998 and July 12, 1999.
10.25	Securities Purchase Agreement, by and between Business Services Holdings, Inc., and the several purchasers named in Schedule 1 and Schedule II thereto, dated January 24, 1996, and amended August 31, 1998.
10.26	Common Stock Purchase Agreement between Alliance Data Systems Corporation and Welsh, Carson, Anderson, and Stowe VII, L.P., Welsh, Carson, Anderson, and Stowe VIII, L.P., and the persons named in Schedule I thereto, dated July 24, 1998.
10.27	Securities Purchase Agreement between Alliance Data Systems Corporation and WCAS Capital Partners III, L.P., dated September 15, 1998.
10.28	10% Subordinated Note due September 15, 2008 issued by Alliance Data Systems Corporation to WCAS Capital Partners III, L.P. dated September 15, 1998.
10.29	10% Subordinated Note due October 25, 2005 issued by Alliance Data Systems Corporation to the Limited Commerce Corp., dated January 24, 1996.
10.30	10% Subordinated Note due October 25, 2005 issued by Alliance Data Systems Corporation to WCAS Capital Partners II, L.P. dated January 24, 1996.
10.31	Amended and Restated Credit Agreement between Alliance Data Systems Corporation, and Loyalty Management Group Canada, Inc., the Guarantors party thereto, the Banks party thereto, and Morgan Guaranty Trust Company of New York, dated July 24, 1998.
10.32	Pooling and Servicing Agreement, dated as of January 30, 1998, by and between World Financial Network National Bank, as Transferor and as Servicer, and The Bank of New York, as Trustee.
10.33	ADS Alliance Data Systems, Inc. Supplemental Executive Retirement Plan, effective May 1, 1999.
10.34	Alliance Data Systems Corporation Stock Option and Restricted Stock Purchase Plan, as amended.
10.35	Form of Alliance Data Systems Corporation Incentive Stock Option Agreement.
10.36	Form of Alliance Data Systems Corporation Non-Qualified Stock Option Agreement.
10.37	Form of Alliance Data Systems Corporation Confidentiality and Non-Solicitation Agreement.
10.38	Alliance Data Systems Corporation 1999 Incentive Compensation Plan.
10.39	Letter employment agreement with J. Michael Parks, dated February 19, 1997.
10.40	Letter employment agreement with Ivan Szeftel, dated May 4, 1998.

EXHIBIT NO.	EXHIBITS
10.41	Registration Rights Agreement dated as of January 24, 1996 between Business Services Holdings, Inc. and Welsh Carson, Andersen, and Stowe VII, L.P., WCAS Information Partners, L.P., WCA Management Corporation, Patrick J. Welsh, Russell L. Carson, Bruce K. Anderson, Richard H. Stowe, Andrew M. Paul, Thomas E. McInerney, Laura VanBuren, James B. Hoover, Robert A. Minicucci, Anthony J. deNicola, and David Bellet.
10.42	Securities Purchase Agreement, dated as of August 30, 1996, by and among World Financial Network Holding Corporation, Limited Commerce Corp., and several persons named in Schedules I and II thereto, and WCAS Capital Partners II, L.P., as amended August 31, 1998.
10.43	Amended and Restated License to Use the Air Miles Trade Marks in Canada, dated as of July 24, 1998, by and between Air Miles International Holdings N.V. and Loyalty Management Group Canada Inc.
10.44	Amended and Restated License to Use and Exploit the Air Miles Scheme in Canada, dated July 24, 1998, by and between Air Miles International Trading B.V. and Loyalty Management Group Canada Inc.
10.45	License to Use the Air Miles Trademarks in the United States, dated as of July 24, 1998, by and between Air Miles International Holdings N.V. and Loyalty Management Group Canada Inc.
10.46	License to Use and Exploit the Air Miles Scheme in the United States, dated as of July 1998, by and between Air Miles International Trading B.V. and Alliance Data Systems Corporation.
*10.47	Form of Retainer Agreement entered into between ADS Alliance Data Systems, Inc. and certain affiliates of The Limited, Inc.
*10.48	Form of Business Solutions Master Agreement between ADS Alliance Data Systems, Inc. and certain affiliates of The Limited, Inc.
21	Subsidiaries of the Registrant.
23.1	Consent of Deloitte & Touche LLP.
23.2	Consent of Ernst & Young LLP with regard to Loyalty Management Group Canada Inc.
23.3	Consent of Ernst & Young LLP with regard to Harmonic Systems Incorporated.
*23.4	Consent of Akin, Gump, Strauss, Hauer & Feld, L.L.P. (included in its opinion filed as Exhibit 5 hereto).
24	Power of Attorney (included on the signature page hereto)
27	Financial Data Schedule (included in SEC-filed copy only).

- ------------------------

* To be filed by amendment

(b) Financial Statement Schedules

None.

ITEM 17--UNDERTAKINGS

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Dallas, State of Texas, on January 13, 2000.

ALLIANCE DATA SYSTEMS CORPORATION

By: /s/ J. MICHAEL PARKS

J. Michael Parks
CHIEF EXECUTIVE OFFICER AND PRESIDENT

POWER OF ATTORNEY

The undersigned directors and officers of Alliance Data Systems Corporation hereby constitute and appoint J. Michael Parks and Edward K. Mims, with full power to act and with full power of substitution and resubstitution, our true and lawful attorney-in-fact and agent with full power to execute in our name and behalf in the capacities indicated below any and all amendments (including post-effective amendments and amendments thereto) to this Registration Statement and to file the same, with all exhibits and other documents relating thereto and any registration statement relating to any offering made pursuant to this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act with the Securities and Exchange Commission and hereby ratify and confirm all that such attorney-in-fact or his substitute shall lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on January 13, 2000:

NAME	TITLE
/s/ J. MICHAEL PARKS J. Michael Parks	Chairman of the Board, Chief Executive Officer and President (principal executive officer)
/s/ EDWARD K. MIMS Edward K. Mims	Executive Vice President, Chief Financial Officer (principal financial officer)
/s/ MICHAEL D. KUBIC Michael D. Kubic	Corporate Controller and Chief Accounting Officer (principal accounting officer)
/s/ BRUCE K. ANDERSON Bruce K. Anderson	Director
/s/ ANTHONY J. DENICOLA Anthony J. deNicola	Director
/s/ DANIEL P. FINKELMAN Daniel P. Finkelman	Director

NAME	TITLE
/s/ ROBERT A. MINICUCCI Robert A. Minicucci	Director
/s/ BRUCE A. SOLL Bruce A. Soll	Director

AGREEMENT AND PLAN OF MERGER

Between

BUSINESS SERVICES HOLDINGS, INC.

and

WORLD FINANCIAL NETWORK HOLDING CORPORATION

Dated as of August 30, 1996

TABLE OF CONTENTS

ARTICLE V

CONDITIONS PRECEDENT TO THE MERGER

ARTICLE VI

TERMINATION AND ABANDONMENT

ARTICLE VII

MISCELLANEOUS

INDEX TO SCHEDULES AND EXHIBITS

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of August 30, 1996, between BUSINESS SERVICES HOLDINGS, INC., a Delaware corporation ("BSI"), and WORLD FINANCIAL NETWORK HOLDING CORPORATION, a Delaware corporation ("WFN"). BSI and WFN are hereinafter sometimes referred to as the "Constituent Corporations" and WFN as the "Surviving Corporation".

WHEREAS, BSI and WFN desire that BSI merge with and into WFN (the "Merger"), upon the terms and conditions set forth herein and in accordance with the General Corporation Law of the State of Delaware (the "Delaware GCL"), with the result that WFN shall continue as the surviving corporation and the separate existence of BSI shall cease; and

WHEREAS, BSI and WFN desire that at the Effective Time (as hereinafter defined) all issued and outstanding shares of Common Stock, $.01 par value ("BSI Common Stock"), and Preferred Stock, $1.00 par value ("BSI Preferred Stock"), of BSI (excluding shares held in the treasury of BSI) be converted into the right to receive fully paid and nonassessable shares of Common Stock, $.01 par value ("WFN Common Stock"), of WFN, as hereinafter provided; and

WHEREAS, the respective Boards of Directors and stockholders of BSI and WFN have approved the Merger;

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants, agreements and conditions contained herein, and in order to set forth the terms and conditions of the Merger and the mode of carrying the same into effect, the parties hereto hereby agree as follows:

ARTICLE I

THE MERGER

SECTION 1.01 THE MERGER. Subject to the terms and conditions of this Agreement, at the Effective Time, in accordance with this Agreement and the Delaware GCL, BSI shall be merged with and into WFN, the separate existence of BSI shall cease, and WFN shall continue as the surviving corporation under the corporate name of "World Financial Network Holding Corporation".

SECTION 1.02 EFFECT OF THE MERGER. Upon the effectiveness of the Merger, the Surviving Corporation shall possess all of the rights, privileges, powers and franchises as well of a public as of a private nature, and be subject to all the

restrictions, disabilities and duties, of each of the Constituent Corporations; and all and singular, the rights, privileges, powers and franchises of each of the Constituent Corporations, and all property, real, personal and mixed, and all debts due to any of the Constituent Corporations on whatever account, as well for stock subscriptions as all other things in action or belonging to each of the Constituent Corporations, shall be vested in the Surviving Corporation; and all property, rights, privileges, powers and franchises, and all and every other interest shall be thereafter as effectually the property of the Surviving Corporation as they were of the Constituent Corporations, and the title to any real estate vested by deed or otherwise in any of the Constituent Corporations shall not revert or be in any way impaired by reason of the Merger; but all rights of creditors and all liens upon any property of any of the Constituent Corporations shall be preserved unimpaired, and all debts, liabilities and duties of the Constituent Corporations (including, without limitation, the indebtedness evidenced by the 10% Subordinated Note due January 24, 2002 of BSI in the aggregate principal amount of $50,000,000 (the "Note")) shall thenceforth attach to the Surviving Corporation, and may be enforced against it to the same extent as if said debts, liabilities and duties had been incurred or contracted by it. In connection with the foregoing, the Surviving Corporation shall, at the Effective Time (as hereinafter defined), in addition to such other actions as may be required in connection with the Merger, execute and deliver to the holder of the Note, in substitution therefore, a 10% Subordinated Note due January 24, 2002 of the Surviving Corporation having terms identical to those contained in the Note.

SECTION 1.03 CONSUMMATION OF THE MERGER. As soon as practicable after the satisfaction or waiver of the conditions to the obligations of the parties to effect the Merger set forth herein, provided that this Agreement has not been terminated previously, the parties hereto will cause the Merger to be consummated by filing with the Secretary of State of the State of Delaware a properly executed Certificate of Merger (the time of such filing being the "Effective Time").

SECTION 1.04 CHARTER; BY-LAWS; DIRECTORS AND OFFICERS. The Certificate of Incorporation of the Surviving Corporation from and after the Effective Time shall be the Certificate of Incorporation of WFN as in effect immediately prior to the Effective Time, until thereafter amended in accordance with the provisions thereof, the terms of the Amended and Restated Stockholders Agreement referred to in Section 5.01(f) hereof and as provided by the Delaware GCL. The By-Laws of the Surviving Corporation from and after the Effective Time shall be the By-Laws of WFN as in effect immediately prior to the Effective Time, continuing until thereafter amended in accordance with the

provisions thereof, the terms of the Amended and Restated Stockholders Agreement referred to in Section 5.01(f) hereof and the Certificate of Incorporation of the Surviving Corporation and as provided by the Delaware GCL. The initial directors and officers of the Surviving Corporation shall be the directors and officers, respectively, of WFN immediately prior to the Effective Time, in each case until their respective successors are duly elected and qualified.

SECTION 1.05 FURTHER ASSURANCES. If at any time after the Effective Time the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments or assurances or any other acts or things are necessary, desirable or proper (i) to vest, perfect or confirm, of record or otherwise, in the Surviving Corporation, its right, title or interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of either of the Constituent Corporations, or (ii) otherwise to carry out the purposes of this Agreement, the Surviving Corporation and its proper officers and directors or their designees shall be authorized to execute and deliver, in the name and on behalf of either of the Constituent Corporations, all such deeds, bills of sale, assignments and assurances and do, in the name and on behalf of such Constituent Corporation, all such other acts and things necessary, desirable or proper to vest, perfect or confirm its right, title or interest in, to or under any of the rights, privileges, powers, franchises, properties or assets of such Constituent Corporation and otherwise to carry out the purposes of this Agreement.

ARTICLE II

CONVERSION OF SECURITIES

SECTION 2.01 CONVERSION OF COMMON AND PREFERRED STOCK OF BSI. By virtue of the Merger and without any action on the part of the holders of the capital stock of BSI, at the Effective Time all outstanding shares of the capital stock of BSI (excluding shares held in the treasury of BSI, which shall be cancelled as provided in paragraph (d) below) shall be converted into the right to receive fully paid and nonassessable shares of WFN Common Stock on the following basis:

(a) BSI COMMON STOCK. Each share of BSI Common Stock issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive fully paid and nonassessable shares of WFN Common Stock, at the rate of one (1) share of WFN Common Stock for each share of BSI Common Stock.

(b) BSI PREFERRED STOCK. Each share of BSI Preferred Stock issued and outstanding immediately prior to the Effective

Time shall be converted into the right to receive a number of fully paid and nonassessable shares of WFN Common Stock equal to the quotient derived by dividing:

(i) an amount equal to the sum of (x) $100 (the liquidation value of each share of BSI Preferred Stock), plus (y) any accrued and unpaid dividends thereon through the Effective Time; by

(ii) $1.00.

(c) PREFERRED STOCK DIVIDENDS. At the Effective Time the obligations of BSI to pay accrued and unpaid dividends on the issued and outstanding shares of BSI Preferred Stock shall be cancelled.

(d) TREASURY STOCK. Each share of capital stock of BSI that is held in the treasury of BSI shall be cancel led and retired at the Effective Time and no capital stock of WFN, cash or other consideration shall be paid or delivered in exchange therefor.

SECTION 2.02 STOCK OPTIONS, WARRANTS. ETC. Each outstanding stock option, warrant or other right to purchase BSI Common Stock, whether or not then exercisable or vested, shall remain outstanding after the Effective Time and shall at the Effective Time, subject to the satisfaction of the vesting provisions and the payment of the exercise price thereof, be converted, subject to Section 2.03(c) hereof, into and become the right to purchase that number of shares of WFN Common Stock equal to the number of shares of BSI Common Stock that would have been issued if such option, warrant or other right had been exercised immediately prior to the Effective Time.

SECTION 2.03 SURRENDER AND EXCHANGE OF SECURITIES. (a) At the Effective Time, each holder of an outstanding certificate or certificates that prior thereto represented shares of BSI Common Stock or BSI Preferred Stock shall surrender the same to WFN or its agent, and each such holder shall be entitled upon such surrender to receive in exchange therefor, without cost to it, the number of shares of WFN Common Stock into which the shares theretofore represented by the certificate so surrendered shall have been converted as provided in Section 2.01 hereof, and the certificate or certificates so surrendered in exchange for such consideration shall forthwith be cancelled by WFN.

(b) If a holder of BSI Common Stock or BSI Preferred Stock has lost the certificate owned by such holder, then such holder shall submit an affidavit describing the lost certificate, the number of shares evidenced thereby and affirming the loss of that certificate in lieu of surrendering the lost certificate to

WFN, which shall deem such lost certificate cancelled. Until so surrendered, the outstanding certificates that, prior to the Effective Time, represented shares of the capital stock of BSI that shall have been converted as aforesaid shall be deemed for all corporate purposes, except as hereinafter provided, to evidence the ownership of the consideration into which such shares have been so converted.

(c) At the Effective Time, each holder of an outstanding option or warrant to purchase shares of BSI Common Stock shall surrender the same to WFN or its agent, and each such holder shall be entitled upon such surrender to receive in exchange therefor, without cost to it, an option or warrant to purchase the number of shares of WFN Common Stock calculated as provided in Section 2.02 hereof, and the option or warrant so surrendered in exchange shall forthwith be cancelled by WFN.

(d) No certificates or scrip representing fractional shares of WFN Common Stock shall be issued upon the surrender for exchange of certificates held by stockholders of BSI and such fractional share interests will not entitle the owner thereof to vote or to any rights of a stockholder of WFN.

SECTION 2.04 CLOSING OF STOCK TRANSFER BOOKS. On and after the Effective Time there shall be no transfers on the stock transfer books of BSI of shares of capital stock of BSI that were issued and outstanding immediately prior to the Effective Time.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.01 REPRESENTATIONS AND WARRANTIES OF BSI AND WFN. Each of BSI and WFN (being hereinafter referred to, collectively, as the "Merger Parties" and, individually, as a "Merger Party") represents and warrants, only as to itself and its subsidiaries, to the other Merger Party as follows:

(a) ORGANIZATION, POWER, ETC. (i) Such Merger Party is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware, is duly qualified or licensed and is in good standing to do business as a foreign corporation in each jurisdiction in which the property owned, leased or operated by it or the nature of its business, as now being conducted, makes such qualification or licensing necessary (other than any such jurisdictions in which the failure to be so qualified would not, in the aggregate, have a material adverse effect on its business, properties or financial condition), and has all requisite corporate power and authority to own, operate and lease its properties, to carry on its busi-

ness as now being conducted and to execute, deliver and perform this Agreement.

(ii) WFN has all requisite corporate power and authority to execute, deliver and perform the Amended and Restated Stockholders Agreement (as hereinafter defined) and to issue and deliver the shares of WFN Common Stock issuable upon the Merger at the Effective Time, as contemplated herein.

(b) SUBSIDIARIES. Except as set forth in Schedule 3.01(b) hereto, in Part I thereof in the case of BSI and in Part II thereof in the case of WFN, neither such Merger Party nor any of its subsidiaries owns of record or beneficially, directly or indirectly, (i) any shares of outstanding capital stock or securities convertible into capital stock of any other corporation or (ii) any participating interest in any partnership, joint venture or other non-corporate business enterprise. Except as set forth in Schedule 3.01(b), each subsidiary of such Merger Party is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite corporate power and authority to own, operate and lease its properties and to carry on its business as it is now being conducted. Except as set forth in Schedule 3.01(b), each such subsidiary is duly qualified or licensed and is in good standing to do business as a foreign corporation in each jurisdiction in which the property owned, leased or operated by it or the nature of its business as now being conducted makes such qualification or licensing necessary (other than any such jurisdiction in which the failure to be so qualified would not, in the aggregate, have a material adverse effect on the business, properties or financial condition of such Merger Party and its subsidiaries, taken as a whole). All the outstanding shares of capital stock of such Merger Party's subsidiaries are validly issued, fully paid and nonassessable and are owned by such Merger Party or by a wholly-owned subsidiary of such Merger Party, free and clear of any liens, claims, charges or encumbrances, and there are no irrevocable proxies outstanding with respect to any such shares. For purposes of this Agreement, the term "subsidiary" shall mean any corporation or other business entity a majority of the outstanding voting stock of which is entitled to vote for the election of directors is at the time owned by such Merger Party and/or one or more other subsidiaries.

(c) CAPITALIZATION. (i) The authorized capital stock of BSI consists of 34,000,000 shares of BSI Common Stock, $.01 par value, and 250,000 shares of BSI Preferred Stock, $1.00 par value, of which 28,571,429 shares of BSI Common Stock and 250,000 shares of BSI Preferred Stock are issued and outstanding, fully paid and nonassessable, and 1,503,759 shares of BSI Common Stock are reserved for issuance pursuant to an outstanding warrant to purchase BSI Common Stock.

(ii) The authorized capital stock of WFN consists of 350,000,000 shares of WFN Common Stock, $.01 par value, of which 275,000,000 shares of WFN Common Stock are issued and outstanding, fully paid and nonassessable and 8,270,000 shares are reserved for issuance upon the exercise of outstanding options granted under the World Financial Network Holding Corporation and its Subsidiaries Stock Option and Restricted Stock Purchase Plan.

(iii) Schedule 3.01(c) hereto, in Part I thereof in the case of BSI and Part II thereof in the case of WFN, contains a true and complete list of all the holders of shares of capital stock of such Merger Party and their respective share holdings, and all outstanding options, warrants, calls or other rights to subscribe for or purchase or acquire from such Merger Party, or any plans, contracts or commitments providing for the issuance of, or the granting of rights to acquire (i) any capital stock of such Merger Party or (ii) any securities convertible into or exchangeable for any capital stock of such Merger Party. Except as set forth in Schedule 3.01(c), such Merger Party is not contractually obligated to repurchase, redeem or otherwise acquire any of its outstanding shares of capital stock or options to acquire such stock and there are no agreements among the stockholders of such Merger Party regarding the voting of securities of such Merger Party.

(d) AUTHORIZATION OF AGREEMENTS. ETC. (i) The execution, delivery and performance by such Merger Party of this Agreement and, in the case of WFN, the Amended and Restated Stockholders Agreement and the consummation by it of the transactions contemplated hereby and thereby, as the case may be, have been duly and effectively authorized by all requisite corporate and stockholder action. In furtherance of the foregoing, this Agreement has been duly approved and adopted by a unanimous vote of the Boards of Directors and stockholders of each of WFN and BSI. This Agreement constitutes, and the Amended and Restated Stockholders Agreement, when executed and delivered by WFN in accordance herewith, will constitute, the legal, valid and binding obligation of such Merger Party, enforceable against such Merger Party in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights in general and to general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law.

(ii) The issuance and delivery by WFN of the shares of WFN Common Stock issuable upon the consummation of the Merger at the Effective Time, as contemplated herein, have been duly and effectively authorized by all requisite corporate and stockholder

action, and such shares, when issued and delivered in accordance with this Agreement, will be validly issued and outstanding, fully paid and nonassessable shares of WFN Common Stock. The issuance and delivery of the shares of WFN Common Stock under the circumstances contemplated by this Agreement are not subject to any preemptive rights of stockholders of WFN or to any right of first refusal or other similar right in favor of any person and are exempt from the registration requirements of the Securities Act of 1933.

(e) EFFECT OF AGREEMENTS. Except as set forth in Section 3.01(e) hereto, the execution and delivery by such Merger Party of this Agreement and, in the case of WFN, the Amended and Restated Stockholders Agreement, and performance by it of its obligations hereunder and thereunder, as the case may be, will not violate, in any material respect, any provision of any statute or regulation, the Certificate of Incorporation or Bylaws of such Merger Party or any of its subsidiaries or any by-law, rule or regulation of MasterCard International, Inc., VISA U.S.A., Inc. and VISA International, Inc. or any order of any court or other agency of government, or any judgment, award or decree or any indenture, agreement or other instrument to which such Merger Party or any of its subsidiaries is a party, or by which such Merger Party or any of its subsidiaries or any of their respective properties or assets is bound, or conflict with in any material respect, result in a material breach of or constitute (with due notice or lapse of time or both) a material default under, any such indenture, or any agreement or other instrument, or result in the creation or imposition of any lien, charge, security interest or encumbrance of any nature whatsoever upon any of the material properties or assets of such Merger Party and its subsidiaries, taken as a whole.

(f) FINANCIAL STATEMENTS. (i) BSI has furnished to WFN: (A) the unaudited balance sheet of BSI's wholly-owned subsidiary BSI Business Services, Inc., a Delaware corporation ("Business Services"), and its subsidiaries as of January 28, 1995 and the related statement of income for the fiscal year then ended, (B) the unaudited balance sheet of Business Services and its subsidiaries as of December 2, 1995 and the related statements of income and cash flow for the period then ended and (C) the unaudited balance sheet of BSI and its subsidiaries as of July 27, 1996 and the related statements of income and cash flows for the six-month period then ended, certified by the principal financial officer of BSI.

(ii) WFN has furnished to BSI: (A) the consolidated statements of condition of World Financial Network National Bank as of January 29, 1994 and January 28, 1995 and the related consolidated statements of income, stockholders' equity and cash flows, certified by Coopers & Lybrand, and (B) the consolidated

balance sheet of WFN as of August 3, 1996 and the related statements of income and cash flows for the six-month period then ended, certified by the principal financial officer of WFN.

(iii) All such financial statements of such Merger Party (including any related schedules and/or notes, if any) have been prepared in accordance with generally accepted accounting principles consistently applied and consistent with prior periods, except that such interim statements are subject to year-end adjustments (which consist of normal recurring accruals) and do not contain footnote disclosures and except that the financial statements of BSI subsequent to January 10, 1996 reflect the effects of purchase accounting. Except as set forth in Schedule 3.01(f) hereto, in Part I thereof in the case of BSI and Part II thereof in the case of WFN, such financial statements fairly present in all material respects the financial position of the applicable Merger Party and its subsidiaries as of their respective dates and present in all material respects the results of operations of the applicable Merger Party and its subsidiaries for the respective periods then ended, subject, in the case of unaudited financial statements, to normal year-end adjustments and the absence of footnote disclosure. Except (A) as set forth in the financial statements of such Merger Party and its subsidiaries, (B) as incurred in the ordinary course of business and consistent with past practice, or (C) as set forth in said Schedule 3.01(f), such Merger Party and its subsidiaries have not incurred any material liabilities or obligations of any kind or nature, whether known or unknown (whether absolute, secured, contingent or otherwise) and whether due or to become due since July 27, 1996, in the case of BSI, and August 3, 1996, in the case of WFN.

(g) ABSENCE OF CERTAIN CHANGES OR EVENTS. Except as otherwise set forth in Schedule 3.01(g) hereto, in Part I thereof in the case of BSI and Part II thereof in the case of WFN, since July 27, 1996, in the case of BSI, and August 3, 1996, in the case of WFN, neither such Merger Party nor any of its subsidiaries has:

(i) incurred any obligation or liability (fixed or contingent), except normal trade or business obligations incurred in the ordinary course of business and consistent with past practice, none of which, individually or in the aggregate, is materially adverse, and except in connection with this Agreement and the transactions contemplated hereby;

(ii) discharged or satisfied any lien, security interest, charge or other encumbrance or paid any obligation or liability (fixed or contingent), other than in the ordinary course of business and consistent with past practice;

(iii) mortgaged, pledged or subjected to any lien, security interest, charge or other encumbrance any of its assets or properties with a value in excess of $100,000 (other than mechanic's, materialman's and similar statutory liens arising in the ordinary course of business and purchase money security interests arising as a matter of law between the date of delivery and payment);

(iv) transferred, leased or otherwise disposed of any of its assets or properties except for a fair consideration in the ordinary course of business and consistent with past practice or, except in the ordinary course of business and consistent with past practice, acquired any assets or properties;

(v) authorized, declared or paid any dividend or made any other distribution on or in respect of any class of its capital stock or established a record date for any of the foregoing;

(vi) cancelled or compromised any debt or claim greater than $100,000 individually, other than in the ordinary course of business consistent with past practice;

(vii) waived or released any rights of material value;

(viii) transferred or granted any rights under any concessions, leases, licenses, agreements, patents, inventions, trademarks, trade names, servicemarks or copyrights or with respect to any know-how other than in the ordinary course of business consistent with past practice;

(ix) made or granted any wage or salary increase applicable to any group or classification of employees generally, entered into any employment contract with, or made any loan to, or entered into any material transaction of any other nature with, any officer or employee of such Merger Party or any of its subsidiaries or affiliates;

(x) entered into any transaction, contract or commitment that, individually or in the aggregate, is material, except this Agreement and the transactions contemplated hereby and as permitted by Section 4.01 hereof;

(xi) suffered any casualty loss or damage (whether or not such loss or damage shall have been covered by insurance) that affects in any material respect its ability to conduct its business; or

(xii) suffered any material adverse change in its business, operations or financial condition.

(h) ACQUISITION AGREEMENTS. (i) To the knowledge of BSI, (A) the representations and warranties of the parties contained in the Acquisition Agreement dated as of January 12, 1996 (the "BSI Acquisition Agreement") between BSI and JCP Telecom Systems, Inc. are true and correct in all material respects as if made at and as of the date hereof, except to the extent any such representation or warranty was expressly made as of a specified date, in which case, to the knowledge of BSI, such representation or warranty was true and correct in all material respects as of such date, and (B) the schedules to the BSI Acquisition Agreement were complete and accurate in all material respects as of the date of the BSI Acquisition Agreement and, except as set forth in the Schedules to this Agreement, since the closing under the BSI Acquisition Agreement nothing has come to the attention of BSI that would require any modification to or supplement of the schedules to the BSI Acquisition Agreement.

(ii) To the knowledge of WFN, (A) the representations and warranties of the parties contained in the Stock Purchase Agreement, dated as of October 24, 1995 (the "WFN Acquisition Agreement"), among Limited Commerce Corp., a Delaware corporation ("Limited"), WFN and Welsh, Carson, Anderson & Stowe VII, L.P., a Delaware limited partnership ("WCAS VII"), are true and correct in all material respects as if made at and as of the date hereof, except to the extent any such representation or warranty was expressly made as of a specified date, in which case, to the knowledge of WFN, such representation or warranty was true and correct in all material respects as of such date, and (B) the schedules to the WFN Acquisition Agreement were complete and accurate in all material respects as of the date of the WFN Acquisition Agreement and, except as set forth in the Schedules to this Agreement, since the closing under the WFN Acquisition Agreement nothing has come to the attention of WFN that would require any modification to or supplement of the schedules to the WFN Acquisition Agreement.

(i) LITIGATION. Schedule 3.01(i) hereto, in Part I thereof in the case of BSI and in Part II thereof in the case of WFN, sets forth, to such Merger Party's knowledge, a complete list and an accurate description of all actions, suits or proceedings involving claims relating to the business of such Merger Party or any of its subsidiaries by or against such Merger Party or any of its subsidiaries pending or threatened against such Merger Party or any of its subsidiaries or any of their respective divisions or other operating entities at law or in equity, or before or by any federal, state, municipal or other governmental department, commission, board, bureau, agency or instrumentality. Except for the matters set forth in said Schedule 3.01(i), (i) no such pending or threatened claims, actions, suits, proceedings or investigations, if adversely determined,

would, individually or in the aggregate, materially adversely affect the business, properties or financial condition or prospects of such Merger Party and its subsidiaries, taken as a whole, (ii) to such Merger Party's knowledge, there is no basis for any other such claim, action, suit, proceeding or investigation which, if adversely decided, would have such a material adverse effect, and (iii) there are no actions, suits, proceedings or claims pending before or by any court, arbitrator or government agency against or affecting such Merger Party or any of its subsidiaries that seek to enjoin or prevent the consummation of the transactions contemplated by this Agreement.

(j) LABOR CONTROVERSIES. Neither such Merger Party nor any of its subsidiaries is a party to any collective bargaining agreement, and no such agreement is applicable to any employees of such Merger Party. There are not any controversies between such Merger Party or any of its subsidiaries and any of such employees that might reasonably be expected to materially adversely affect the conduct of the business of such Merger Party or any of its subsidiaries, or any unresolved labor union grievances or unfair labor practice or labor arbitration proceedings pending, or to the knowledge of such Merger Party, threatened relating to the business of such Merger Party or any of its subsidiaries. To the knowledge of such Merger Party, there are not any organizational efforts presently being made or threatened involving any of such employees. Except as set forth in Schedule 3.01(j), in Part I thereof in the case of BSI and in Part II thereof in the case of WFN, neither such Merger Party nor any of its subsidiaries has received written notice of any claim that such Merger Party or any of its subsidiaries has not complied with any laws relating to the employment of labor, including any provisions thereof relating to wages, hours, collective bargaining, the payment of social security and similar taxes, equal employment opportunity, employment discrimination and employment safety, or that either such Merger Party or any of its subsidiaries is liable for any arrears of wages or any taxes or penalties for failure to comply with any of the foregoing.

(k) COMPLIANCE WITH LAW. To the knowledge of such Merger Party, neither such Merger Party nor any of its subsidiaries is in default of any order of any court, governmental authority or arbitration board or tribunal to which such Merger Party or any of its subsidiaries is a party or is subject, and, to the knowledge of such Merger Party, each of such Merger Party and its subsidiaries is in substantial compliance with all material laws, ordinances, governmental rules or regulations to which it is subject and has all material licenses, registrations, qualifications, permits, franchises or other governmental authorizations necessary to its ownership of its assets or to conduct its business.

(l) GOVERNMENTAL APPROVALS. Except as set forth in Schedule 3.01(1) hereto, in Part I thereof in the case of BSI and in Part 11 thereof in the case of WFN, no approval, authorization, consent or order or action of or filing with any court, administrative agency or other governmental authority is required for the execution and delivery by such Merger Party of this Agreement or the consummation by such Merger Party of the transactions contemplated hereby.

(m) EMPLOYEE BENEFIT PLANS. Except as set forth in Schedule 3.01(m), in Part I thereof in the case of BSI and in Part II thereof in the case of WFN, to the knowledge of such Merger Party, such Merger Party and each of its subsidiaries have been and currently are in compliance, both as to form and operation, with the applicable provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Internal Revenue Code of 1986, as amended (the "Code"), respectively, with respect to each employee benefit plan within the meaning of Section 3(3) of ERISA (a "Plan") maintained for the benefit of employees by such Merger Party or any of its subsidiaries or to which such Merger Party or any of its subsidiaries contributes or is required to contribute or in which any employee of such Merger Party or any of its subsidiaries participates. To the knowledge of such Merger Party, no event has occurred, and there exists no condition or set of circumstances which has resulted in, or which could result in, the imposition of any liability on such Merger Party or any of its subsidiaries under ERISA, the Code or other applicable law with respect to any Plan maintained for the benefit of employees of such Merger Party or any of its subsidiaries.

(n) BROKER'S OR FINDERS' FEES. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried out by such Merger Party directly with the other party hereto, without the intervention of any person on behalf of such Merger Party in such manner as to give rise to any claim by any person against the other parties hereto for a finder's fee, brokerage commission or similar payment.

ARTICLE IV

COVENANTS

SECTION 4.01 CERTAIN COVENANTS. During the period from the date of this Agreement to the Effective Time, each Merger Party will conduct its business and operations in the ordinary course consistent with past practice and use its reasonable efforts to preserve its relationships with business partners, suppliers, employees and customers. Without limiting the generality of the foregoing, except as otherwise contemplated by

this Agreement, from the date of this Agreement until the Effective Time, without the prior written consent of the other party hereto, each Merger Party will not do any of the things required to be disclosed in Section 3.01(g) above.

SECTION 4.02 ACCESS TO INFORMATION. Between the date hereof and the Effective Time, each Merger Party will afford to the representatives of the other party hereto reasonable access during normal business hours and after reasonable notice to the offices, facilities, books and records of such Merger Party and the opportunity to discuss the affairs of such Merger Party with officers and employees of such Merger Party familiar therewith. Such activities shall be performed, so far as is reasonably possible, in such a manner as to avoid disruption of normal operations.

SECTION 4.03 OTHER AGREEMENTS. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement, including, without limitation, using all reasonable efforts to obtain all necessary waivers, consents and approvals and to effect all necessary registrations and filings and submissions of information requested by governmental authorities.

SECTION 4.04 NOTIFICATION OF CERTAIN MATTERS. Each party shall give prompt notice to the other party hereto of (i) the occurrence, or failure to occur, of any event which such party believes would be likely to cause any of its representations or warranties contained in this Agreement to be untrue or inaccurate at any time from the date hereof to the Effective Time and (ii) any failure of such party, or of any officer, director, employee or agent thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; PROVIDED, HOWEVER, that failure to give such notice shall not constitute a waiver of any defense that may be validly asserted.

SECTION 4.05 INDEMNIFICATION. From and after the Effective Time, WFN shall indemnify and hold harmless each current and former director and officer of BSI against any costs or expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages or liabilities incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of matters existing or occurring at or prior to the Effective Time, whether asserted or claimed prior to, at or after the Effective Time, to the fullest extent that BSI would have been permitted under its Certificate of

Incorporation and By-Laws as in effect on the date hereof to indemnify such person (and WFN shall advance expenses as incurred to the fullest extent permitted under BSI's Certificate of Incorporation and By-Laws as in effect on the date hereof, provided the person to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such person is not entitled to indemnification)

ARTICLE V

CONDITIONS PRECEDENT TO THE MERGER

SECTION 5.01 CONDITIONS PRECEDENT TO THE MERGER. The obligation of each Merger Party to effect the Merger is subject, at its option, to the satisfaction at or prior to the Effective Time of each of the following conditions:

(a) ACCURACY OF REPRESENTATIONS AND WARRANTIES. The representations and warranties of the other Merger Party contained in this Agreement or in any certificate or document delivered pursuant hereto shall be true and correct in all material respects on and as of the Effective Time as though made at and as of that date.

(b) COMPLIANCE WITH COVENANTS. The other Merger Party shall have performed and complied with all terms, agreements, covenants and conditions of this Agreement to be performed or complied with by it at or prior to the Effective Time.

(c) ALL PROCEEDINGS TO BE SATISFACTORY. All proceedings to be taken by the other Merger Party in connection with the transactions contemplated hereby and all documents incident there to shall be reasonably" satisfactory in form and substance to such Merger Party and its counsel, and such Merger Party and said counsel shall have received all such counterpart originals or certified or other copies of such documents as it or they may reasonably request.

(d) LEGAL ACTIONS OR PROCEEDINGS. No legal action or proceeding shall have been instituted or threatened seeking to restrain, prohibit, invalidate or otherwise affect the consummation of the transactions contemplated hereby or which would, if adversely decided, have a material adverse effect on the business, properties or financial condition or prospects of either Merger Party.

(e) CONSENTS. The consents and actions set forth in Schedule 5.01(e) hereto shall have been obtained or consummated, as the case may be.

(f) AMENDED AND RESTATED STOCKHOLDERS AGREEMENT. The stockholders of BSI and WFN shall have executed and delivered an Amended and Restated Stockholders Agreement, substantially in the form of Exhibit A hereto, amending and restating the Stockholders Agreement dated as of January 31, 1996 among WFN, Limited, WCAS VII and the several investors named in Annex I thereto.

(g) SECURITIES PURCHASE AGREEMENT. The Company, Limited and the other parties thereto shall have executed and delivered the Securities Purchase Agreement substantially in the form of Exhibit B hereto.

(h) SUPPORTING DOCUMENTS. On or prior to the Effective Time, each Merger Party and its counsel shall have received copies of the following supporting documents:

(i) (1) copies of the Certificate of Incorporation of the other Merger Party and all amendments thereto, certified as of a recent date by the Secretary of State of the State of Delaware, and (2) a certificate of said Secretary dated as of a recent date as to the due incorporation and good standing of the other Merger Party and listing all documents on file with said Secretary, and (3) confirmation from said Secretary as of the close of business on the next business day preceding the Effective Time as to the continued good standing of the other Merger Party and to the effect that no amendment to its Certificate of Incorporation has been filed since the date of the certificate referred to in clause (2) above; and

(ii) a certificate of the Secretary or an Assistant Secretary of the other Merger Party dated the Effective Time and certifying: (1) that attached thereto is a true and complete copy of its By-laws as in effect on the date of such certification; (2) that attached thereto is a true and complete copy of the resolutions adopted by its Board of Directors and stockholders authorizing the execution, delivery and performance of this Agreement and the Merger and that all such resolutions are still in full force and effect and are all the resolutions adopted in connection with the transactions contemplated by this Agreement; (3) that its Certificate of Incorporation has not been amended since the date of the last amendment referred to in the certificate delivered pursuant to clause (i) (2) above; and (4) as to the incumbency and specimen signature of each of its officers executing this Agreement and any certificate or instrument furnished pursuant hereto, and a certification by another officer as to the incumbency and signature of the officer signing the certificate referred to in this paragraph (ii).

All such documents shall be satisfactory in form and substance to such Merger Party and its counsel.

ARTICLE VI

TERMINATION AND ABANDONMENT

SECTION 6.01 TERMINATION AND ABANDONMENT. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time:

(a) by mutual action of the Boards of Directors of BSI and WFN; or

(b) by either BSI or WFN, if the conditions set forth in Section 5.01 shall not have been complied with or performed in any material respect by the other Merger Party and such noncompliance or nonperformance shall not have been cured or eliminated (or by its nature cannot be cured or eliminated) on or before October 31, 1996.

SECTION 6.02 EFFECT OF TERMINATION. In the event of the termination of this Agreement and the abandonment of the Merger pursuant to Section 6.01, this Agreement shall thereafter become void and have no effect, and no party hereto shall have any liability to the other party hereto or its stockholders or directors or officers in respect thereof, and each party shall be responsible for its own expenses, except that nothing herein shall relieve either party from liability for any willful breach hereof.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01 EXPENSES, ETC. Whether or not the transactions contemplated by this Agreement are consummated, neither of the parties hereto shall have any obligation to pay any of the fees and expenses of the other party incident to the negotiation, preparation and execution of this Agreement, including the fees and expenses of counsel, accountants, investment bankers and other experts. BSI, on the one hand, and WFN, on the other hand, shall indemnify the other and hold it harmless from and against any claims for finders' fees or brokerage commissions in relation to or in connection with such transactions as a result of any agreement or understanding between such indemnifying party and any third party.

SECTION 7.02 PUBLICITY. The parties hereto agree to cooperate in issuing any press release or other public announcement concerning this Agreement or the transactions contemplated hereby. Each party shall furnish to the other drafts of all such press releases or announcements prior to their release. Nothing contained herein shall prevent either party from at any time furnishing any information required by any government authority.

SECTION 7.03 EXECUTION IN COUNTERPARTS. For the convenience of the parties, this Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 7.04 NOTICES. All notices that are required or may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient in all respects if given in writing and delivered or mailed by registered or certified mail, postage prepaid, as follows:

If to WFN to:

World Financial Network Holding Corporation
4590 East Broad Street
Columbus, Ohio 43213
Attention: General Counsel

If to BSI to:

Business Services Holdings, Inc.
5001 Spring Valley Road
Dallas, Texas 75244

or such other address or addresses as either party hereto shall have designated by notice in writing to the other party hereto.

SECTION 7.05 WAIVERS. Either party hereto may, by written notice to the other party hereto, (i) extend the time for the performance of any of the obligations or other actions of the other party under this Agreement; (ii) waive any inaccuracies in the representations or warranties of the other party contained in this Agreement or in any document delivered pursuant to this Agreement; (iii) waive compliance with any of the conditions or covenants of the other contained in this Agreement; or (iv) waive performance of any of the obligations of the other under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including without limitation any investigation by or on behalf of either party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver

by either party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

SECTION 7.06 AMENDMENTS, SUPPLEMENTS, ETC. At any time this Agreement may be amended or supplemented by such additional agreements, articles or certificates, as may be determined by the parties hereto to be necessary, desirable or expedient to further the purposes of this Agreement, or to clarify the intention of the parties hereto, or to add to or modify the covenants, terms or conditions hereof or to effect or facilitate any governmental approval or acceptance of this Agreement or to effect or facilitate the filing or recording of this Agreement or the consummation of any of the transactions contemplated hereby. Any such instrument must be in writing and signed by both parties.

SECTION 7.07 ENTIRE AGREEMENT. This Agreement, its Exhibits and Schedules, and the documents executed at the Effective Time in connection herewith, constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof. No representation, warranty, promise, inducement or statement of intention has been made by either party that is not embodied in this Agreement or such other documents, and neither party shall be bound by, or be liable for, any alleged representation, warranty, promise, inducement or statement of intention not embodied herein or therein. The representations and warranties contained in this Agreement shall not survive after the Effective Time.

SECTION 7.08 APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

SECTION 7.09 BINDING EFFECT, BENEFITS. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and assigns. Notwithstanding anything contained in this Agreement to the contrary, nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 7.10 ASSIGNABILITY. Neither this Agreement nor any of the parties' rights hereunder shall be assignable by either party hereto without the prior written consent of the other party hereto.

SECTION 7.11 VARIATION AND AMENDMENT. This Agreement may be varied or amended at any time by action of the respective Boards of Directors of BSI or WFN, without action by the stockholders thereof, PROVIDED that no such variance or amendment shall, without consent of such stockholders, modify the consideration that the holders of shares of BSI Common Stock and BSI Preferred Stock shall be entitled to receive upon the Effective Time pursuant to Section 2.01 hereof and PROVIDED FURTHER that no such amendment or variation shall be agreed to by WFN unless any approvals required under the WFN Stockholders Agreement have theretofore been obtained.

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

WORLD FINANCIAL NETWORK HOLDING CORPORATION

By /s/ Ralph E. Spurgin

ATTEST:

/s/ Illegible

BUSINESS SERVICES HOLDINGS, INC.

By /s/ Anthony J. deNicola

ATTEST:

/s/ Robert A. Minicucci

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

ALLIANCE DATA SYSTEMS CORPORATION

HSI ACQUISITION CORP.,

AND

HARMONIC SYSTEMS INCORPORATED

August 14, 1998

TABLE OF CONTENTS

EXHIBITS:

Exhibit A - Form of Plan of Merger
Exhibit B - Form of Escrow Agreement
Exhibit C - Payment of Closing Cash Amount

TABLE OF DEFINED TERMS

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT is dated as of August 14, 1998, by and among ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation ("Parent"), HSI ACQUISITION CORP., a Minnesota corporation and wholly-owned subsidiary of Parent ("Merger Subsidiary"), and HARMONIC SYSTEMS INCORPORATED, a Minnesota corporation (the "Company").

WHEREAS, the Boards of Directors of Parent, Merger Subsidiary, and the Company have approved the merger of Merger Subsidiary with and into the Company (the "Merger") upon the terms and subject to the conditions set forth herein; and

WHEREAS, the parties hereto desire to make certain representations, warranties, and agreements in connection with the Merger and also to prescribe various conditions to the Merger;

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

ARTICLE 1
THE MERGER: CONVERSION OF SHARES

1.1 THE MERGER. Subject to the terms and conditions of this Agreement, at the Effective Time (as defined in Section 1.2 hereof), Merger Subsidiary shall be merged with and into the Company in accordance with the provisions of the Minnesota Business Corporation Act (the "MBCA"), whereupon the separate corporate existence of Merger Subsidiary shall cease, and the Company shall continue as the surviving corporation (the "Surviving Corporation"). From and after the Effective Time, the Surviving Corporation shall possess all the rights, privileges, powers, and franchises and be subject to all the restrictions, disabilities, and duties of the Company and Merger Subsidiary, all as more fully described in the MBCA. Without limiting the generality of the foregoing, it is understood and agreed that the conversion of Company Stock provided for in this Agreement and Plan of Merger includes within it a continuance of all rights, privileges, properties and powers of the Company (including, but not limited to, trade secrets, confidential information, and goodwill possessed by the Company) for the benefit of the Company, the Surviving Corporation, Parent, and any subsidiaries, successors or assigns thereof. It is acknowledged by the parties that part of the purpose and intent of any

noncompetition, nonsolicitation, and confidentiality agreements with Company's employees and officers that are maintained or entered into in connection with this Merger is the protection of the continued value of the Company's goodwill, confidential information and trade secrets.

1.2 EFFECTIVE TIME. As soon as practicable after each of the conditions set forth in Article 6 has been satisfied or waived, the Company and Merger Subsidiary will file, or cause to be filed, with the Secretary of State of the State of Minnesota Articles of Merger for the Merger, which Articles of Merger shall be in the form required by and executed in accordance with the applicable provisions of the MBCA and shall include as a part thereof a plan of merger (the "Plan of Merger") substantially in the form attached hereto as Exhibit A. The Merger shall become effective at the time such filing is made or, if agreed to by Parent and the Company, such later time or date set forth in the Articles of Merger (the "Effective Time").

1.3 MERGER CONSIDERATION. The consideration to be paid by Parent in full payment for the consummation of the Merger (the "Merger Consideration") shall consist of:

(a) An aggregate amount of $43,359,000 which shall be paid on the Closing Date to the persons, in the manner and under the conditions provided in this Article 1 (the "Closing Cash Amount"); PLUS

(b) An aggregate amount of $7,000,000 which shall be paid by wire transfer of immediately available funds to the escrow agent under an Escrow Agreement substantially in the form attached as Exhibit B (the "Escrow Agreement") for the purpose of securing the indemnity obligations of the Shareholders under Section 7.2(a)(i) (such amount deposited with such escrow agent, the "Indemnification Escrow Deposit"); PLUS

(c) An aggregate amount of $1,641,000 which shall be paid by wire transfer of immediately available funds to the escrow agent under the Escrow Agreement for the purpose of securing the indemnity obligations of the Shareholders under Section 7.2(a)(ii) (such amount deposited with such escrow agent, the "Retention Payment Escrow Deposit" and together with the Indemnification Escrow Deposit, the "Escrow Deposit").

1.4 COMMON STOCK: PREFERRED SHARES: CONVERSION. At the Effective Time, by virtue of the Merger and without any action on the part of any holder of any share of capital stock of the Company or Merger Subsidiary:

(a) COMPANY STOCK; CLOSING CASH AMOUNT. (i) Each share of common stock of the Company, par value $0.01 per share ("Company Common Stock"), issued and outstanding on the date that is the one day prior to the date hereof (the "Record Date") (except for Dissenting Shares, as defined in Section 1.5 hereof) shall be converted into the right to receive its Allocable Portion (as defined below) of the Closing Cash Amount on the Closing Date, and the right to receive its Allocable Portion of the Escrow Deposit in the manner, at the time or times, upon the terms and subject to the conditions provided in the Escrow Agreement.

(ii) Each share of any other class of capital stock of the Company (other than Company Common Stock) (the "Company Preferred Stock") issued and outstanding at the Record Date (except for Dissenting Shares as defined in Section 1.5 hereof) shall be converted into the right to receive its Allocable Portion of the Closing Cash Amount on the Closing Date, and the right to receive its Allocable Portion of the Escrow Deposit in the manner, at the time or times, upon the terms and subject to the conditions provided in the Escrow Agreement. The Company Common Stock and Company Preferred Stock are sometimes collectively referred to hereinafter as "Company Stock".

The term "Allocable Portion" shall mean, with respect to each share of Company Common Stock or Company Preferred Stock, the percentage of the Closing Cash Amount to be paid in respect of such share of Company Stock as set forth on Exhibit C hereto.

(b) MERGER SUBSIDIARY STOCK. Each share of common stock of Merger Subsidiary, par value $0.01 per share ("Merger Subsidiary Common Stock"), issued and outstanding immediately prior to the Effective Time shall be converted into one share of the common stock of the Surviving Corporation, par value $0.01 per share ("Surviving Corporation Common Stock").

1.5 DISSENTING SHARES. Notwithstanding any provision of this Agreement to the contrary, each outstanding share of Company Stock, the holder of which has demanded and perfected such holder's right to dissent from the Merger and to be paid the fair value of such shares in accordance with Sections 302A.471 ET SEQ. of the MBCA and, as of the Effective Time, has not effectively withdrawn or lost such dissenters' rights ("Dissenting Shares"), shall not be converted into or represent a right to receive the Merger Consideration into which shares of Company Stock are converted pursuant to Section 1.4 hereof, but the holder thereof shall be entitled only to such rights as are granted by the MBCA. The Company shall give Parent (i) prompt written notice of any notice of intent to demand fair value for any shares of Company Stock, withdrawals of such notices, and

any other instruments served pursuant to the MBCA or any other provisions of Minnesota law and received by the Company, and (ii) the opportunity to conduct jointly all negotiations and proceedings with respect to demands for fair value for shares of Company Stock under the MBCA. The Company shall not, except with the prior written consent of Parent, voluntarily make any payment with respect to any demands for fair value for shares of Company Stock or offer to settle or settle any such demands.

1.6 COMPANY WARRANTS. On the Closing Date, by virtue of the Merger and without any action on the part of the holders thereof, each warrant to purchase Company Common Stock outstanding at the Record Date (the "Company Warrants") shall be (a) converted into the right to receive that portion of the Closing Cash Amount on the Closing Date as set forth on Exhibit C (the "Closing Warrant Payment") and the right to receive that portion of the Escrow Deposit as set forth on Exhibit C in the manner, at the time or times, upon the terms and subject to the conditions provided in the Escrow Agreement and (b) canceled as of the Effective Time.

1.7 COMPANY CONVERTIBLE DEBENTURES. On the Closing Date, by virtue of the Merger and without any action on the part of the holders thereof, each convertible debenture of the Company issued and outstanding at the Record Date (the "Convertible Debentures") shall be (x) converted into the right to receive that portion of the Closing Cash Amount on the Closing Date as set forth on Exhibit C (the "Closing Debenture Payment"), and the right to receive that portion of the Escrow Deposit as set forth on Exhibit C in the manner, at the time or times, upon the terms and subject to the conditions provided in the Escrow Agreement and (y) canceled as of the Effective Time.

1.8 STOCK OPTIONS. All stock options outstanding at the Record Date under the Company's employee stock option plans (the "Company Option Plans") shall, whether or not exercisable or vested, become fully exercisable and vested on the Closing Date, and each option thereunder shall be converted into a right to receive that portion of the Closing Cash Amount on the Closing Date as set forth on Exhibit C corresponding to the name of the holder of such option (the "Closing Option Payment"), and the right to receive that portion of the Escrow Deposit as set forth on Exhibit C in the manner, at the time or times, upon the terms and subject to the conditions provided in the Escrow Agreement (the "Deferred Option Payment"). Each of the Company Option Plans and all options issued and outstanding thereunder shall terminate effective as of the Effective Time.

1.9 EXCHANGE OF MERGER SUBSIDIARY COMMON STOCK. From and after the Effective Time, each outstanding certificate previously representing shares of Merger Subsidiary Common Stock shall be deemed for all purposes to evidence ownership of

and to represent the number of shares of Surviving Corporation Common Stock into which such shares of Merger Subsidiary Common Stock shall have been converted. Promptly after the Effective Time, the Surviving Corporation shall issue to Parent a stock certificate or certificates representing such shares of Surviving Corporation Common Stock in exchange for the certificate or certificates that formerly represented shares of Merger Subsidiary Common Stock, which shall be canceled.

1.10 EXCHANGE OF COMPANY STOCK. (a) The Company will instruct the holders of the certificate representing Company Stock to deliver such certificates at or after the Closing to Parent, duly endorsed for transfer to the Company, for cancellation. At the Closing with respect to certificates so delivered at or prior to the Closing, and as soon as practicable after delivery with respect to certificates not delivered until after Closing, Parent shall pay to each transferring holder thereof an amount of money equal to the Allocable Portion of the Closing Cash Amount to which such surrendered shares are entitled. Such payments shall be made by bank check delivered at Closing or mailed to the recipient pursuant to instructions given by the recipient; or by wire transfer of immediately available funds pursuant to instructions given by the recipient. In the event of a transfer of ownership of Company Stock that is not registered in the transfer records of the Company, it shall be a condition to the payment that the Company Certificate(s) so surrendered shall be properly endorsed or be otherwise in proper form for transfer and that such transferee shall (i) pay to the Exchange Agent any transfer or other taxes required or (ii) establish to the satisfaction of the Exchange Agent that such tax has been paid or is not payable.

(b) All cash paid in respect of the Closing Cash Amount and rights to receive a portion of the Escrow Deposit distributed upon the surrender for exchange of Company Stock in accordance with the terms hereof shall be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Company Stock.

(c) After the Effective Time, there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Company Certificates representing such shares are presented to the Surviving Corporation, they shall be canceled and exchanged as provided in this Article 1. As of the Effective Time, the holders of Company Certificates representing shares of Company Stock shall cease to have any rights as shareholders of the Company, except such rights, if any, as they may have pursuant to the MBCA. Except as provided above, until such Company Certificates are surrendered for exchange, each such Company Certificate shall, after the Effective Time, represent for all purposes only the rights to receive the

Closing Cash Amount and Escrow Deposit to which the shares of Company Stock shall have been converted pursuant to the Merger as provided in Section 1.3 hereof.

(d) In the event any Company Certificates shall have been lost, stolen, or destroyed, the Exchange Agent shall issue in exchange for such lost, stolen, or destroyed Company Certificates, upon the making of an affidavit of that fact by the holder thereof, such as may be required pursuant to this Article 1.

1.11 EXCHANGE OF THE COMPANY WARRANTS AND COMPANY DEBENTURES. (a) The Company will instruct the holders of the Company Warrants and Company Debentures to deliver the Company Warrants and Company Debentures at or after the Closing to Parent, duly endorsed for transfer to the Company. At Closing, with respect to Company Warrants and Company Debentures so delivered at or prior to the Closing, and as soon as practicable after delivery, with respect to Company Warrants and Company Debentures not delivered until after Closing, Parent shall pay to each transferring holder thereof an amount of money equal to the Closing Warrant Payment to which such surrendered Company Warrants are entitled and the Closing Debenture Amount to which the Company Debentures are entitled. Such payments shall be made by bank check delivered at Closing or mailed to the recipient pursuant to instructions given by the recipient; or by wire transfer of immediately available funds pursuant to instructions given by the recipient.

(b) All cash paid and rights to receive Escrow Deposits distributed upon surrender for exchange of Company Warrants and Company Debentures shall be deemed to have been issued in full satisfaction of all rights pertaining respectively to such Company Warrants and Company Debentures.

1.12 ESCROW AGREEMENT: SHAREHOLDER REPRESENTATIVE. (a) The shareholders of the Company, by approving the Merger, agree to be bound by the terms of the Escrow Agreement referred to in Section 1.3, including, without limitation, the provisions thereof appointing Barrs S. Lewis to act as the representative (the "Shareholders' Representative") of the shareholders of the Company Stock and the holders of the Company Options, Company Warrants and Company Debentures (together, the "Shareholders") for the purpose of (i) administering and entering into the Escrow Agreement, (ii) settling on behalf of the Shareholders claims made by Parent thereunder, (iii) representing the Shareholders in any proceedings relating to this Agreement and (iv) performing any other actions specifically delegated to the Shareholders' Representative under the terms of this Agreement. The Shareholders, by approving the Merger, will be bound by any and all actions taken by the Shareholders' Representative on their behalf. Acceptance by Shareholders of the Shareholders' Representative is a condition of the

Merger. The Shareholders, by approving the Merger, will be bound by the fact that, and agree that, neither the Shareholders' Representative nor any member of the Committee (as defined below) shall have any liability whatsoever to any of the Shareholders for any action taken by him or her pursuant to this Agreement or the Escrow Agreement which action is not grossly negligent and is taken by him or her in good faith or is taken by him or her at the written direction of a committee made up of members who will be appointed by the Board of Directors of the Company immediately prior to the Effective Time (the "Committee"). The Committee shall have the authority to direct the Shareholders' Representative in connection with all actions, or failures to act, relating to the Shareholders' Representatives' duties and obligations pursuant to this Agreement and the Escrow Agreement. The Committee shall act by a majority of a quorum, and a majority of the members of the Committee shall constitute a quorum. The Shareholders' Representative shall not be a member of the Committee.

(b) The Shareholders' Representative may be removed or a new Shareholders' Representative may be appointed by either (a) a vote of the Shareholders holding a majority of the voting Company Stock (as defined below) or (b) if the Board of Directors of the Company so authorizes the Committee prior to the Effective Time, a unanimous vote of the Committee. If a Shareholders' Representative is removed by action of the Shareholders or the Committee, as the case may be, such removal shall be effective only upon appointment of a new Shareholders' Representative. If the Shareholders' Representative resigns or is no longer able to serve, a new Shareholders' Representative shall be appointed by the Shareholders or the Committee, as the case may be, within thirty (30) days after receipt of such resignation or notice of the existing Shareholders' Representative's inability to serve. The appointment of a new Shareholders' Representative is effective upon the Committee and the new Shareholders' Representative giving notice to both Parent and the prior Shareholders' Representative of the new Shareholders' Representative's appointment.

For the purpose of this Section 3.2(b), the phrase "a vote of the Shareholders holding a majority of the voting Company Stock" shall mean (x) if the vote occurs prior to the Effective Time, a vote of the Shareholders holding a majority of the voting Company Stock on a fully-diluted basis at the time of such vote, and (y) if the vote occurs on or after the Effective Time, a vote of the Shareholders which held immediately prior to the Effective Time more than a majority of the voting Company Stock on a fully-diluted basis.

(c) Parent is entitled to rely exclusively upon communications or writings given or executed by the Shareholders' Representative with respect to the matters described in the Escrow Agreement and is not liable in any manner whatsoever for any action taken or

not taken by Parent in reliance upon the actions taken or not taken or communication or writings given or executed by the Shareholders' Representative. Until Parent receives notice of appointment of a new Shareholders' Representative, Parent may rely upon actions taken by the prior Shareholders' Representative.

1.13 EXPENSES. Not later than two business days prior to the Closing Date, the Company may by action of a majority of the Board of Directors of the Company amend and restate the amounts (but not the percentages) set forth on Exhibit C to provide for payment out of the Merger Consideration on the Closing Date of certain expenses incurred or expected to be incurred by the Company, the Shareholders' Representative or the Shareholders in connection with the Merger and the other transactions contemplated hereby and a proportionate reduction of the amount of the Closing Cash Amount to be received by each of the Shareholders, all as to be provided in Exhibit C.

1.14 ARTICLES OF INCORPORATION OF THE SURVIVING CORPORATION. The Articles of Incorporation of Merger Subsidiary, as in effect immediately prior to the Effective Time, shall be the Articles of Incorporation of the Surviving Corporation until thereafter amended in accordance with applicable law.

1.15 BYLAWS OF THE SURVIVING CORPORATION. The Bylaws of Merger Subsidiary, as in effect immediately prior to the Effective Time, shall be the Bylaws of the Surviving Corporation until thereafter amended in accordance with applicable law.

1.16 DIRECTORS AND OFFICERS OF THE SURVIVING CORPORATION. The directors and officers of Merger Subsidiary immediately prior to the Effective Time shall be the directors and officers, respectively, of the Surviving Corporation until their respective successors shall be duly elected and qualified.

ARTICLE 2
CLOSING

2.1 TIME AND PLACE. Subject to the satisfaction or waiver of the provisions of Article 6, the closing of the Merger (the "Closing") shall take place at 9 a.m., local time, on such date as Parent and the Company may mutually agree that is within five (5) business days after all of the conditions to Closing contained in Article 6 have been satisfied or waived, or on such other date and/or at such other time as Parent and the Company may mutually agree. The date on which the Closing actually occurs is herein referred to as the "Closing Date." The Closing shall take place at the offices of

Fredrikson & Byron, P.A., 1100 International Centre, 900 Second Avenue South, Minneapolis, Minnesota 55402, or at such other place or in such other manner (E.G., by facsimile exchange of signature pages with originals to follow by overnight delivery) as the parties hereto may agree.

2.2 FILINGS AT THE CLOSING. At the Closing, subject to the provisions of Article 6, Parent, Merger Subsidiary, and the Company shall cause Articles of Merger to be filed in accordance with the provisions of Section 302A.615 of the MBCA, and take any and all other lawful actions and do any and all other lawful things necessary to cause the Merger to become effective.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE COMPANY

Except as set forth in a document of even date herewith, referring specifically to the representations and warranties in this Agreement which identifies by section number to which such disclosure relates (the "Company Disclosure Schedule"), the Company hereby makes the following representations and warranties to Parent and Merger Subsidiary:

3.1 ORGANIZATION; SUBSIDIARIES. (a) The Company is a corporation duly organized and validly existing under the laws of the State of Minnesota and has all requisite corporate power and authority to own, lease, and operate its properties and to carry on its business as now being conducted. The Company is duly qualified and in good standing to do business in each jurisdiction in which the property owned, leased, or operated by it or the nature of the business conducted by it makes such qualification necessary and where the failure to qualify could reasonably be expected to have a Company Material Adverse Effect (as defined below). "Company Material Adverse Effect" means an effect that, individually or in the aggregate with other effects, has a materially adverse effect: (i) on the business, properties, liabilities, results of operation, or financial condition of the Company; or (ii) to the Company's ability to perform any of its obligations under this Agreement or to consummate the Merger, but shall exclude any effect relating to or resulting from generally applicable economic conditions or the Company's industry in general. The jurisdictions in which the Company is qualified are listed on the Company Disclosure Schedule. The Company has heretofore delivered to Parent complete and accurate copies of the Articles of Incorporation, as amended, and Bylaws of the Company as currently in effect.

(b) The Company owns a subsidiary, Harmonic Technology Licensing, Inc., a corporation duly organized and validly existing under the laws of the State of Minnesota. All issued and outstanding shares of the capital stock of such subsidiary are owned by the Company, free and clear of all Liens and have been duly authorized and validly issued and are fully paid and non-assessable. There are no outstanding options, warrants, conversion or other rights or agreements of any kind for the purchase or acquisition from, or the sale or issuance by, the Company or its subsidiary of any shares of capital stock of such subsidiary, and no authorization therefor has been given. Such subsidiary owns no assets and conducts no business and has no liabilities, contingent or otherwise. Other than such subsidiary, the Company does not, directly or indirectly, own or control or have any capital, equity, partnership, participation, or other ownership interest in any corporation, partnership, joint venture, or other business association or entity.

3.2 AUTHORIZATION. The Company has full corporate power and authority to execute, deliver and perform this Agreement and, subject to obtaining the necessary approval of its shareholders, to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Company and the consummation of the transactions contemplated hereby have been duly and validly authorized and approved by the Company's Board of Directors, no other corporate proceedings on the part of the Company are necessary to recommend and submit this Agreement to the Company's shareholders, and, subject to obtaining the approval of the Company's shareholders, no other corporate action on the part of the Company is necessary to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by the Company and constitutes the valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency, and the relief of debtors and rules of law governing specific performance, injunctive relief, or other equitable remedies.

3.3 CAPITALIZATION. As of June 30, 1998, the authorized capital stock of the Company consists of (i) 30,000,000 shares of Company Common Stock, par value $.01 of which 4,899,677 are issued and outstanding, (ii) 2,333,776 shares of Series A convertible preferred stock, of which 2,333,776 are issued and outstanding; (iii) 603,302 shares of Series B convertible preferred stock, of which 603,302 are issued and outstanding; (iv) 292,000 shares of Series C convertible preferred stock, of which 62,000 are issued and outstanding; (v) 1,200,000 shares of Series D convertible preferred stock, of which 1,200,000 are issued and outstanding; (vi) 3,433,334 shares of Series E convertible preferred stock, of which 2,060,000 are issued and outstanding; (vii) 2,262,816 shares of Series F convertible preferred stock, of which none is issued and outstanding; (viii) 5,648,825 shares of Series G convertible preferred stock, of which

5,648,825 are issued and outstanding; and (ix) 54,225,947 undesignated shares, none of which have been designated or issued. (The shares of preferred stock of Series A through G are collectively referred to as "Company Preferred Stock.") All issued and outstanding shares of Company Common Stock and Company Preferred Stock have been validly issued, are fully paid and nonassessable, and have not been issued in violation of and are not currently subject to any preemptive rights. There are not any outstanding or authorized subscriptions, options, warrants, calls, rights, convertible securities, commitments, restrictions, arrangements, or any other agreements of any character to which the Company is a party that, directly or indirectly, (i) obligate the Company to issue any shares of capital stock or any securities convertible into, or exercisable or exchangeable for, or evidencing the right to subscribe for, any shares of capital stock, (ii) call for or relate to the sale, pledge, transfer, or other disposition or encumbrance by the Company of any shares of its capital stock, or (iii) to the knowledge of the Company, relate to the voting or control of such capital stock, in each case, other than those set forth on the Company Disclosure Schedules. The Company Disclosure Schedule sets forth a complete and accurate list of all stock options, warrants, debentures, and other rights to acquire Company Common Stock, including the name of the holder, the date of grant, acquisition price, expiration date, number of shares, exercisability schedule, and, in the case of options, the type of option under the Code. The Company Disclosure Schedule also sets forth the restrictions to which any shares of Company Common Stock issued pursuant to the Company Option Plans or otherwise are currently subject and also sets forth the restrictions to which such shares will be subject immediately after the Effective Time. No consent of holders or participants under the Company Option Plans is required to carry out the provisions of Section 1.8. All actions, if any, required on the part of the Company under the Company Option Plans to allow for the treatment of Company Options as is provided in Section 1.8, has been, or prior to the Closing will be, validly taken by the Company.

3.4 REPORTS AND FINANCIAL STATEMENTS. The audited financial statements and unaudited interim financial statements included in the Company Disclosure Schedule and delivered subsequent to the date hereof pursuant to the terms hereof, including but not limited to, when delivered, the Company's audited financial statements at and for the year ended December 31, 1997 (the "Company 1997 Financials") and the Company's unaudited financial statements for the quarterly periods ending March 31, 1998 and June 30, 1998 (the "Company Interim Financials"), (i) were prepared or, when delivered, will have been prepared in accordance with generally accepted accounting principles applied on a consistent basis during the periods involved (except as may be indicated therein or in the notes thereto), and (ii) fairly present or, when delivered, will fairly present in all material respects the consolidated financial position of the Company as of the dates

thereof and the income, cash flows, and changes in shareholders' equity for the periods covered thereby.

3.5 ABSENCE OF UNDISCLOSED LIABILITIES. The Company has no liabilities or obligations of any nature (whether absolute, accrued, contingent, or otherwise) except (a) liabilities which do not have a Company Material Adverse Effect and (b) liabilities or obligations required by generally accepted accounting principles to be recognized or disclosed on a balance sheet of Company or in the notes thereto that are accrued or reserved against in the audited balance sheet of the Company as of December 31, 1997 contained in the Company 1997 Financials and (c) liabilities or obligations arising since December 31, 1997 in the ordinary course of business and consistent with past practice.

3.6 CONSENTS AND APPROVALS. Except for (i) the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and the regulations thereunder (the "HSR Act"), (ii) approval by the Company's shareholders, (iii) the filing and recordation of appropriate merger documents as required by the MBCA, (iv) compliance with Chapter 302A of the MBCA regarding dissenters' rights, and (v) any items disclosed on the Company Disclosure Schedule, the execution, delivery and performance of this Agreement by the Company, and the consummation of the transactions contemplated hereby will not: (a) violate any provision of the Articles of Incorporation, as amended, or Bylaws of the Company; (b)violate any statute, rule, regulation, order, or decree of any federal, state, local, or foreign body or authority by which the Company or any of its properties or assets may be bound; (c) require any filing with or permit, consent, or approval of any federal, state, local, or foreign public body or authority; or (d) result in any violation or breach of, or constitute (with or without due notice or lapse of time or both) a default under, result in the loss of any material benefit under, or give rise to any right of termination, cancellation, increased payments, or acceleration under, or result in the creation of any Lien (as defined in Section 3.14) on any of the properties or assets of the Company under, any of the terms, conditions, or provisions of any note, bond, mortgage, indenture, license, franchise, permit, authorization, agreement, or other instrument or obligation to which the Company is a party, or by which it or any of its properties or assets may be bound, except, in the case of clause (d), for any such violations, breaches, defaults, or other occurrences that would not prevent or delay consummation of any of the transactions contemplated hereby in any material respect, or otherwise prevent the Company from performing its obligations under this Agreement in any material respect.

3.7 COMPLIANCE WITH LAWS. All activities of the Company have been, and are currently being, conducted in compliance with all applicable federal, state, local, and foreign laws, ordinances, regulations, interpretations, judgments, decrees, injunctions, permits, licenses, certificates, governmental requirements, orders, and other similar items

of any court or other governmental entity, the failure to comply with which would reasonably be expected to have a Company Material Adverse Effect.

3.8 LITIGATION. No investigation or review by any federal, state, local, or foreign body or authority with respect to the Company is pending or, to the Company's knowledge, threatened, nor has any such body or authority indicated to the Company an intention to conduct the same. There are no claims, actions, suits, or proceedings by any private party that would have a Company Material Adverse Effect, or by any governmental body or authority against or affecting the Company, pending or, to the knowledge of the Company, threatened, at law or in equity, or before any federal, state, local, foreign, or other governmental department, commission, board, bureau, agency, or instrumentality except any investigation, review, claim, action, suit, or proceeding that would not have a Company Material Adverse Effect.

3.9 ABSENCE OF MATERIAL ADVERSE CHANGES. Since December 31, 1997 there has not been any (a) change or circumstance that would have a Company Material Adverse Effect; (b) action by the Company that, if taken on or after the date of this Agreement, would require the consent or approval of Parent pursuant to Sections 5.1(a)-(c) and (e)-(m) hereof, except for actions as to which consent or approval has been given as provided therein; (c) change by the Company in accounting methods or principles used for financial reporting purposes, except as required by a change in generally accepted accounting principles and concurred with by the Company's independent public accountants; or (d) other than in the ordinary course of business and consistent with past practice, create, incur, or assume any indebtedness for borrowed money, or assume, guarantee, endorse, or otherwise become liable or responsible (whether directly contingently, or otherwise) for the obligations of any other person.

3.10 ENVIRONMENTAL LAWS AND REGULATIONS. The Company has obtained, and maintained in full force and effect, all required environmental permits and other governmental approvals and is in compliance with all applicable Regulations (as defined below), except where the failure to so obtain and maintain or to be in compliance would not have a Company Material Adverse Effect. The Company has (i) not received any written notice or Claim (as defined below) alleging potential liability under any of the Regulations or alleging a violation of the Regulations and (ii) has no knowledge of any basis therefor. The Company has no knowledge of any notices to or Claims against any persons alleging potential liability under any of the Regulations with respect to any office facility or other real property owned, leased or operated by the Company (a "Facility"), or any adjoining properties or which would reasonably be expected to affect such Facility. The Company has (i) not been nor is it presently subject to or, to the knowledge of the Company, threatened with any administrative or judicial proceeding pursuant to

the Regulations, and (ii) no information that it may be subject to or, to the knowledge of the Company, threatened with such a proceeding in the future. No Hazardous Materials have been or are threatened to be discharged, emitted, or released into the air, water, soil, or subsurface at or from any Facility by the Company or, to the Company's knowledge, by any other person.

For purposes of this Section 3.10, the following terms shall have the following meanings: (i) "Hazardous Materials" means asbestos, urea formaldehyde, polychlorinated biphenyls, nuclear fuel or materials, chemical waste, radioactive materials, explosives, known human carcinogens, petroleum products or other substances or materials listed, identified, or designated as toxic or hazardous or as a pollutant or contaminant in, or the use, release or disposal of which is regulated by, the Regulations; (ii) "Regulations" means the Comprehensive Environmental Response Compensation and Liability Act ("CERCLA") as amended by the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), 42 U.S.C. Sections 9601 ET SEQ.; the Federal Resource Conservation and Recovery Act of 1976 ("RCRA"), 42 U.S.C. Sections 6901 ET SEQ.; the Clean Water Act, 33 U.S.C. Sections 1321 ET SEQ.; the Clean Air Act, 42 U.S.C. Sections 7401 ET SEQ., and any other federal, state, county, local, foreign, or other governmental statute, regulation, or ordinance, as now in existence, that relates to or deals with pollution or the environment including, but not limited to, the use, generation, discharge, transportation, disposal, record keeping, notification, and reporting of Hazardous Materials; and (iii) "Claim" means any and all claims, demands, causes of actions, suits, proceedings, administrative proceedings, losses, judgments, decrees, debts, damages, liabilities, court costs, penalties, attorneys' fees, and any other expenses incurred, assessed, sustained or alleged by or against the Company.

3.11 OFFICERS, DIRECTORS AND EMPLOYEES. LABOR RELATIONS. The Company has previously provided in writing a list of the name and current annual salary rate of each officer or employee of the Company whose salary for the last fiscal year was, or for the current fiscal year has been set at, in excess of $75,000, together with a summary of the bonuses, commissions, additional compensation, and other like benefits, if any, paid or payable to such persons for the last fiscal year and proposed for the current fiscal year. The Company Disclosure Schedule completely and accurately sets forth the names of the officers (with all positions and titles indicated) and directors of the Company. No unfair labor practice complaint against the Company is pending or to the knowledge of the Company, threatened, before the National Labor Relations Board, and there is no labor strike, slowdown or stoppage pending or, to the knowledge of the Company, threatened against or involving the Company. No unionizing efforts have, to the knowledge of the Company, been made by employees of the Company, the Company is not a party to or subject to any collective bargaining agreement, and no collective bargaining agreement is

currently being negotiated by the Company. There is no labor dispute pending or, to the knowledge of the Company, threatened between the Company and its employees.

3.12 TAXES. The Company has previously furnished to Parent complete and accurate copies of all federal income tax returns actually filed by the Company for each of the fiscal years ended December 31, 1995 and 1996 and has made available for review by Parent complete and accurate copies of all other tax or assessment reports and tax returns (including any applicable information returns) required by any law or regulation (whether United States, foreign, state, local or other jurisdiction) and filed by the Company for the fiscal years ended December 31, 1995 or 1996. The Company has filed, or has obtained extensions to file (which extensions have not expired without filing and are described in the Company Disclosure Schedule), all state, local, United States, foreign, or other tax reports and returns required to be filed by it. All such reports and returns were correct as filed and correctly reflect the facts regarding the income, business, assets, operations, activities and status of the Company as well as all taxes required to be paid by the Company. The Company has timely paid all taxes (including estimated taxes) that are due and payable or that it is obligated to withhold from any person with respect to such reports and returns, and has established, consistent with past practice, an adequate reserve on its June 30, 1998 balance sheet contained in the Company Interim Financials for the payment of all taxes not yet due for any taxable period or portion thereof ending on or prior to the Effective Time. There are no Liens (as defined in Section 3.14), other than Permitted Liens, for taxes upon any property or asset of the Company. The Company is not delinquent in the payment of any tax assessment (including, but not limited to, any applicable withholding taxes). None of the tax returns or reports for the tax periods ended December 31, 1995 and 1996 have been audited by the Internal Revenue Service (the "IRS") or by any other taxing authority. Further, to the knowledge of the Company, no state of facts exists or has existed that would subject the Company to an additional material tax liability for any taxes assessable by either the IRS or any separate state, local, foreign, or other taxing authority with respect to any reports or returns filed on or before the date hereof (other than extension requests for which returns have not been filed as of the date hereof). The Company has not (i) received notification of any pending or proposed examination by either the IRS or any state, local, foreign, or other taxing authority, (ii) received notification of any pending or proposed deficiency by either the IRS or any state, local, foreign, or other taxing authority, or (iii) granted any extension of the limitations period applicable to any claim for taxes.

For the purposes of this Section 3.12, "tax" shall mean and include taxes, additions to tax, penalties, interest, fines, duties, withholdings, assessments, and charges assessed or imposed by any governmental authority, including but not limited to all

federal, state, county, local, and foreign income, profits, gross receipts, import, ad valorem, real and personal property, franchise, license, sales, use, value added, stamp, transfer, withholding, payroll, employment, excise, custom, duty, and any other taxes, obligations and assessments of any kind whatsoever and any interest, penalties or surcharges in respect of any of the foregoing; "tax" shall also include any liability arising as a result of being (or ceasing to be) a member of any affiliated, consolidated, combined, or unitary group as well as any liability under any tax allocation, tax sharing, tax indemnity, or similar agreement.

3.13 CONTRACTS. The Company Disclosure Schedule lists, and the Company has heretofore furnished to Parent complete and accurate copies of (a) every independent sales representative, noncompetition (except only for unmodified noncompetition agreements entered into with the Company's employees, the copies of which have been provided to Parent), loan, credit, escrow, security, mortgage, guaranty, pledge, buy-sell, letter of credit, OEM, supply, distribution, manufacturers' representative, dealer, agency, lease (except for immaterial personal property leases), licensing (except for immaterial licenses, which include, without limitation, licenses for off-the-shelf software), franchise, development, joint development, joint venture, research and development, or other contract or agreement material to the Company and to which the Company is a party or is bound, except where the dollar amount involved in any such contract is less than $50,000, (b) every material employment or consulting agreement or arrangement with or for the benefit of any director, officer, employee, other person or shareholder of the Company and (c) every agreement or contract between the Company and any of the Company's officers, directors, or more than 5% shareholders. The Company has performed all obligations required to be performed by it under any listed contract, plan, agreement, understanding, or arrangement made or obligation owed by or to the Company, except where the failure would not have a Company Material Adverse Effect; there has not been any event of default (or any event or condition which with notice or the lapse of time, both or otherwise, would constitute an event of default) thereunder on the part of the Company or, to the Company's knowledge, any other party to any thereof that would have a Company Material Adverse Effect; the same are in full force and effect and valid and enforceable by the Company in accordance with their respective terms subject to laws of general application relating to bankruptcy, insolvency, and the relief of debtors and rules or law governing specific performance, injunctive relief, and other equitable remedies; and the performance of any such contracts, plans, agreements, understandings, arrangements, or obligations would not have a Company Material Adverse Effect.

3.14 TITLE TO PROPERTIES: LIENS. The Company has good and valid title to all personal properties and assets, and good and marketable title to all real property,

reflected on the Company's December 31, 1997 balance sheet contained in the Company 1997 Financials or acquired after the date thereof (other than any assets or properties disposed of in the ordinary course of business after such date), subject only to (a) statutory Liens arising or incurred in the ordinary course of business with respect to which the underlying obligations are not delinquent, (b) with respect to personal property, the rights of customers of the Company with respect to inventory or work in progress under orders or contracts entered into by the Company in the ordinary course of business, (c) Liens specifically disclosed in the Company 1997 Financials, the Company Interim Financials, or the Company Disclosure Schedule, (d) Liens for taxes not yet due and payable, and (e) any minor defects in title that do not adversely impact the Company's use of such assets (collectively, the "Permitted Liens"). The term "Lien" as used in this Agreement means any mortgage, pledge, security interest, encumbrance, lien, claim, or charge of any kind. All properties and assets purported to be leased by the Company are subject to valid and effective leases that are in full force and effect, and there does not exist any material default or event that with notice or lapse of time, or both, would constitute a material default under any such leases. All assets and other property of the Company reflected on the Company's December 31, 1997 balance sheet included in the Company 1997 Financials or acquired after the date thereof (other than any assets or properties disposed of in the ordinary course of business after such date), including all tangible and intangible personal property, fixtures and equipment of the Company comprising the assets of the Company, are in a good state of repair (ordinary wear and tear excepted) and operating condition and are sufficient and adequate to conduct the business of the Company as currently conducted.

3.15 PERMITS. LICENSES. ETC. The Company has all rights, permits, certificates, licenses, consents, franchises, approvals, registrations, and other authorizations (collectively, "Permits") necessary to sell its products and services and otherwise carry on and conduct its business and to own, lease, use, and operate its properties and assets at the places and in the manner now conducted and operated, except those the absence of which would not have a Company Material Adverse Effect. The Company Disclosure Schedule lists all Permits held by the Company that are material to the business of the Company as currently conducted, other than Permits generally applicable to all businesses (such as occupancy and sales tax permits), and all such Permits are in full force and effect. The business of the Company is being conducted in compliance in all material respects with all such Permits. The consummation of the transactions contemplated hereby will not result in the loss, suspension or adverse modification of any Permit.

3.16 LEASES. Set forth in the Company Disclosure Schedule is description of all leases of real or personal property involving payments in excess of $50,000 per annum to which the Company is a party, either as lessee or lessor.

3.17 INTELLECTUAL PROPERTY RIGHTS. (a) The Company Disclosure Schedule contains a complete and accurate list of all material patents, trademarks, trade names, service marks, registered copyrights (other than commercially available software), and all applications for or registrations of any of the foregoing as to which the Company is the owner or a licensee. The Company owns, free and clear of any Lien (as defined in Section 3.14), or has the right to use, all patents, trademarks, trade names, service marks, registered copyrights, applications for or registrations of any of the foregoing, processes, inventions, designs, technology, formulas, computer software programs, know-how, and trade secrets which are used in or necessary for the conduct of its business as currently conducted (the "Company Intellectual Property"). No claim has been asserted or, to the knowledge of the Company, threatened by any person with respect to the use of the Company Intellectual Property or challenging or questioning the validity or effectiveness of any license or agreement with respect thereto. To the knowledge of the Company, neither the use of the Company Intellectual Property by the Company in the present conduct of its business nor any product or service of the Company infringes on the intellectual property rights of any person. To the knowledge of the Company, no person or entity nor such person's or entity's business or products has infringed, misused, or misappropriated any Company Intellectual Property or currently is infringing, misusing, or misappropriating any Company Intellectual Property. No other person or entity has any right to receive from the Company or to the knowledge of the Company, any obligation to pay a royalty with respect to any Company Intellectual Property or any product or service of the Company other than any royalty or payment obligations that are reflected on the Company 1997 Financials and the Company Interim Financials.

(b) The Company Disclosure Schedule lists all material operating, management, developmental and applications computer programs, software, and database platforms owned or licensed by the Company (collectively, the "Software"), except for commercially available or "off-the-shelf" software generally available to the public at a per unit cost or license fee not in excess of $10,000. The Software includes all software, applications and database platforms used in the conduct of the business of the Company, as currently conducted. The Company has taken and is taking reasonable precautions consistent with industry practices to protect any material trade secrets and other confidential information included in the Software.

(c) The Company has conducted an inventory of all computer software programs owned or licensed by it as well as the hardware and embedded microcontrollers

in non-computer equipment used by the Company in its products or in connection with providing its services, in each case sold to customers of the Company (collectively, the "Computer Systems") in order to determine which parts of the Computer Systems are not Year 2000 Compatible (as defined below). Based on the above-referenced inventory, the Company represents and warrants that the Computer Systems are either Year 2000 Compatible or that it is the reasonable expectation of the Company that they will be Year 2000 Compatible prior to July 1, 1999, other than any failure to be Year 2000 Compatible which would not reasonably be expected to have a Company Material Adverse Effect. "Year 2000 Compatible" means that the Computer Systems to the extent required for their particular use (i) correctly perform date data century recognition, and calculations that accommodate same century and multi-century formulas and date values; (ii) operate or are expected to operate on a basis comparable to their current operation during and after calendar year 2000 A.D., including but not limited to leap years; and (iii) shall not end abnormally or provide invalid or incorrect results as a result of date data which represents or references different centuries or more than one century.

3.18 BENEFIT PLANS. (a) Neither the Company nor any ERISA Affiliate sponsors, maintains, contributes to, is a party to, nor has either sponsored, maintained, or contributed to or been required to contribute to, any "employee pension benefit plan" ("Pension Plan"), as such term is defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including, solely for the purpose of this subsection, a plan excluded from coverage by Section 4(b)(5) of ERISA. Each such Pension Plan presently maintained by the Company is, in all material respects, in compliance with applicable provisions of ERISA, the Code, and other applicable law. For purposes of this Agreement, "ERISA AFFILIATE" means all persons and entities which are treated as being under common control with the Company, its subsidiaries or any ERISA affiliate under Section 414(b), (c), (m) or (o) of the Internal Revenue Code of 1996, as amended ("Code").

(b) Neither the Company nor any ERISA Affiliate sponsors, maintains, contributes to, is contingently liable for, nor has either sponsored, maintained, or contributed to or been required to contribute to, any Pension Plan that is a "Multiemployer Plan" within the meaning of Section 4001(a)(3) of ERISA.

(c) Neither the Company nor any ERISA Affiliate (i) maintains, sponsors, contributes to, is actually or contingently liable for (directly or indirectly) and (ii) has ever maintained, sponsored, contributed to, been actually or contingently liable for, any plan that is or was subject to Section 412 of the Code or Title IV of ERISA.

(d) The Company does not sponsor, maintain, contribute to, nor has it sponsored, maintained, contributed to, or been required to contribute to, any "employee welfare benefit plan" ("Welfare Plan"), as such term is defined in Section 3(1) of ERISA, whether insured or otherwise, and any such Welfare Plan presently maintained by the Company is, in all material respects, in compliance with the applicable provisions of ERISA, the Code, and all other applicable laws. The Company has not established or contributed to any "voluntary employees' beneficiary association" within the meaning of Section 501(c)(9) of the Code. The Company does not currently maintain or contribute to any oral or written bonus, profit-sharing, compensation (incentive or otherwise), commission, stock option, or other stock-based compensation, retirement, severance, change of control, vacation, sick or parental leave, dependent care, deferred compensation, disability, hospitalization, medical, death, retiree, insurance, or other benefit or welfare or other similar plan, policy, agreement, trust, fund, or arrangement providing for the remuneration or benefit of all or any employees or shareholders or any other person, that is neither a Pension Plan nor a Welfare Plan (collectively, the "Compensation Plans").

(e) Each Welfare Plan that provides welfare benefits has been operated in material compliance with all applicable requirements of Section 601 through 608 of ERISA and of (i) Section 162(i)(2) and (k) of the Code and regulations thereunder (prior to 1989) and of (ii) Section 4980B of the Code and regulations thereunder after 1988, relating to the continuation of coverage under certain circumstances in which coverage would otherwise cease. Neither the Company, any subsidiary of the Company, nor any ERISA Affiliate has contributed to a nonconforming group health plan (as defined under Code Section 5000(c)) and no ERISA Affiliate has incurred a tax under Section 5000(a) of the Code which could become a liability of the Company, or any ERISA Affiliate. The Company or any ERISA Affiliate does not and has not maintained, sponsored or provided post-retirement medical benefits, post-retirement death benefits or other post-retirement welfare benefits to its current employees or former employees, except as required by Section 4980B of the Code and at the sole expense of the participant or the beneficiary of the participant. The Company and its subsidiaries have complied in all material respects with the applicable requirements of the Health Insurance Portability and Accountability Act of 1996 with respect to each Plan that provides welfare benefits. The Company does not maintain any Welfare Plan that has provided any "disqualified benefit" (as such term is defined in Section 4976(b) of the Code) with respect to which an excise tax could be imposed under Section 4976.

(f) The Company and its ERISA Affiliates do not sponsor, maintain, or contribute to, nor have they sponsored, maintained, or contributed to, a "self-insured

medical reimbursement plan" within the meaning of Section 105(h) of the Code and the regulations thereunder.

(g) Neither any Pension Plans nor Welfare Plans nor any trust created or insurance contract issued thereunder nor any trustee, fiduciary, custodian, or administrator thereof, nor any officer, director, or employee of the Company, custodian, or any other "disqualified person" within the meaning of Section 4975(e)(2) of the Code, or "party in interest" within the meaning of Section 3(14) of ERISA, with respect to any such plan has engaged in any act or omission that could reasonably be expected to subject the Company, either directly or indirectly, to a liability for breach of fiduciary duties under ERISA or a tax or penalty imposed by Section 502 of ERISA.

(h) Full and timely payment has been made of all amounts that the Company is required, under applicable law, with respect to any Pension Plan, Welfare Plan, or Compensation Plan, or any agreement relating to any Pension Plan, Welfare Plan, or Compensation Plan, to have paid as a contribution to each Pension Plan, Welfare Plan, or Compensation Plan. To the extent required by generally accepted accounting principles, the Company has made adequate provisions for reserves to meet contributions that have not been made because they are not yet due under the terms of any Pension Plan, Welfare Plan, or Compensation Plan or related agreements. There will be no change on or before the Closing Date in the operation of any Pension Plan, Welfare Plan, or Compensation Plan or documents under which any such plan is maintained that will result in an increase in the benefit liabilities under such plan, except as may be required by law. Each Plan that is intended to be a tax qualified plan under Section 401(a) of the Code ("Tax Qualified Plan") has been determined by the Internal Revenue Service to qualify under Section 401 of the Code, and the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the Code, and nothing has occurred, including the adoption of or failure to adopt any Plan amendment, which would adversely affect its qualification or tax-exempt status. The Company has provided to Parent complete and accurate copies of all Pension Plans, Welfare Plans, Compensation Plans, and related agreements, annual reports (Form 5500), favorable determination letters, current summary plan descriptions, and all employee handbooks or manuals.

(i) Except as contemplated herein or required by law, the execution of this Agreement and the consummation of the transactions contemplated hereby, do not constitute a triggering event under any Pension Plan, Welfare Plan and Compensation Plan (collectively, the "Plan") which (either alone or upon the occurrence of any additional or subsequent event) will result in any obligation of the Company, its subsidiaries or any ERISA Affiliates to make any payment (whether of severance pay,

including, and not limited to, salary, related vacation pay, pension pay and other similar payments and costs, or otherwise) or to accelerate, vest or increase the amount of benefits payable to any employee or former employee or director of the Company, its subsidiaries or any ERISA Affiliates. No Plan or agreement provides for the payment of severance benefits upon the termination of any employee's employment.

(j) True and complete copies of the following documents with respect to any Plan of the Company, its subsidiaries, and each ERISA Affiliate, as applicable, have been delivered to Parent (i) the most recent Plan document and trust agreement (including any amendments thereto and prior plan documents, if amended within the last two years), (ii) the last two IRS Form 5500 filings and schedules thereto, (iii) the most recent IRS determination letter, (iv) all summary plan descriptions, (v) a written description of each material non-written Plan, (vi) each written communication to employees intended to describe a Plan or any benefit provided by such Plan, (vii) the most recent actuarial report and (viii) all correspondence with the IRS, the Department of Labor and the Pension Benefit Guaranty Corporation ("PBGC") concerning any controversy. Each report described in clause (vii) accurately reflects the funding status of the Plan to which it relates and subsequent to the date of such report there has been no adverse change in the funding status of financial condition of such Plan.

(k) There are no pending or threatened claims, actions or lawsuits, other than routine claims for benefits in the ordinary course, asserted or instituted against (i) any Plan or its assets, (ii) any ERISA Affiliate with respect to any Plan, or (iii) any fiduciary with respect to any Plan for which the Company, or any ERISA Affiliate may, directly or indirectly, be liable, through indemnification obligations or otherwise.

(l) Neither the Company nor any ERISA Affiliate has engaged, directly or indirectly, in a non-exempt prohibited transaction (as defined in Section 4975 of the Code or Section 406 of ERISA) in connection with any Plan.

(m) There is no unfunded liability with respect to any Plan that is a non-tax qualified deferred compensation plan.

(n) Since December 31, 1997 there have been no amendments to any Plan, no written interpretation or announcement (whether or not written) by the Company or any ERISA Affiliate relating to any Plan, there have been and are no negotiations, demands, or proposals which are pending that concern any Plan, nor has any Plan been established, which resulted in or could result in a material increase in (i) the accrued or promised benefits of any employees of the Company or any ERISA Affiliate and (ii) any material increase in the level of expense incurred in respect thereof. There are no binding oral

modifications to the Company Stock Option Plan and, from and after the Effective Time, there will be no outstanding or new contingent liabilities or obligations pursuant to any amendments to the Company Stock Option Plan.

(o) Any surrender, finance or penalties charges (and the total dollar amount thereof) that would be imposed on the investments held by any tax qualified plan (including plans with a cash or deferred arrangement under Section 401(k) of the Code) on the liquidation of the investments in such plans is reflected on the Company Disclosure Schedule.

3.19 INSURANCE POLICIES. The Company Disclosure Schedule sets forth a complete and accurate list of all material policies of insurance maintained by the Company. The Company has previously delivered to Parent complete and accurate copies of all such policies of insurance. All such policies of insurance are in full force and effect, have been issued for the benefit of the Company and/or its directors, officers and employees by properly licensed insurance carriers, and are customary for the assets, business, and operations of the Company. All such policies are in such amounts and against such risks as is customary for companies engaged in similar businesses to the Company to protect the employees, properties, assets, businesses and operations of the Company. None of such policies will in any way be affected by, or terminate or lapse by reason of, any of the transactions contemplated hereby and may be canceled without penalty. All premiums with respect thereto covering all periods up to and including the date as of which this representation is being made have been paid, and no notice of cancellation or termination has been received with respect to any such policy. The Company has promptly and properly notified its insurance carriers of any and all claims known to it with respect to its operations or products for which it is insured.

3.20 BANK ACCOUNTS. The Company Disclosure Schedule sets forth a list of each bank, broker, or other depository with which the Company has an account or safe deposit box (other than those having a balance or value not exceeding $5,000 individually or $25,000 in the aggregate), the names and numbers of such accounts or boxes and the names of all persons authorized to draw thereon or execute transactions.

3.21 POWERS OF ATTORNEY. The Company Disclosure Schedule sets forth the names of all persons, if any, holding powers of attorney from the Company relating to authority for actions taken in the United States and a description of the scope of each such power of attorney (other than powers of attorney granted in the ordinary course of business). The Company has delivered to Parent prior to the date hereof complete and accurate copies of all such powers of attorney.

3.22 PRODUCT LIABILITY CLAIMS. During the three-year period preceding the date hereof, the Company has not received a claim, or incurred any uninsured or insured liability, for or based upon breach of product warranty (other than warranty service or repair claims in the ordinary course of business not material in amount or significance), strict liability in tort, negligent provision of services or any other allegation of liability arising from the sale of its products or from the provision of services (hereafter collectively referred to as "Product Liability"). To the knowledge of the Company, no basis for any claim based upon alleged Product Liability exists that would have a Company Material Adverse Effect.

3.23 INVENTORIES. All inventories owned by the Company consist of items of merchantable quality and quantity usable or salable in the ordinary course of business, are salable at prevailing market prices that are not less than the book value amounts thereof or the price customarily charged by the Company therefor, conform to the specifications established therefor, except to the extent that the failure of such inventories so to consist, be saleable, or conform, would not have a Company Material Adverse Effect. The quantities of all inventories, materials, and supplies of the Company (net of any reserve therefor shown on the Company Interim Financials and determined in the ordinary course of business consistent with past practice) are not obsolete, damaged, or defective, except to the extent that the failure of such inventories to be in such conditions would not have a Company Material Adverse Effect. The Company Disclosure Schedule sets forth a true and complete list of the addresses of all warehouses or other facilities in which inventories of the Company are located.

3.24 RELATIONS WITH SUPPLIERS. No material current supplier of the Company has canceled any contract or order for provision of, and, to the knowledge of the Company, there has been no threat by or basis for any such supplier not to provide, raw-materials, products, supplies, or services to the businesses of the Company.

3.25 RELATIONS WITH CUSTOMERS AND CLIENTS. Since December 31, 1997, no customer or client of the Company has canceled or terminated, or notified the Company of its intent to cancel or terminate, any product or service contract or arrangement with the Company, and the Company has no knowledge of any intention on the part of any of its current customers or clients to do so.

3.26 NO FINDERS. No act of the Company has given or will give rise to any claim against any of the parties hereto for a brokerage commission, finder's fee, or other like payment in connection with the transactions contemplated herein, except payments to those parties identified on the Company Disclosure Schedule who have acted as a finder for the Company or have been retained by the Company as financial advisors

pursuant to the agreements or other documents described in the Company Disclosure Schedule.

3.27 MINUTE BOOKS AND STOCK RECORD BOOKS. The corporate minute books and stock record books of the Company are complete and correct and accurately reflect the actions taken at all meetings of the stockholders and the Board of Directors of the Company and each committee of the Board of Directors in all material respects. The stock record books of the Company are complete and correct and accurately reflect and record the issuance and transfer of all shares of capital stock of the Company.

3.28 USE OF REAL PROPERTY. All Facilities are used and operated by the Company in all material respects in compliance with all applicable leases, contracts, commitments, licenses and permits, except for any failure in compliance that would not reasonably be expected to have a Company Material Adverse Effect.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUBSIDIARY

Except as set forth in a document of even date herewith, referring specifically to the representations and warranties in this Agreement which identifies by section number to which such disclosure relates (the "Parent Disclosure Schedule"), Parent and Merger Subsidiary hereby jointly and severally make the following representations and warranties to the Company:

4.1 ORGANIZATION. Parent is a corporation duly organized, validly existing, and in good standing under the laws of the state of Delaware. Merger Subsidiary is a corporation duly organized and validly existing under the laws of the state of Minnesota. Each of Parent and Merger Subsidiary has all requisite corporate power and authority to own, lease, and operate its properties and to carry on its business as now being conducted. Each of Parent and Merger Subsidiary is duly qualified and in good standing to do business in each jurisdiction in which the property owned, leased, or operated by it or the nature of the business conducted by it makes such qualification necessary and where the failure to qualify could reasonably be expected to have a Parent Material Adverse Effect (as defined below). "Parent Material Adverse Effect" means an effect that, individually or in the aggregate with other effects, has a materially adverse effect: (i) to the business, properties, liabilities, results of operation, or financial condition of Parent and its subsidiaries, considered as a whole, or (ii) to Parent's ability to perform any of its obligations under this Agreement or to consummate the Merger, but shall

exclude any effect relating to or resulting from generally applicable economic conditions or the Parent's industry in general.

4.2 AUTHORIZATION. Each of Parent and Merger Subsidiary has full corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by Parent and Merger Subsidiary and the consummation of the transactions contemplated hereby have been duly and validly authorized and approved by the Boards of Directors of Parent and Merger Subsidiary and by Parent as the sole shareholder of Merger Subsidiary, and no other corporate proceedings on the part of Parent and Merger Subsidiary are necessary to authorize this Agreement or to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each of Parent and Merger Subsidiary and constitutes the valid and binding obligation of Parent and Merger Subsidiary, enforceable against each of them in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency, and the relief of debtors and rules of law governing specific performance, injunctive relief, or other equitable remedies.

4.3 CONSENTS AND APPROVALS. Except for (i) the HSR Act and (ii) the filing and recordation of appropriate merger documents as required by the MBCA, the execution and delivery of this Agreement by Parent and Merger Subsidiary and the consummation of the transactions contemplated hereby will not: (a) violate any provision of the Articles of Incorporation or Bylaws of Parent or Merger Subsidiary; (b) violate any statute, rule, regulation, order, or decree of any public body or authority by which Parent or any of its subsidiaries or any of their respective properties or assets may be bound; (c) require any filing with or permit, consent, or approval of any public body or authority; or (d) result in any violation or breach of, or constitute (with or without due notice or lapse of time or both) a default under, result in the loss of any material benefit under, or give rise to any right of termination, cancellation, increased payments, or acceleration under, or result in the creation of any Lien on any of the properties or assets of Parent or its subsidiaries under, any of the terms, conditions, or provisions of any note, bond, mortgage, indenture, license, franchise, permit, agreement, or other instrument or obligation to which Parent or any of its subsidiaries is a party, or by which any of them or any of their respective properties or assets may be bound, except, in the case of clause (d), for any such violations, breaches, defaults, or other occurrences that would not prevent or delay consummation of any of the transaction contemplated hereby in any material respect, or otherwise prevent Parent from performing its obligations under this Agreement in any material respect.

4.4 NO FINDERS. No act of Parent or Merger Subsidiary has given or will give rise to any claim against any of the parties hereto for a brokerage commission, finder's fee, or other like payment in connection with the transactions contemplated herein.

ARTICLE 5
COVENANTS

5.1 CONDUCT OF BUSINESS OF THE COMPANY. Except as contemplated by this Agreement, during the period from the date of this Agreement to the Effective Time, the Company will conduct its operations according to its ordinary and usual course of business and consistent with past practice, and the Company will use all reasonable efforts to preserve intact its business organizations, to maintain its present business, to keep available the services of its officers and employees and to maintain satisfactory relationships with licensors, licensees, suppliers, contractors, distributors, consultants, customers, and others having business relationships with it. Further, except as otherwise expressly provided in or contemplated by this Agreement, prior to the Effective Time, the Company will not, without the prior written consent of Parent:

(a) amend its Articles of Incorporation, as amended, or Bylaws;

(b) authorize for issuance, issue, sell, pledge, or deliver (whether through the issuance or granting of additional options, warrants, commitments, subscriptions, rights to purchase, or otherwise other than in the ordinary course of business consistent with past new hire practices) any stock of any class or any securities convertible into shares of stock of any class (other than the issuance of the number of shares of Company Common Stock indicated in Section 3.3 hereof upon the exercise in accordance with the current terms of the stock options listed in the Company Disclosure Section with respect to Section 3.3 hereof as outstanding on the date of this Agreement);

(c) split, combine, or reclassify any shares of its capital stock, declare, set aside, or pay any dividend or other distribution (whether in cash, stock, or property or any combination thereof) in respect of its capital stock; or redeem or otherwise acquire any shares of its capital stock or other securities; or amend or alter any material term of any of its outstanding securities;

(d) create, incur, or assume any indebtedness for borrowed money, or assume, guarantee, endorse, or otherwise become liable or responsible (whether directly, contingently, or otherwise) for the obligations of any other person which involve

indebtedness for borrowed money or obligations that individually exceed $25,000 or, in the aggregate, exceed $50,000;

(e) (i) increase the compensation of any of its directors, officers, employees, shareholders, or consultants, except in the ordinary course of business and consistent with past practice or consistent with existing contractual commitments; (ii) pay or accelerate or otherwise modify the payment, vesting, exercisability, or other feature or requirement of any pension, retirement allowance, severance, change of control, stock option, or other employee benefit not required by any existing plan, agreement, or arrangement to any such director, officer, employee, shareholder, or consultant, whether past or present; (iii) except for normal increases in the ordinary course of business in accordance with its customary past practices or consistent with existing contractual commitments, commit itself to any additional or increased pension, profit-sharing, bonus, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance, change of control, retirement or other benefit, plan, agreement, or arrangement; or (IV) adopt or amend any Plan;

(f) except in the ordinary course of business and consistent with past practice, or pursuant to contractual obligations existing on the date hereof, (i) sell, transfer, mortgage, or otherwise dispose of or encumber any real or personal property, (ii) pay, discharge, or satisfy claims, liabilities, or obligations (absolute, accrued, contingent, or otherwise), or (iii) cancel any debts or waive any claims or rights, commence, settle or compromise any litigation, which involve payments or commitments to make payments that individually exceed $10,000 or, in the aggregate, exceed $50,000;

(g) acquire or agree to acquire by merging or consolidating with, or by purchasing a substantial portion of the assets of, or by any other manner, any portion of the assets of, or by any other manner, any business of any corporation, partnership, joint venture, association, or other business organization or division thereof,

(h) make or agree to make any new capital expenditure or expenditures that, individually, is in excess of $25,000 or, in the aggregate, are in excess of $50,000 unless in the ordinary course of business consistent with the Company's 1998 budget;

(i) enter into, amend, or terminate any joint ventures or any other agreements, commitments, or contracts that, individually or in the aggregate, are material to the

Company (except agreements, commitments, or contracts expressly provided for or contemplated by this Agreement or for the purchase, sale, or lease of goods, services, or properties in the ordinary course of business, consistent with past practice or capital expenditures or inventory purchases consistent with the 1998 budget);

(j) enter into or terminate, or amend, extend, renew, or otherwise modify (including, but not limited to, by default or by failure to act) any material distribution, independent sales representative, noncompetition, licensing, franchise, research and development, supply, or similar contract, agreement, or understanding (except agreements, commitments, or contracts expressly provided for or contemplated by this Agreement or for the purchase, sale, or lease of goods, services, or properties in the ordinary course of business, consistent with past practice);

(k) remove or permit to be removed from any building, facility, or real property any machinery, equipment, fixture, vehicle, or other personal property or parts thereof, except in the ordinary course of business;

(l) alter or revise its accounting principles, procedures, methods, or practices, except as required by a change in generally accepted accounting principles and concurred with by the Company's independent public accountants; or

(m) agree to do any of the foregoing.

5.2 NO SOLICITATION. Neither the Company nor any of its officers, directors, employees, representatives, agents, or affiliates (including, but not limited to any investment banker, attorney, or accountant retained by the Company), shall, directly or indirectly, solicit, encourage, initiate, or participate in any way in discussions or negotiations with, or knowingly provide any information to, any corporation, partnership, person, or other entity or group (other than Parent or any affiliate or agent of Parent) concerning any merger, sale or licensing of any significant portion of the assets, sale of shares of capital stock (including without limitation any proposal or offer to the Company's shareholders), or similar transactions involving the Company.

5.3 ACCESS AND INFORMATION. FINANCIAL STATEMENTS. (a) The Company shall afford to Parent, and to Parent's accountants, officers, directors, employees, counsel, and other representatives, reasonable access during normal business hours, from the date hereof through the Effective Time, to all of its properties, books, contracts, commitments, and records, and, during such period, the Company shall furnish promptly

to Parent all information concerning the Company's businesses, prospects, properties, liabilities, results of operations, financial condition, officers, employees, distributors, customers, suppliers, and others having dealings with the Company as Parent may reasonably request. During the period from the date hereof to the Effective Time, the parties shall in good faith meet and correspond on a regular basis for mutual consultation concerning the conduct of the Company's businesses.

(b) Within five (5) business days after the date hereof, the Company will deliver to Parent a true and correct copy of the audited financial statements at and for the year ended December 31, 1997.

5.4 APPROVAL OF SHAREHOLDERS. The Company shall promptly take all action necessary in accordance with Minnesota law and the Company's Articles of Incorporation, as amended, and Bylaws to cause a special meeting of the Company's shareholders to be duly called and held as soon as reasonably practicable following the date hereof for the purpose of voting upon the Merger. The shareholder vote or consent required for approval of the Plan of Merger and the Merger shall be no greater than that set forth in the MBCA and the Company's Articles of Incorporation, as amended, as previously provided to Parent. The Company shall use all reasonable efforts to obtain the approval by the Company's shareholders of this Agreement, the Plan of Merger, and the Merger.

5.5 CONSENTS. The Company will use all reasonable efforts to obtain all approvals and consents of all third parties necessary on the part of the Company to consummate the transactions contemplated hereby. Parent agrees to cooperate with the Company in connection with obtaining such approvals and consents. Parent will use all reasonable efforts to obtain all approvals and consents of all third parties necessary on the part of Parent to consummate the transactions contemplated hereby. The Company agrees to cooperate with Parent in connection with obtaining such approvals and consent.

5.6 EXPENSES. Whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such costs and expenses, except that the Parent alone will bear the filing fees required under the HSR Act.

5.7 REASONABLE BEST EFFORT: FURTHER ACTIONS. Subject to the terms and conditions herein provided and without being required to waive any conditions herein (whether absolute, discretionary, or otherwise), each of the parties hereto agrees to use its reasonable best efforts to take, or cause to be taken, all action, and to do, or cause to be

done, all things necessary, proper, or advisable to consummate and make effective the transactions contemplated by this Agreement within 60 days of the date of this Agreement. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purposes of this Agreement, the proper officers and directors of each party to this Agreement shall take all such necessary action.

5.8 REGULATORY APPROVALS. The Company and Parent will take all reasonable action as may be necessary under federal or state securities laws or the HSR Act applicable to or necessary for, and will file as soon as reasonably practicable and, if appropriate, use all reasonable efforts to have declared effective or approved all documents and notifications with governmental or regulatory bodies that they deem necessary or appropriate for, the consummation of the Merger and the transactions contemplated hereby, and each party shall give the other information reasonably requested by such other party pertaining to it and its subsidiaries and affiliates to enable such other party to take such actions.

5.9 CERTAIN NOTIFICATIONS. The Company shall promptly notify Parent in writing of the occurrence of any event that will or could reasonably be expected to result in the failure by the Company or its affiliates to satisfy any of the conditions specified in Section 6. 1 or 6.2. Parent shall promptly notify the Company in writing of the occurrence of any event that will or could reasonably be expected to result in the failure by Parent or its affiliates to satisfy any of the conditions specified in Section 6.1 or 6.3.

5.10 INDEMNIFICATION. EXCULPATION AND INSURANCE. (a) The articles of incorporation and the by-laws of the Surviving Corporation shall contain the provisions with respect to indemnification and exculpation from liability set forth in the Company's Articles of Incorporation, as amended, and By-laws on the date of this Agreement, which provisions shall not be amended, repealed or otherwise modified for a period of six years from the Effective Time in any manner that would adversely affect the rights thereunder of individuals who on or prior to the Effective Time were directors, officers, employees or agents of the Company, unless such modification is required by law. Parent shall guarantee the obligations of the Surviving Corporation with respect to the indemnification provisions contained in the Surviving Corporation's certificate of incorporation and by-laws.

(b) In the event Parent, the Surviving Corporation or any of their successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then and in each such case, proper provisions shall be made so that the successors and assigns of

Parent or the Surviving Corporation, as the case may be, shall assume the obligations set forth in this Section 5.10.

(c) This Section 5.10 shall survive the consummation of the Merger at the Effective Time, is intended to benefit the Company, Parent, the Surviving Corporation and the Indemnified Parties, and shall be binding on all successors and assigns of Parent and the Surviving Corporation.

5.11 BENEFIT PLANS AND EMPLOYEE MATTERS. (a) From the Effective Time through and including December 31, 1998, Parent agrees that it will not cause or permit the Company to terminate or modify, in any manner materially detrimental to the employees of the Company (except as required by applicable law), any health and welfare benefit plan and 401(k) pension plan included in the Plans presently maintained by the Company.

(b) The parties hereto acknowledge that Parent, on the one hand, and each of Walter A. Roberts and Jonathan Rick, on the other hand, have agreed as of the date hereof upon term sheets containing the terms mutually agreed-upon by them in respect of employment and other matters relating to Walter A. Roberts and Jonathan Rick (collectively, the "Term Sheets"). Parent agrees to use all reasonable efforts that may be necessary to enter into definitive agreements with each of Walter A. Roberts or Jonathan Rick consistent with such Term Sheets and containing such other mutually-agreeable terms and conditions as may be customary to be included in such agreements on or prior to August 18, 1998, or as soon as possible thereafter, and the Company shall use all reasonable efforts to assist and cooperate with the same.

(c) With reference to the Employment Agreement, dated September 20, 1993, together With the Addendum to Harmonic Systems Incorporated Employment Agreement relating to Pre-Employment Activities, dated _____, 1993, and Amendment to Employment Agreement, dated May 20, 1998, between Harmonic Systems Incorporated and Barrs S. Lewis (such Amendment, the "Barrs Lewis Amendment"), on or prior to the Effective Time, the Company shall notify Barrs S. Lewis that it is, conditioned upon the occurrence of the Effective Time, exercising the option contained in paragraph 4 of such Barrs Lewis Amendment to extend the Non-Competition covenants set forth in and contemplated by Article 3 of such Barrs Lewis Amendment for an additional twelve (12) months. For clarification, any obligations arising out of such option being exercised shall be subject to the obligations of the Shareholders set forth in Section 7.2(a)(ii) hereof.

ARTICLE 6
CLOSING CONDITIONS

6.1 CONDITIONS TO OBLIGATIONS OF PARENT MERGER SUBSIDIARY AND THE COMPANY. The respective obligations of each party to consummate the Merger shall be subject to the fulfillment at or prior to the Closing of the following conditions:

(a) NO INJUNCTION. None of Parent, Merger Subsidiary, or the Company shall be subject to any final order, decree, or injunction of a court of competent jurisdiction within the United States that (i) prevents or materially delays the consummation of the Merger, or (ii) would impose any material limitation on the ability of Parent effectively to exercise full rights of ownership of the Company or the assets or business of the Company.

(b) WAITING PERIODS. The waiting periods applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated.

(c) EMPLOYMENTS AND OTHER AGREEMENTS. Parent shall have entered into a definitive agreement with each of Walter A. Roberts and Jonathan Rick that is consistent with the relevant Term Sheet, PROVIDED that this Section 6.1(c) shall not be a condition to the obligations of Parent or Merger Subsidiary to consummate the Merger if Parent, on the one hand, and either Walter A. Roberts or Jonathan Rick, on the other hand, fail to enter into their respective definitive agreement due to Parent proposing to include any terms in such definitive agreement which terms are materially inconsistent with the terms contained in the Term Sheet.

6.2 CONDITIONS TO OBLIGATIONS OF PARENT AND MERGER SUBSIDIARY. The respective obligations of Parent and Merger Subsidiary to consummate the Merger shall be subject to the fulfillment at or prior to the Closing of the following additional conditions:

(a) REPRESENTATIONS AND WARRANTIES TRUE. Each representation and warranty of the Company contained in this Agreement shall be true and correct in all respects (in the case of any representation or warranty containing any materiality qualification) or in all material respects (in the case of any representation or warranty without any materiality qualification) on the date hereof and on the Closing Date as though such representations and warranties were made on such date (except those representations and warranties that address matters only as of a particular date shall remain true and correct as of such date).

(b) PERFORMANCE. The Company shall have performed and complied in all material respects with all agreements, obligations, and conditions required by this Agreement to be performed or complied with by it on or prior to the Closing, and Parent shall have received a certificate to such effect signed by the Chief Executive Officer of the Company.

(c) CONSENTS. The Company shall have obtained all permits, authorizations, consents, and approvals required on its part to perform its obligations under, and consummate the transactions contemplated by, this Agreement, in form and substance satisfactory to Parent, and Parent and Merger Subsidiary shall have received evidence satisfactory to them of the receipt of such permits, authorizations, consents, and approvals.

(d) OPINION OF COUNSEL FOR THE COMPANY. Parent and Merger Subsidiary shall have received an opinion of Fredrikson & Byron, P.A., counsel to the Company, dated the Closing Date, in form and substance reasonably satisfactory to Parent as to matters set forth in Sections 3.1(a), 3.2 and 3.3.

(e) RESIGNATIONS. Such officers and directors of the Company as shall have been specified by Parent shall have tendered their respective resignations effective as of the Effective Time.

6.3 CONDITIONS TO OBLIGATIONS OF THE COMPANY. The obligation of the Company to consummate the Merger shall be subject to the fulfillment at or prior to the Closing of the following additional conditions:

(a) REPRESENTATIONS AND WARRANTIES TRUE. Each representation and warranty of Parent contained in this Agreement shall be true and correct in all respects (in the case of any representation or warranty containing any materiality qualification) or in all material respect (in the case of any representation or warranty without any materiality qualification) on the date of this Agreement and on the Closing Date as though such representations and warranties were made on such date (except those representations and warranties that address matters only as of a particular date shall remain true and correct as of such date).

(b) PERFORMANCE. Parent and Merger Subsidiary shall have performed and complied in all material respects with all agreements, obligations, and conditions required by this Agreement to be performed or complied with by them on or prior to the Closing, and the Shareholders' Representative (as defined below) shall have

received a certificate to such effect signed by the Chief Executive Officer of the Company.

(c) CONSENTS. Parent and Merger Subsidiary shall have obtained all permits, authorizations, consents, and approvals required on their part to perform their obligations under, and consummate the transactions contemplated by, this Agreement, in form and substance satisfactory to the Company, and the Company shall have received evidence satisfactory to it of the receipt of such permits, authorizations, consents, and approvals.

(d) OPINION OF COUNSEL FOR PARENT. The Company shall have received an opinion of Reboul, MacMurray, Hewitt, Maynard & Kristol, counsel to Parent dated the Closing Date, in form and substance reasonably satisfactory to the Company as to the matters set forth in Sections 4.1 and 4.2.

ARTICLE 7
INDEMNIFICATION

7.1 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made by any and party hereto in this Agreement or pursuant hereto shall survive until March 31, 2000. A party may maintain a claim or action for indemnity pursuant to Article 7 after the expiration of the representation and warranty under Article 3 and Article 4, as the case may be, only if the party made the claim in writing on or prior to March 31, 2000.

7.2 GENERAL INDEMNITY. (a) BY SHAREHOLDERS. Subject to the terms and conditions of this Article 7, each Shareholder, severally but not jointly, indemnifies and holds harmless Parent and, following the Effective Time, the Company from and against all demands, claims, actions or causes of action, assessments, losses, damages, liabilities, costs and expenses, including without limitation interest, penalties and reasonable attorneys' fees and expenses (hereinafter collectively, the "Damages"), asserted against, resulting to, imposed upon or incurred by Parent or, following the Effective Time, the Company, by reason of, resulting from or arising out of (j) a breach of any representation, warranty, covenant or agreement of the Company contained in or made pursuant to this Agreement, except, in each case, as and to the extent that Section 7.2(b) or 7.2(c) shall be applicable thereto, in which case the provisions of said Section 7.2(b) or 7.2(c), as the case may be, shall govern, and (ii) the employment, retention and other agreements listed on Schedule 7.2(a)(ii), except as otherwise specified in such Schedule 7.2(a)(ii).

(b) TAX INDEMNITY BY SHAREHOLDERS. Each Shareholder, severally but not jointly, indemnifies and holds harmless Parent and, following the Effective Time, the Company from and against (i) any and all taxes incurred by, imposed upon or attributable to the Company with respect to any tax period (or portion thereof) ending on or prior to the date of the Effective Time and (ii) reasonable legal and accounting fees and expenses and other out-of-pocket expenses incurred by Parent or, following the Effective Time, the Company or any party hereto in connection with assessment or collection of the taxes referred to in clause (i) of this Section 7.2(b). For purposes of this Section 7.2(b), any interest, penalty or additional charge included in Taxes shall be deemed to be a tax for the period to which the item or event giving rise to such interest, penalty or additional charge is attributable, and not a tax for the period during which such interest, penalty or additional charge accrues. Any taxes, legal fees and expenses subject to indemnification under this Section 7.2(b) shall not be subject to indemnification under Section 7.2(a) hereof.

(c) ERISA INDEMNITY BY SHAREHOLDERS. Each Shareholder, severally but not jointly, indemnifies and holds harmless Parent from and against and in respect of any Damages (including, without limitation, sanctions that arise under ERISA) imposed upon, incurred by, assessed against Parent and affiliates or plan fiduciaries and any of their employees arising by reason of or relating to any failure of Company prior to the Effective Time to comply with the requirements of ERISA with respect to any employee benefit plan, including retirement and welfare benefit plans in existence prior to the Closing Date. For the purposes of this provision, references to ERISA refer to all sections of ERISA, including, but not limited to the applicable provisions of the Code, as may be amended from time to time.

(d) BY PARENT. Subject to the terms and conditions of this Article 7, Parent will indemnify, defend and hold the Shareholders harmless from and against all Damages asserted against, resulting to, imposed upon or incurred by them by reason of or resulting from or arising out of a breach of (i) any representation, warranty, covenant or agreement of Parent or the Merger Subsidiary contained in or made pursuant to this Agreement; and (ii) any Damages relating to the conduct of the business of the Company and its affiliates after the Closing.

(e) PROCEDURE. Procedures for making a claim for indemnity are set forth in the Escrow Agreement.

7.3 LIMITATIONS ON INDEMNIFICATION. Notwithstanding the foregoing, the maximum aggregate liability of each of the Shareholders, on the one hand, and Parent and, following the Effective Time, the Company, on the other, for (a) indemnification

payments pursuant to Section 7.2(a)(i) hereof shall not exceed the amount of the Indemnification Escrow Deposit and (b) indemnification payments pursuant to Section 7.2(a)(ii) hereof shall not exceed the amount of the Retention Payment Escrow Deposit. In the case of the Shareholders, the Shareholders will have no liability for indemnification under this Article 7 except to the extent of the unreleased amount of the Indemnification Escrow Deposit or the Retention Payment Escrow Deposit, as the case maybe.

7.4 ADJUSTMENTS. Any Damages subject to indemnification under this Article 7 (i) shall be net of an amount equal to (x) any insurance proceeds realized by and paid to the party to be indemnified minus (y) any related costs and expenses, including the aggregate cost of pursuing any related insurance claims plus any increases in insurance premiums or other charge backs directly related to such claims, and (ii) shall be (A) reduced by an amount equal to the tax benefits, if any, attributable to such claim and (B) increased by an amount equal to the taxes, if any, attributable to the receipt of such indemnity payment, but only to the extent that such tax benefits are actually realized, or such taxes are actually paid, as the case may be.

7.5 THIRD PARTY CLAIMS. The respective obligations and liabilities of the Shareholders, on the one hand, and Parent and, following the Effective Time, the Company, on the other hand (herein sometimes called the "indemnifying party"), to the other (herein sometimes called the "party to be indemnified") under Section 7.2 hereof with respect to claims resulting from the assertion of liability by third parties shall be subject to the following terms and conditions:

(i) within 30 days after receipt of notice of commencement of any action or the assertion of any claim by a third party, the party to be indemnified shall give the indemnifying party written notice thereof together with a copy of such claim, process or other legal pleading (provided that failure so to notify the indemnifying party of the assertion of a claim within such period shall not affect its indemnity obligation hereunder except as and to the extent that such failure shall adversely affect the defense of such claim), and the indemnifying party shall have the right to undertake the defense thereof by representatives of its own choosing;

(ii) in the event that the indemnifying party, by the 30th day after receipt of notice of any such claim (or, if earlier, by the tenth day preceding the day on which an answer or other pleading must be served in order to prevent judgment by default in favor of the person asserting such claim), does not elect to defend against such claim, the party to be indemnified will (upon further notice to the indemnifying party) have the right to undertake the defense, compromise or settlement of such

claim on behalf of and for the account and risk of the indemnifying party, subject to the right of the indemnifying party to consent to any settlement or compromise thereof by the party to be indemnified; and

(iii) in connection with any such indemnification, the party to be indemnified will cooperate in all reasonable requests of the indemnifying party.

ARTICLE 8
TERMINATION AND ABANDONMENT

8.1 TERMINATION. This Agreement may be terminated at any time prior to the Effective Time, whether before or after approval by the shareholders of the Company, only:

(a) by mutual written consent duly authorized by the Board of Directors of Parent and the Board of Directors of the Company;

(b) by either Parent or the Company if the Merger shall not have been consummated on or before the date 90 days following the date hereof; provided, however, that the terminating party shall not have breached in any material respect its obligations under this Agreement in any manner, including such party's obligations under Section 5.8 hereof, that shall have been the proximate cause of, or resulted in, the failure to consummate the Merger by such date;

(c) by either Parent or the Company if a court of competent jurisdiction or an administrative, governmental, or regulatory authority has issued a final nonappealable order, decree, or ruling, or taken any other action, having the effect of permanently restraining, enjoining, or otherwise prohibiting the Merger;

(d) by Parent if (i) Parent is not in material breach of its obligations under this Agreement and (ii) there has been a breach by the Company of any of its representations, warranties, or obligations under this Agreement such that the conditions in Section 6.2 will not be satisfied, and the breach is not curable or, if curable, is not cured by the Company within 30 calendar days after receipt by the Company of written notice from Parent of such breach;

(e) by the Company if (i) the Company is not in material breach of its obligations under this Agreement and (ii) there has been a breach by Parent of any of its representations, warranties, or obligations under this Agreement such that the

conditions in Section 6.3 will not be satisfied, and the breach is not curable or, if curable, is not cured by Parent within 30 calendar days after receipt by Parent of written notice from the Company of such breach;

8.2 EFFECT OF TERMINATION. Except as provided in the next sentence of this paragraph, in the event of the termination of this Agreement pursuant to any paragraph of Section 8.1, the obligations of the parties to consummate the Merger will expire, and none of the parties will have any further obligations under this Agreement except pursuant to Section 5.6 and Article 9. In the event of the termination of this Agreement pursuant to any paragraph of Section 8.1 that is caused by a breach of a party, the party whose breach was the basis for the termination will not be relieved from any liability for its breach, and the other party will have no further obligations under this Agreement except as provided in Section 5.6 and Article 9.

ARTICLE 9
MISCELLANEOUS

9.1 AMENDMENT AND MODIFICATION. Subject to applicable law, this Agreement may be amended, modified, or supplemented only by written agreement of Parent, Merger Subsidiary, and the Company at any time prior to the Effective Effective Time with respect to any of the terms contained herein. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

9.2 WAIVER OF COMPLIANCE; CONSENTS. Any failure of Parent or Merger Subsidiary on the one hand, or the Company on the other hand, to comply with any obligation, covenant, agreement, or condition herein may be waived by the Company or Parent, respectively, only by a written instrument signed by an officer of the party granting such waiver, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement, or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. Whenever this Agreement requires or permits consent by or on behalf of any party hereto, such consent shall be given in writing. Merger Subsidiary agrees that any consent or waiver of compliance given by Parent hereunder shall be conclusively binding upon Merger Subsidiary, whether or not given expressly on its behalf.

9.3 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally by commercial courier service or otherwise, or by telecopier, or three days after such notice is mailed by

registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

(a) if to Parent or Merger Subsidiary, to it at:

Alliance Data Systems
5001 Spring Valley Road, Suite 650W
Dallas, TX 75244
FAX: (972) 960-5330
Attention: Michael Beltz

with separate copies thereof addressed to

Alliance Data Systems
800 Techcenter Drive
Gahanna, OH 43230
FAX: (614) 729-4949
Attention: Carolyn Melvin, General Counsel

(b) If to the Company, to it at:

Harmonic Systems Incorporated
701 4th Avenue South
Minneapolis, MN 55415
FAX: (612) 672-3549
Attention: Barrs S. Lewis

with a copy to:

Fredrikson & Byron, P.A.
1100 International Centre
900 Second Avenue South
Minneapolis, MN 55402-3397
FAX: (612) 347-7077
Attention: Thomas W. Garton

9.4 ASSIGNMENT. This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by any of the parties hereto without the prior

written consent of the other parties, nor is this Agreement intended to confer upon any other person except the parties hereto any rights or remedies hereunder except that Parent shall have the right to assign this Agreement to any of its affiliates or subsidiaries without the prior consent of any other party hereto.

9.5 GOVERNING LAW; DISPUTE RESOLUTION. (a) This Agreement shall be governed by the laws of the State of Minnesota (regardless of the laws that might otherwise govern under applicable Minnesota principles of conflicts of law).

(b) Any dispute, controversy or claim arising out of, relating to, or in connection with, this Agreement or any breach, termination or validity thereof shall be finally settled by arbitration. The arbitration shall be conducted in accordance with the Commercial Arbitration Rules of the American Arbitration Association in effect at the time of the arbitration, except as they may be modified herein or by mutual agreement of the parties. The seat of the arbitration shall be Minneapolis, Minnesota and it shall be conducted in the English language. The arbitration shall be conducted by three arbitrators. The party initiating arbitration ("the Claimant") shall appoint its arbitrator in its request for arbitration (the "Request"). The other party ("the Respondent") shall appoint its arbitrator within thirty (30) days of receipt of the Request and shall notify the Claimant of such appointment in writing. If the Respondent fails to appoint an arbitrator within such 30-day period, the arbitrator named in the Request shall decide the controversy or claim as a sole arbitrator. Otherwise, the two arbitrators appointed by the parties shall appoint a third arbitrator within thirty (30) days after the Respondent has notified Claimant of the appointment of the Respondent's arbitrator. When the arbitrators appointed by the Claimant and Respondent have appointed a third arbitrator and the third arbitrator has accepted the appointment, the two arbitrators shall promptly notify the parties of the appointment of the third arbitrator. If the two arbitrators appointed by the parties fail or are unable so to appoint a third arbitrator or so to notify the parties, then the appointment of the third arbitrator shall be made by President of the American Arbitration Association which shall promptly notify the parties of the appointment of the third arbitrator. The third arbitrator shall act as Chairman of the panel. The arbitral award shall be in writing and shall be final and binding on the parties. The award may include an award of costs, including reasonable attorneys' fees and disbursements. Judgment upon the award may be entered by any court having jurisdiction thereof or having jurisdiction over the parties or their assets. This Section 9.5(b) shall in no way affect the right of either party hereto to seek interim relief in any court of competent jurisdiction, and a request for such interim relief shall not be deemed incompatible with, or a waiver of, the agreement to arbitrate contained herein.

9.6 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

9.7 KNOWLEDGE. As used in this Agreement or the instruments, certificates or other documents required hereunder, the term "knowledge" shall mean, as to any individual, the actual knowledge of such person or, as to any entity, the actual knowledge of such entity's directors and executive officers.

9.8 INTERPRETATION. The Table of Contents, article and section headings contained in this Agreement are inserted for reference purposes only and shall not affect the meaning or interpretation of this Agreement. This Agreement shall be construed without regard to any presumption or other rule requiring the resolution of any ambiguity regarding the interpretation or construction hereof against the party causing this Agreement to be drafted.

9.9 PUBLICITY. Upon Parent entering into and executing definitive agreements with Walter A. Roberts, Jonathan Rick and Barrs S. Lewis as provided for and pursuant to Section 5.11(b), Parent and the Company shall jointly issue a press release, as agreed upon by them. The parties intend that all future statements or communications to the public or press regarding this Agreement or the Merger will be mutually agreed upon by them. Neither party shall, without such mutual agreement or the prior consent of the other, issue any statement or communication to the public or to the press regarding this Agreement, or any of the terms, conditions, or other matters with respect to this Agreement, except as required by law or the applicable rules of the relevant stock exchange(s) and then only (a) upon the advice of such party's legal counsel; (b) to the extent required by law or stock exchange rules; and (c) following prior notice to, and consultation with, the other party (which notice shall include a copy of the proposed statement or communication to be issued to the press or public). The foregoing shall not restrict Parent's or the Company's communications with their employees, consultants, agents or customers in the ordinary course of business.

9.10 EXCLUSIVITY OF REMEDIES. Indemnification pursuant to the provisions of this Article 7 shall be the exclusive remedy of the parties for any misrepresentation or breach of representation, warranty, obligation or agreement hereunder, PROVIDED that nothing herein shall limit the rights of either party to seek and obtain injunctive relief to specifically enforce the other party's obligation or assert any matter which is the subject of the preceding sentence, other than a claim of fraud or intentional misrepresentation, shall be a contract action to enforce, or to recover damages for the breach of, this Article 7. The indemnifying party shall not be liable for any consequential, special or incidental

Damages, including without limitation Damages for lost profits or Damages for lost business opportunity.

9.11 SEVERABILITY. If any provision, including any phrase, sentence, clause, section or subsection, of this Agreement is invalid, inoperative or unenforceable for any reason, such circumstances shall not have the effect of rendering such provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision herein contained invalid, inoperative, or unenforceable to any extent whatsoever.

9.12 ENTIRE AGREEMENT. This Agreement, including the exhibits and schedules hereto and the Confidentiality Agreement previously entered into between the parties, embodies the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein. This Agreement and the Confidentiality Agreement supersede all prior agreements and the understandings between the parties with respect to such subject matter.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By /s/ Michael Beltz

Its Executive Vice President

HSI ACQUISITION CORP.

By /s/ Ron Carter

Its President

HARMONIC SYSTEMS INCORPORATED

By /s/ Barrs S. Lewis

Its Chairman & CEO

The undersigned consents to its appointment as Shareholders' Representative under this Merger Agreement, agrees to serve in such capacity at and after the Effective Time (subject to removal or resignation as permitted under the Agreement) and agrees to be bound by the terms of this Agreement and shall have the rights and benefits provided to the Shareholders' Representative in this Agreement.

Barrs S. Lewis, as Shareholders' Representative

By: /s/ Barrs S. Lewis

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By

Its

HSI ACQUISITION CORP.

By

Its

HARMONIC SYSTEMS INCORPORATED

By /s/ Barrs S. Lewis

Its Chairman & CEO

The undersigned consents to its appointment as Shareholders' Representative under this Merger Agreement, agrees to serve in such capacity at and after the Effective Time (subject to removal or resignation as permitted under the Agreement) and agrees to be bound by the terms of this Agreement and shall have the rights and benefits provided to the Shareholders' Representative in this Agreement.

Barrs S. Lewis, as Shareholders' Representative

By: /s/ Barrs S. Lewis

EXHIBIT A

PLAN OF MERGER

ARTICLE 1

NAMES OF CONSTITUENT
CORPORATIONS AND SURVIVING CORPORATION

1.1 The names of the Constituent Corporations are HSI Acquisition Corp. ("Merger Subsidiary"), a Minnesota corporation and wholly-owned subsidiary of Alliance Data Systems Corporation ("Parent"), a Delaware corporation and Harmonic Systems Incorporated (the "Company"), a Minnesota corporation. The Constituent Corporations shall be combined by the merger of the Merger Subsidiary with and into the Company as the Surviving Corporation (the "Merger") pursuant to the Agreement and Plan of Merger dated August_____ , 1998, by and among the Merger Subsidiary, Parent and the Company (the "Merger Agreement") and pursuant to the applicable provisions of the Minnesota Business Corporation Act ("MBCA").

ARTICLE 2
THE MERGER; CONVERSION OF SHARES

2.1 THE MERGER. Subject to the terms and conditions of the Merger Agreement, at the Effective Time (as defined in Section 2.2 hereof), Merger Subsidiary shall be merged with and into the Company in accordance with the provisions of the MBCA, whereupon the separate corporate existence of Merger Subsidiary shall cease, and the Company shall continue as the surviving corporation (the "Surviving Corporation"). From and after the Effective Time, the Surviving Corporation shall possess all the rights, privileges, powers, and franchises and be subject to all the restrictions, disabilities, and duties of the Company and Merger Subsidiary, all as more fully described in the MBCA.

2.2 EFFECTIVE TIME. The Merger shall become effective at the time at which the Articles of Merger and this Plan of Merger are duly filed with the Minnesota Secretary of State or, if agreed to by Parent and the Company, such later time or date set forth in the Articles of Merger (the "Effective Time").

2.3 MERGER CONSIDERATION. The consideration to be paid by Parent in full payment for the consummation of the Merger (the "Merger Consideration") shall consist of:

(a) An aggregate amount of [$43,359,000] which shall be paid on the Closing Date to the persons, in the manner and under the conditions provided in this Article 2 (the "Closing Cash Amount"); PLUS

(b) An aggregate amount of $7,000,000 which shall be paid by wire transfer of immediately available funds to the escrow agent under an Escrow Agreement substantially in the form attached as Exhibit B to the Merger Agreement (the "Escrow

Agreement") (such amount deposited with such escrow agent, the "Indemnification Escrow Deposit").

(c) An aggregate amount of [$1,641,000] which shall be paid by wire transfer of immediately available funds to the escrow agent under the Escrow Agreement (such amount deposited with such escrow agent, the "Retention Payment Escrow Amount"). (The Indemnification Escrow Deposit, the Retention Payment Escrow Amount and Earnings (as defined in the Escrow Agreement) together are referred to in the Escrow Agreement and herein as the "Escrow Amount".)

2.4 COMMON STOCK; PREFERRED SHARES; CONVERSION. At the Effective Time, by virtue of the Merger and without any action on the part of any holder of any share of capital stock of the Company or Merger Subsidiary:

(a) COMPANY STOCK; CLOSING CASH AMOUNT. (i) Each share of common stock of the Company, par value $0.01 per share ("Company Common Stock"), issued and outstanding on the date that is the one day prior to the date hereof (the "Record Date") (except for Dissenting Shares, as defined in Section 1.5 hereof) shall be converted into the right to receive its Allocable Portion (as defined below) of the Closing Cash Amount at the Effective Time, and the right to receive its Allocable Portion of the Escrow Amount in the manner, at the terms and under the conditions provided in the Escrow Agreement.

(ii) Each share of any other class of capital stock of the Company (other than Company Common Stock) (the "Company Preferred Stock") issued and outstanding at the Record Date (except for Dissenting Shares as defined in Section 2.5 hereof) shall be converted into the right to receive its Allocable Portion of the Closing Cash Amount at the Effective Time, and the right to receive its Allocable Portion of the Escrow Amount in the manner, at the time or times and under the conditions provided in the Escrow Agreement. The Company Common Stock and Company Preferred Stock are sometimes collectively referred to hereinafter as "Company Stock".

The term "Allocable Portion" shall mean, with respect to each share of Company Stock, that portion of the Closing Cash Amount which is designated as the Company Stock Allocable Portion on Exhibit C-1 to the Merger Agreement.

(b) MERGER SUBSIDIARY STOCK. Each share of common stock of Merger Subsidiary, par value $.01 per share ("Merger Subsidiary Common Stock"), issued and outstanding immediately prior to the Effective Time shall be converted into one share of the common stock of the Surviving Corporation, par value $.01 per share ("Surviving Corporation Common Stock").

2.5 DISSENTING SHARES. Notwithstanding any provision of the Merger Agreement to the contrary, each outstanding share of Company Stock, the holder of which has demanded and perfected such holder's right to dissent from the Merger and to be paid the fair value of such

shares in accordance with Sections 302A.471 ET SEQ. of the MBCA and, as of the Effective Time, has not effectively withdrawn or lost such dissenters' rights ("Dissenting Shares"), shall not be converted into or represent a right to receive the Merger Consideration into which shares of Company Stock are converted pursuant to Section 2.4 hereof, but the holder thereof shall be entitled only to such rights as are granted by the MBCA. The Company shall give Parent (i) prompt written notice of any notice of intent to demand fair value for any shares of Company Stock, withdrawals of such notices, and any other instruments served pursuant to the MBCA or any other provisions of Minnesota law and received by the Company, and (ii) the opportunity to conduct jointly all negotiations and proceedings with respect to demands for fair value for shares of Company Stock under the MBCA. The Company shall not, except with the prior written consent of Parent, voluntarily make any payment with respect to any demands for fair value for shares of Company Stock or offer to settle or settle any such demands.

2.6 COMPANY WARRANTS. At the Effective Time, by virtue of the Merger and without any action on the part of the holders thereof, each warrant to purchase Company Common Stock outstanding at the Record Date (the "Company Warrants") shall be converted into the right to receive that portion of the Closing Cash Amount at the Effective Time as set forth on Exhibit C-2 of the Merger Agreement (the "Closing Warrant Amount"), and the right to receive that portion of the Escrow Amount in the manner, at the time or times, and under the conditions provided in the Escrow Agreement.

2.7 COMPANY CONVERTIBLE DEBENTURES. At the Effective Time, by virtue of the Merger and without any action on the part of the holders thereof, each convertible debenture of the Company issued and outstanding at the Record Date (the "Convertible Debentures") shall be converted into the right to receive that portion of the Closing Cash Amount at the Effective Time as set forth on Exhibit C-3 of the Merger Agreement (the "Closing Debenture Payment"), and the right to receive that portion of the Escrow Amount in the manner, at the time or times, and under the conditions provided in the Escrow Agreement.

2.8 STOCK OPTIONS. All stock options outstanding at the Record Date under the Company's employee stock option plans (the "Company Option Plans") shall, whether or not exercisable or vested, become fully exercisable and vested at the Effective Time, and each option thereunder shall be converted into a right to receive that portion of the Closing Cash Amount at the Effective Time as set forth an Exhibit C-4 of the Merger Agreement corresponding to the name of the holder of such option (the "Closing Option Payment"), and the right to receive that portion of the Escrow Amount, in the manner, at the time or times, and under the conditions set forth on Exhibit C-4 of the Merger Agreement corresponding to the name of the holder of such option (the "Deferred Option Payment"). Each of the Company Option Plans and all options issued and outstanding thereunder shall terminate effective as of the Effective Time.

2.9 EXCHANGE OF MERGER SUBSIDIARY COMMON STOCK. From and after the Effective Time, each outstanding certificate previously representing shares of Merger Subsidiary Common Stock shall be deemed for all purposes to evidence ownership of and to represent the number of shares of Surviving Corporation Common Stock into which such shares of Merger Subsidiary Common Stock shall have been converted. Promptly after the Effective Time, the Surviving

Corporation shall issue to Parent a stock certificate or certificates representing such shares of Surviving Corporation Common Stock in exchange for the certificate or certificates that formerly represented shares of Merger Subsidiary Common Stock, which shall be canceled.

2.10 EXCHANGE OF COMPANY STOCK. (a) The Company will instruct the holders of the certificate representing Company Stock to deliver such certificates at or after the Closing to Parent, duly endorsed for transfer to the Company, for cancellation. At the Closing with respect to certificates so delivered at or prior to the Closing, and as soon as practicable after delivery with respect to certificates not delivered until after Closing, Parent shall pay to each transferring holder thereof an amount of money equal to the Allocable Portion of the Closing Cash Amount to which such surrendered shares are entitled. Such payments shall be made by bank check delivered at Closing or mailed to the recipient pursuant to instructions given by the recipient; or by wire transfer of immediately available funds pursuant to instructions given by the recipient. In the event of a transfer of ownership of Company Stock that is not registered in the transfer records of the Company, it shall be a condition to the payment that the Company Certificate(s) so surrendered shall be properly endorsed or be otherwise in proper form for transfer and that such transferee shall (i) pay to the Exchange Agent any transfer or other taxes required or (ii) establish to the satisfaction of the Exchange Agent that such tax has been paid or is not payable.

(b) All cash paid in respect of the Closing Cash Amount and rights to receive payments out of the Escrow Amount distributed upon the surrender for exchange of Company Stock in accordance with the terms hereof shall be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Company Stock.

(c) After the Effective Time, there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the shares of Company Stock that were outstanding immediately prior to the Effective Time. If, after the Effective Time, Company Certificates representing such shares are presented to the Surviving Corporation, they shall be canceled and exchanged as provided in this Article 2. As of the Effective Time, the holders of Company Certificates representing shares of Company Stock shall cease to have any rights as shareholders of the Company, except such rights, if any, as they may have pursuant to the MBCA. Except as provided above, until such Company Certificates are surrendered for exchange, each such Company Certificate shall, after the Effective Time, represent for all purposes only the rights to receive the Closing Cash Amount and Escrow Amount to which the shares of Company Stock shall have been converted pursuant to the Merger as provided in Section 2.3 hereof.

(d) In the event any Company Certificates shall have been lost, stolen, or destroyed, the Exchange Agent shall issue in exchange for such lost, stolen, or destroyed Company Certificates, upon the making of an affidavit of that fact by the holder thereof, such as may be required pursuant to this Article 2.

2.11 EXCHANGE OF THE COMPANY WARRANTS AND COMPANY DEBENTURES. (a) The Company will instruct the holders of the Company Warrants and Company Debentures to deliver the Company Warrants and Company Debentures at or after the Closing to Parent, duly endorsed for

transfer to the Company, At Closing, with respect to Company Warrants and Company Debentures so delivered at or prior to the Closing, and as soon as practicable after delivery, with respect to Company Warrants and Company Debentures not delivered until after Closing, Parent shall pay to each transferring holder thereof an amount of money equal to the Closing Warrant Payment to which such surrendered Company Warrants are entitled and the Closing Debenture Amount to which the Company Debentures are entitled. Such payments shall be made by bank check delivered at Closing or mailed to the recipient pursuant to instructions given by the recipient; or by wire transfer of immediately available funds pursuant to instructions given by the recipient.

(b) All cash paid and rights to receive Escrow Amounts distributed upon surrender for exchange of Company Warrants and Company Debentures shall be deemed to have been issued in full satisfaction of all rights pertaining respectively to such Company Warrants and Company Debentures.

2.12 ESCROW AGREEMENT; SHAREHOLDER REPRESENTATIVE. (a) The shareholders of the Company, by approving the Merger, agree to be bound by the terms of the Escrow Agreement referred to in Section 2.3, including, without limitation, the provisions thereof appointing a person to act as the representative (the "Shareholders' Representative") of the shareholders of the Company Stock and the holders of the Company Options, Company Warrants and Company Debentures (together, the "Selling Group") for the purpose of(i) administering and entering into the Escrow Agreement, settling on behalf of the Shareholders' claims made by Parent thereunder, (iii) representing the Shareholders in any proceedings relating to the Merger Agreement and (iv) performing any other actions specifically delegated to the Shareholders' Representative under the terms of the Merger Agreement. The Shareholders, by approving the Merger, will be bound by any and all actions taken by the Shareholders' Representative on their behalf. Acceptance by Shareholders of the Shareholders' Representative is a condition of the Merger.

(b) A Committee appointed by the Board of Directors of the Company immediately prior to the Effective Time (the "Committee") may remove the Shareholders' Representative by unanimous vote of the Committee. If the Shareholders' Representative resigns or is no longer able to serve, the Committee must unanimously vote to appoint a new Shareholders' Representative within thirty (30) days after the resignation or notice of his, her or its inability to serve. A vote to appoint a new Shareholders' Representative is effective when (i) the Committee so elects to appoint a new Shareholders' Representative and (ii) the new Shareholders' Representative gives notice to Parent and the prior Shareholders' Representative of such vote.

(c) Parent is entitled to rely exclusively upon communications or writings given or executed by the Shareholders' Representative with respect to the matters described in the Escrow Agreement and is not liable in any manner whatsoever for any action taken or not taken in reliance upon the actions taken or not taken or communication or writings given or executed by the Shareholders' Representative. Until Parent receives notice of appointment of a new Shareholders' Representative, Parent may rely upon actions taken by the prior Shareholders' Representative.

2.13 ARTICLES OF INCORPORATION OF THE SURVIVING CORPORATION. The Articles of Incorporation of Merger Subsidiary, as in effect immediately prior to Effective Time, shall be the Articles of Incorporation of the Surviving Corporation until thereafter amended in accordance with applicable law; provided, however, that upon the Effective Time, Article I of the Articles of Incorporation of the Surviving Corporation shall be amended to read in its entirety as follows: "The name of the corporation is Harmonic Systems Incorporated, Inc. (hereinafter referred to as the "Corporation")."

2.14 BYLAWS OF THE SURVIVING CORPORATION. The Bylaws of Merger Subsidiary, as in effect immediately prior to the Effective Time, shall be the Bylaws of the Surviving Corporation until thereafter amended in accordance with applicable law.

2.15 DIRECTORS AND OFFICERS OF THE SURVIVING CORPORATION. The directors and officers of Merger Subsidiary immediately prior to the Effective Time shall be the directors and officers, respectively, of the Surviving Corporation until their respective successors shall be duly elected and qualified.

HARMONIC SYSTEMS INCORPORATED
SHAREHOLDER LIST
ACTUAL OUTSTANDING AUGUST 10, 1998

Warrant Holders	Total Shares Exercised	Gross Proceeds	Allocated Expenses	Exercise Proceeds	Net Proceeds
Series D Warrants					
NORWEST VENTURE W	198,237	$ 511,673.55	$ 24,510.62	$ 450,000.00	$ 37,162.93
Series F Warrants					
Donald F. Swanson Revocable Trust	69,444	$ 179,242.57	$ 8,586.23	$ 96,248.98	$ 74,407.36
Barrs S. & Holly Lewis	9,470	$ 24,442.42	$ 1,170.86	$ 13,125.00	$ 10,146.56
Richard W. & Loviah E. Aldinger	26,256	$ 67,771.16	$ 3,246.43	$ 36,391.49	$ 28,133.23
T.W. Ireland	71,910	$ 185,608.77	$ 8,891.19	$ 99,667.48	$ 77,050.10
Floor Seal Technology Profit Sharing	6,106	$ 15,760.47	$ 754.97	$ 8,463.00	$ 6,542.50
Addison Piper	31,566	$ 81,475.67	$ 3,902.92	$ 43,750.49	$ 33,822.27
Oscar Y. Lewis Sr.	14,498	$ 37,420.65	$ 1,792.56	$ 20,094.00	$ 15,534.10
Helayne Bruntjen	31,566	$ 81,475.67	$ 3,902.92	$ 43,750.49	$ 33,822.27
George N. Nelson Jr.	41,957	$ 108,295.29	$ 5,187.65	$ 58,151.99	$ 44,955.65
Sally J. & Craig F. Smith	7,210	$ 18,609.76	$ 891.46	$ 9,993.00	$ 7,725.30
Kenneth H. Dahlberg	632,934	$ 1,633,678.43	$ 78,257.84	$ 877,246.32	$ 678,174.28
Warren Mack	41,036	$ 105,918.09	$ 5,073.78	$ 56,875.49	$ 43,968.83
Norwest Equity Partners, IV	31,566	$ 81,475.67	$ 3,902.92	$ 43,750.49	$ 33,822.27
Norwest Equity Partners, V	63,131	$ 162,948.55	$ 7,805.70	$ 87,499.48	$ 67,643.37
Philip O. Rick Revocable Living Trust	2,525	$ 6,517.05	$ 312.19	$ 3,499.50	$ 2,705.36
James P. Stephenson	11,359	$ 29,319.73	$ 1,404.50	$ 15,744.00	$ 12,171.24
Thomas L. Kimer	9,470	$ 24,442.42	$ 1,170.86	$ 13,125.00	$ 10,146.56
Advanta Partners LP	791,936	$ 2,044,082.07	$ 97,917.34	$ 1,097,623.27	$ 848,541.46
Total F Warrants	1,893,939	$ 4,888,484.46	$ 234,172.29	$ 2,624,999.45	$ 2,029,312.72
Series G Warrants					
Third Coast Capital	28,408	$ 73,324.47	$ 3,512.45	$ 49,500.00	$ 20,312.02
Total Warrants	2,120,584	$ 5,473,482.48	$ 262,195.36	$ 3,124,499.45	$ 2,086,787.67

Warrant Holders	Escrow %	Escrow $'s	First Distribution	Second Distribution
Series D Warrants				
NORWEST VENTURE W	0.07607%	$ 5,324.59	$ 31,838.35	$ 5,324.59
Series F Warrants				
Donald F. Swanson Revocable Trust	0.15230%	$ 10,660.85	$ 63,746.51	$ 10,660.85
Barrs S. & Holly Lewis	0.02077%	$ 1,453.77	$ 8,692.80	$ 1,453.77
Richard W. & Loviah E. Aldinger	0.05758%	$ 4,030.84	$ 24,102.39	$ 4,030.84
T.W. Ireland	0.15771%	$ 11,039.49	$ 66,010.61	$ 11,039.49
Floor Seal Technology Profit Sharing	0.01339%	$ 937.39	$ 5,605.12	$ 937.39
Addison Piper	0.06923%	$ 4,845.95	$ 28,976.32	$ 4,845.95
Oscar Y. Lewis Sr.	0.03180%	$ 2,225.68	$ 13,308.42	$ 2,225.68
Helayne Bruntjen	0.06923%	$ 4,845.95	$ 28,976.32	$ 4,845.95
George N. Nelson Jr.	0.09202%	$ 6,441.10	$ 38,514.55	$ 6,441.10
Sally J. & Craig F. Smith	0.01581%	$ 1,106.86	$ 6,618.45	$ 1,106.86
Kenneth H. Dahlberg	1.38809%	$ 97,166.64	$ 581,007.64	$ 97,166.64
Warren Mack	0.09000%	$ 6,299.71	$ 37,669.12	$ 6,299.71
Norwest Equity Partners, IV	0.06923%	$ 4,845.95	$ 28,976.32	$ 4,845.95
Norwest Equity Partners, V	0.13845%	$ 9,691.73	$ 57,951.64	$ 9,691.73
Philip O. Rick Revocable Living Trust	0.00554%	$ 387.62	$ 2,317.75	$ 387.62
James P. Stephenson	0.02491%	$ 1,743.86	$ 10,427.38	$ 1,743.86
Thomas L. Kimer	0,02077%	$ 1,453.77	$ 8,692.80	$ 1,453.77
Advanta Partners LP	1.73680%	$ 121,576.31	$ 726,965.15	$ 121,576.31
Total F Warrants	4.15362%	$ 290,753.43	$ 1,738,559.28	$ 290,753.43
Series G Warrants				
Third Coast Capital	0.04157%	$ 2,910.24	$ 17,401.78	$ 2,910.24
Total Warrants	4.27126%	$ 298,988.26	$ 1,787,799.41	$ 298,988.26

HARMONIC SYSTEMS INCORPORATED
- ----------
SUMMARY OF OPTIONS POST SPLIT
8/10/98
- -------

	Options Outstanding 8/10/98	Gross Proceeds	Allocated Expenses	Exercise Proceeds	Net Proceeds	Escrow %
Total Qualified Options	1,177,626	$ 3,039,594.41	$ 145,605.21	$ 1,904,076.80	$ 989,912.41	2.02616%
Total Non-Qualified Options	100,000	$ 258,112.03	$ 12,364.30	$ 147,150.00	$ 98,597.73	0.20181%
Total	1,277,626	$ 3,297,706.45	$ 157,969.51	$ 2,051,226.80	$ 1,088,510.14	2.22798%

	Escrow $'s	First Distribution	Second Distribution
Total Qualified Options	$ 141,831.48	$ 848,080.92	$ 141,831.48
Total Non-Qualified Options	$ 14,126.77	$ 84,470.97	$ 14,126.77
Total	$ 155,958.25	$ 932,551.89	$ 155,958.25

HARMONIC SYSTEMS INCORPORATED
INCENTIVE STOCK OPTIONS
8/10/98

GRANTEE	Exercise Price	Options Outstanding 8/10/98	Gross Proceeds	Allocated Expenses	Exercise Proceeds	Net Proceeds
Michael Burke	$ 0.75	74,000	$ 191,002.90	$ 9,149.58	$ 55,500.00	$ 126,353.32
Michael Burke	$ 2.50	-	$ -	$ -	$ -	$ -
Sub-total		74,000	$ 191,002.90	$ 9,149.58	$ 55,500.00	$ 126,353.32
Daniel Hunt	$ 0.875	50,000	$ 129,056.02	$ 6,182.15	$ 43,750.00	$ 79,123.87
Thomas Mayer	$ 0.875	50,000	$ 129,056.02	$ 6,182.15	$ 43,750.00	$ 79,123.87
Thomas Mayer	$ 2.50	-	$ -	$ -	$ -	$ -
Thomas Mayer	$ 1.80	1,500	$ 3,871.68	$ 185.46	$ 2,700.00	$ 986.22
Sub-total		51,500	$ 132,927.70	$ 6,367.61	$ 46,450.00	$ 80,110.08
John Payne	$ 0.875	35,000	$ 90,339.21	$ 4,327.50	$ 30,625.00	$ 55,386.71
John Payne	$ 2.50	-	$ -	$ -	$ -	$ -
John Payne	$ 1.80	1,000	$ 2,581.12	$ 123.64	$ 1,800.00	$ 657.48
Sub-total		36,000	$ 92,920.33	$ 4,451.15	$ 32,425.00	$ 56,044.18
Stan Rogge	$ 0.875	39,000	$ 100,663.69	$ 4,822.08	$ 34,125.00	$ 61,716.62
Stan Rogge	$ 2.50	-	$ -	$ -	$ -	$ -
Stan Rogge	$ 2.50	-	$ -	$ -	$ -	$ -
Stan Rogge	$ 1.80	2,000	$ 5,162.24	$ 247.29	$ 3,600.00	$ 1,314.95
Stan Rogge	$ 1.80	3,000	$ 7,743.36	$ 370.93	$ 5,400.00	$ 1,972.43
Sub-total		44,000	$ 113,569.29	$ 5,440.29	$ 43,125.00	$ 65,004.00
Rohert Schwartz	$ 2.00	8,000	$ 20,648.96	$ 989.14	$ 16,000.00	$ 3,659.82
Robert Schwartz	$ 2.50	-	$ -	$ -	$ -	$ -
Sub-total		8,000	$ 20,648.96	$ 989.14	$ 16,000.00	$ 3,659.82
Don Denzer	$ 2.00	35,000	$ 90,339.21	$ 4,327.50	$ 70,000.00	$ 16,011.71
Don Denzer	$ 2.50	-	$ -	$ -	$ -	$ -
Sub-total		35,000	$ 90,339.21	$ 4,327.50	$ 70,000.00	$ 16,011.71
John Meskinen	$ 2.00	35,000	$ 90,339.21	$ 4,327.50	$ 70,000.00	$ 16,011.71
John Meskinen	$ 2.50	-	$ -	$ -	$ -	$ -
Sub-total		35,000	$ 90,339.21	$ 4,327.50	$ 70,000.00	$ 16,011.71

GRANTEE	Escrow %	Escrow $'s	First Distribution	Second Distribution
Michael Burke		$ 18,103.50	$ 108,249.82	$ 18,103.50
Michael Burke		$ -	$ -	$ -
Sub-total	0.25862%	$ 18,103.50	$ 108,249.82	$ 18,103.50
Daniel Hunt	0.16195%	$ 11,336.61	$ 67,787.25	$ 11,336.61
Thomas Mayer		$ 11,336.61	$ 67,787.25	$ 11,336.61
Thomas Mayer		$ -	$ -	$ -
Thomas Mayer		$ 141.30	$ 844.91	$ 141.30
Sub-total	0.16397%	$ 11,477.92	$ 68,632.17	$ 11,477.92
John Payne		$ 7,935.63	$ 47,451.08	$ 7,935.63
John Payne		$ -	$ -	$ -
John Payne		$ 94.20	$ 563.28	$ 94.20
Sub-total	0.11471%	$ 8,029.83	$ 48,014.35	$ 8,029.83
Stan Rogge		$ 8,842.56	$ 52,874.06	$ 8,842.56
Stan Rogge		$ -	$ -	$ -
Stan Rogge		$ -	$ -	$ -
Stan Rogge		$ 188.40	$ 1,126.55	$ 188.40
Stan Rogge		$ 282.60	$ 1,689.83	$ 282.60
Sub-total	0.13305%	$ 9,313.57	$ 55,690.44	$ 9,313.37
Rohert Schwartz		$ 524.37	$ 3,135.45	$ 524.37
Robert Schwartz		$ -	$ -	$ -
Sub-total	0.00749%	$ 524.37	$ 3,135.45	$ 524.37
Don Denzer		$ 2294.11	$ 13,717.60	$ 2,294.11
Don Denzer		$ -	$ -	$ -

Sub-total	0.03277%	$ 2,294.11	$ 13,717.60	$ 2,294.11	
John Meskinen		$ 2,294.11	$ 13,717.60	$ 2,294.11	
John Meskinen		$ -	$ -	$ -	
Sub-total	0.03277%	$ 2,294.11	$ 13,717.60	$ 2,294.11	

HARMONIC SYSTEMS INCORPORATED
INCENTIVE STOCK OPTIONS
8/10/98

GRANTEE	Exercise Price	Options Outstanding 8/10/98	Gross Proceeds	Allocated Expenses	Exercise Proceeds	Net Proceeds
Renee McPherson	$ 2.00	8,000	$ 20,648.96	$ 989.14	$ 16,000.00	$ 3,659.82
Renee McPherson	$ 2.50	-	$ -	$ -	$ -	$ -
Sub-total		8,000	$ 20,648.96	$ 989.14	$ 16,000.00	$ 3,659.82
Charles Price	$ 2.00	25,000	$ 64,528.01	$ 3,091.07	$ 50,000.00	$ 11,436.93
Charles Price	$ 2.50	-	$ -	$ -	$ -	$ -
Subtotal		25,000	$ 64,528.01	$ 3,091.07	$ 50,000.00	$ 11,436.93
Craig Twedt	$ 2.00	4,000	$ 10,324.48	$ 494.57	$ 8,000.00	$ 1,829.91
Craig Twedt	$ 2.50	-	$ -	$ -	$ -	$ -
Sub-total		4,000	$ 10,324.48	$ 494.57	$ 8,000.00	$ 1,829.91
Dan Donovan	$ 2.50	-	$ -	$ -	$ -	$ -
Dan Donovan	$ 1.80	22,000	$ 56,784.65	$ 2,720.15	$ 39,600.00	$ 14,464.50
Sub-total		22,000	$ 56,784.65	$ 2,720.15	$ 39,600.00	$ 14,464.50
Dave Carroll	$ 2.50	-	$ -	$ -	$ -	$ -
Ed Mackay	$ 1.80	70,000	$ 180,678.42	$ 8,655.01	$ 126,000.00	$ 46,023.41
Ed Mackay	$ 1.80	3,526	$ 9,101.03	$ 435.97	$ 6,346.80	$ 2,318.27
Sub-total		73,526	$ 189,779.45	$ 9,090.97	$ 132,346.80	$ 48,341.68
Scott Fraser	$ 2.50	-	$ -	$ -	$ -	$ -
Scott Fraser	$ 2.50	-	$ -	$ -	$ -	$ -
Scott Fraser	$ 1.80	20,000	$ 51,622.41	$ 2,472.86	$ 36,000.00	$ 13,149.55
Sub-total		20,000	$ 51,622.41	$ 2,472.86	$ 36,000.00	$ 13,149.55
Mike Oland	$ 2.50	-	$ -	$ -	$ -	$ -
Mike Oland	$ 2.50	-	$ -	$ -	$ -	$ -
Sub-total		-	$ -	$ -	$ -	$ -

GRANTEE	Escrow %	Escrow $'s	First Distribution	Second Distribution
Renee McPherson		$ 524.37	$ 3,135.45	$ 524.37
Renee McPherson		$ -	$ -	$ -
Sub-total	0.00749%	$ 524.37	$ 3,135.45	$ 524.37
Charles Price		$ 1,638.65	$ 9,798.29	$ 1,638.65
Charles Price		$ -	$ -	$ -
Subtotal	0.02341%	$ 1,638.65	$ 9,798.29	$ 1,638.65
Craig Twedt		$ 262.18	$ 1,567.73	$ 262.18
Craig Twedt		$ -	$ -	$ -
Sub-total	0.00375%	$ 262.18	$ 1,567.73	$ 262.18
Dan Donovan		$ -	$ -	$ -
Dan Donovan		$ 2,072.43	$ 12,392.07	$ 2,072.43
Sub-total	0.02961%	$ 2,072.43	$ 12,392.07	$ 2,072.43
Dave Carroll	0.00000%	$ -	$ -	$ -
Ed Mackay		$ 6,594.09	$ 39,429.33	$ 6,594.09
Ed Mackay		$ 332.15	$ 1,986.11	$ 332.15
Sub-total	0.09895%	$ 6,926.24	$ 41,415.44	$ 6,926.24
Scott Fraser		$ -	$ -	$ -
Scott Fraser		$ -	$ -	$ -
Scott Fraser		$ 1,884.02	$ 11,265.52	$ 1,884.02
Sub-total	0.02691%	$ 1,884.02	$ 11,265.52	$ 1,884.02
Mike Oland		$ -	$ -	$ -
Mike Oland		$ -	$ -	$ -
Sub-total	0.00000%	$ -	$ -	$ -

HARMONIC SYSTEMS INCORPORATED
INCENTIVE STOCK OPTIONS
8/10/98

GRANTEE	Exercise Price	Options Outstanding 8/10/98	Gross Proceeds	Allocated Expenses	Exercise Proceeds	Net Proceeds
Ron Zins	$ 2.50	-	$ -	$ -	$ -	$ -
Ron Zins	$ 2.50	-	$ -	$ -	$ -	$ -
Sub-total		-	$ -	$ -	$ -	$ -
Daniel Savage	$ 2.50	-	$ -	$ -	$ -	$ -
Daniel Savage	$ 2.50	-	$ -	$ -	$ -	$ -
Sub-total		-	$ -	$ -	$ -	$ -
Ed Learned	$ 2.50	-	$ -	$ -	$ -	$ -
Suzanne Orimme(Bost	$ 2.50	-	$ -	$ -	$ -	$ -
Tim Hurley	$ 2.50	-	$ -	$ -	$ -	$ -
Jim Johnson	$ 2.50	-	$ -	$ -	$ -	$ -
Shawn Lovett	$ 2.50	-	$ -	$ -	$ -	$ -
Shawn Lovett	$ 1.80	4,000	$ 10,324.48	$ 494.57	$ 7,200.00	$ 2,629.91
Sub-total		4,000	$ 10,324.48	$ 494.57	$ 7,200.00	$ 2,629.91
Bob Ludwig	$ 2.50	-	$ -	$ -	$ -	$ -
Tom Ring	$ 2.50	-	$ -	$ -	$ -	$ -
Ted Sanft	$ 2.50		$ -	$ -	$ -	$ -
Ted Sanft	$ 1.80	5,000	$ 12,905.60	$ 618.21	$ 9,000.00	$ 3,287.39
Sub-total		5,000	$ 12,905.60	$ 618.21	$ 9,000.00	$ 3,287.39
Steve McGuinness	$ 1.80	10,000	$ 25,811.20	$ 1,236.43	$ 18,000.00	$ 6,574.77
Total Qualified Options Employees		505,026	$ 1,303,532.88	$ 62,442.93	$ 693,396.80	$ 547,693.15

GRANTEE	Escrow %	Escrow $'s	First Distribution	Second Distribution
Ron Zins		$ -	$ -	$ -
Ron Zins		$ -	$ -	$ -
Sub-total	0.00000%	$ -	$ -	$ -
Daniel Savage		$ -	$ -	$ -
Daniel Savage		$ -	$ -	$ -
Sub-total	0.00000%	$ -	$ -	$ -
Ed Learned	0.00000%	$ -	$ -	$ -
Suzanne Orimme(Bost	0.00000%	$ -	$ -	$ -
Tim Hurley	0.00000%	$ -	$ -	$ -
Jim Johnson	0.00000%	$ -	$ -	$ -
Shawn Lovett		$ -	$ -	$ -
Shawn Lovett		$ 376.80	$ 2,253.10	$ 376.80
Sub-total	0.00538%	$ 376.80	$ 2,253.10	$ 376.80
Bob Ludwig	0.00000%	$ -	$ -	$ -
Tom Ring	0.00000%	$ -	$ -	$ -
Ted Sanft		$ -	$ -	$ -
Ted Sanft		$ 471.01	$ 2,816.38	$ 471.01
Sub-total	0.00673%	$ 471.01	$ 2,816.38	$ 471.01
Steve McGuinness	0.01346%	$ 942.01	$ 5,632.76	$ 942.01
Total Qualified Options Employees	1.12102%	$ 78,471.72	$ 469,221.43	$ 78,471.72

HARMONIC SYSTEMS INCORPORATED
INCENTIVE STOCK OPTIONS
8/10/98

GRANTEE	Exercise Price	Options Outstanding 8/10/98	Gross Proceeds	Allocated Expenses	Exercise Proceeds
Erika Schwamb	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Brett Lasson	$ 1.80	800	$ 2,064.90	$ 98.91	$ 1,440.00
Andy Roberts	$ 1.80	250,000	$ 645,280.08	$ 30,910.75	$ 450,000.00
Nency Koob	$ 1.80	250	$ 645.28	$ 30.91	$ 450.00
Vicki Caron	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Rick Wilson	$ 1.80	100,000	$ 258,112.03	$ 12,364.30	$ 180,000.00
Michael Thompson	$ 1.80	25,000	$ 64,528.01	$ 3,091.07	$ 45,000.00
Tom Smith	$ 1.80	3,000	$ 7,743.36	$ 370.93	$ 5,400.00
Catherine Chen	$ 1.80	7,000	$ 18,067.84	$ 865.50	$ 12,600.00
Leon Retzlaff	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Leon Retzlaff	$ 1.80	1,000	$ 2,581.12	$ 123.64	$ 1,800.00
Sub-total		1,500	$ 3,871.68	$ 185.46	$ 2,700.00
Tom Pluck	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Tom Pluck	$ 1.80	1,500	$ 3,871.68	$ 185.46	$ 2,700.00
Sub-total		2,000	$ 5,162.24	$ 247.29	$ 3,600.00
Alson Toavs	$ 1.80	3,500	$ 9,033.92	$ 432.75	$ 6,300.00
Gerry Fischer	$ 1.80	3,000	$ 7,743.36	$ 370.93	$ 5,400.00
Milton Miller	$ 1.80	800	$ 2,064.90	$ 98.91	$ 1,440.00
Peter Eisch	$ 1.80	10,000	$ 25,811.20	$ 1,236.43	$ 18,000.00
Peter Eisch	$ 1.80	5,000	$ 12,905.60	$ 618.21	$ 9,000.00
Peter Eisch	$ 1.80	10,000	$ 25,811.20	$ 1,236.43	$ 18,000.00
Sub-total		25,000	$ 64,528.01	$ 3,091.07	$ 45,000.00
Ann Freemyer	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Ann Freemyer	$ 1.80	1,500	$ 3,871.68	$ 185.46	$ 2,700.00
Sub-total		2,000	$ 5,162.24	$ 247.29	$ 3,600.00
Michael Knapp	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Michael Reilly	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Michael Holmberg	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Michael Holmberg	$ 1.80	1,000	$ 2,581.12	$ 123.64	$ 1,800.00
Sub-total		1,500	$ 3,871.68	$ 185.46	$ 2,700.00
Michael Fremming	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Tracy Cook	$ 1.80	17,000	$ 43,879.05	$ 2,101.93	$ 30,600.00
Christopher Wiess	$ 1.80	1,000	$ 2,581.12	$ 123.64	$ 1,800.00
Christopher Wiess	$ 1.80	2,000	$ 5,162.24	$ 247.29	$ 3,600.00
Sub-total		3,000	$ 7,743.36	$ 370.93	$ 5,400.00
Jerry Eidsvoog	$ 1.80	250	$ 645.28	$ 30.91	$ 450.00
Tom Lee	$ 1.80	10,000	$ 25,811.20	$ 1,236.43	$ 18,000.00
Nadia El-Afendi	$ 1.80	6,000	$ 15,486.72	$ 741.86	$ 10,800.00
Nadis El-Afendi	$ 1.80	5,000	$ 12,905.60	$ 618.21	$ 9,000.00
Sub-total		11,000	$ 28,392.32	$ 1,360.07	$ 19,800.00
Frank Baker	$ 1.80	10,000	$ 25,811.20	$ 1,236.43	$ 18,000.00
Pat Conlan	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Jeanie Close	$ 1.80	5,000	$ 12,905.60	$ 618.21	$ 9,000.00
Peter Landry	$ 1.80	6,000	$ 15,486.72	$ 741.86	$ 10,800.00
Asnake Meshesha	$ 1.80	250	$ 645.28	$ 30.91	$ 450.00
Chip Bergquist	$ 1.80	2,500	$ 6,452.80	$ 309.11	$ 4,500.00
Joleen Persien	$ 1.80	1,000	$ 2,581.12	$ 123.64	$ 1,800.00
Holly Jepson	$ 1.80	2,500	$ 6,432.80	$ 309.11	$ 4,500.00
Dave Duggan	$ 1.80	1,000	$ 2,581.12	$ 123.64	$ 1,800.00
Sub-total		497,850	$ 1,285,010.76	$ 61,555.67	$ 896,130.00

GRANTEE	Net Proceeds	Escrow %	Escrow $'s	First Distribution	Second Distribution
Erika Schwamb	$ 328.74	0.00067%	$ 47.10	$ 281.64	$ 47.10
Brett Lasson	$ 525.98	0.00108%	$ 75.36	$ 450.62	$ 75.36
Andy Roberts	$ 164,369.33	0.33643%	$ 23,550.31	$ 140,819.02	$ 23,550.31
Nency Koob	$ 164.37	0.00034%	$ 23.55	$ 140.82	$ 23.55
Vicki Caron	$ 328.74	0.00067%	$ 47.10	$ 281.64	$ 47.10
Rick Wilson	$ 65,747.73	0.13457%	$ 9,420.12	$ 56,327.61	$ 9,420.12
Michael Thompson	$ 16,436.93	0.03364%	$ 2,355.03	$ 14,081.90	$ 2,355.03
Tom Smith	$ 1,972.43	0.00404%	$ 282.60	$ 1,689.83	$ 282.60

Catherine Chen	$ 4,602.34	0.00942%	$ 659.41	$ 3,942.93	$ 659.41
Leon Retzlaff	$ 328.74		$ 47.10	$ 281.64	$ 47.10
Leon Retzlaff	$ 657.48		$ 94.20	$ 563.28	$ 94.20
Sub-total	$ 986.22	0.00202%	$ 141.30	$ 844.91	$ 141.30
Tom Pluck	$ 328.74		$ 47.10	$ 281.64	$ 47.10
Tom Pluck	$ 986.22		$ 141.30	$ 844.91	$ 141.30
Sub-total	$ 1,314.95	0.00269%	$ 188.40	$ 1,126.55	$ 188.40
Alson Toavs	$ 2,301.17	0.00471%	$ 329.70	$ 1,971.47	$ 329.70
Gerry Fischer	$ 1,972.43	0.00404%	$ 282.60	$ 1,689.83	$ 282.60
Milton Miller	$ 525.98	0.00108%	$ 75.36	$ 450.62	$ 75.36
Peter Eisch	$ 6,574.77		$ 942.01	$ 5,632.76	$ 942.01
Peter Eisch	$ 3,287.39		$ 471.01	$ 2,816.38	$ 471.01
Peter Eiach	$ 6,574.77		$ 942.01	$ 5,632.76	$ 942.01
Sub-total	$ 16,436.93	0.03364%	$ 2,355.03	$ 14,081.90	$ 2,355.03
Ann Freemyer	$ 328.74		$ 47.10	$ 281.64	$ 47.10
Ann Freemyer	$ 986.22		$ 141.30	$ 844.91	$ 141.30
Sub-total	$ 1,314.95	0.00269%	$ 188.40	$ 1,126.55	$ 188.40
Michael Knapp	$ 328.74	0.00067%	$ 47.10	$ 281.64	$ 47.10
Michael Reilly	$ 328.74	0.00067%	$ 47.10	$ 281.64	$ 47.10
Michael Holmberg	$ 328.74		$ 47.10	$ 281.64	$ 47.10
Michael Holmberg	$ 657.48		$ 94.20	$ 563.28	$ 94.20
Sub-total	$ 986.22	0.00202%	$ 141.30	$ 844.91	$ 141.30
Michael Fremming	$ 328.74	0.00067%	$ 47.10	$ 281.64	$ 47.10
Tracy Cook	$ 11,177.11	0.02288%	$ 1,601.42	$ 9,575.69	$ 1,601.42
Christopher Wiess	$ 657.48		$ 94.20	$ 563.28	$ 94.20
Christopher Wiess	$ 1,314.95		$ 188.40	$ 1,126.55	$ 188.40
Sub-total	$ 1,972.43	0.00404%	$ 282.60	$ 1,689.83	$ 282.60
Jerry Eidsvoog	$ 164.37	0.00034%	$ 23.55	$ 140.82	$ 23.55
Tom Lee	$ 6,574.77	0.01346%	$ 942.01	$ 5,632.76	$ 942.01
Nadia El-Afendi	$ 3,944.86		$ 565.21	$ 3,379.66	$ 565.21
Nadis El-Afendi	$ 3,287.39		$ 471.01	$ 2,816.38	$ 471.01
Sub-total	$ 7,232.25	0.01480%	$ 1,036.21	$ 6,196.04	$ 1,036.21
Frank Baker	$ 6,574.77	0.01346%	$ 942.01	$ 5,632.76	$ 942.01
Pat Conlan	$ 328.74	0.00067%	$ 47.10	$ 281.64	$ 47.10
Jeanie Close	$ 3,287.39	0.00067%	$ 471.01	$ 2816.38	$ 471.01
Peter Landry	$ 3,944.86	0.00807%	$ 565.21	$ 3,379.66	$ 565.21
Asnake Meshesha	$ 164.37	0.00034%	$ 23.55	$ 140.82	$ 23.55
Chip Bergquist	$ 1,643.69	0.00336%	$ 235.50	$ 1,408.19	$ 235.50
Joleen Persien	$ 657.48	0.00135%	$ 94.20	$ 563.28	$ 94.20
Holly Jepson	$ 1,643.69	0.00336%	$ 235.50	$ 1,408.19	$ 235.50
Dave Duggan	$ 657.48	0.00035%	$ 94.20	$ 563.28	$ 94.20
Sub-total	$ 327,325.09	0.66997%	$ 46,898.09	$ 280,427.00	$ 46,898.09

HARMONIC SYSTEMS INCORPORATED
INCENTIVE STOCK OPTIONS
8/10/98

GRANTEE	Exercise Price	Options Outstanding 8/10/98	Gross Proceeds	Allocated Expenses	Exercise Proceeds
Michael Chmelowsky	$ 1.80	750	$ 1,935.84	$ 92.73	$ 1,350.00
Martha Barness	$ 1.80	2,000	$ 5,162.24	$ 247.29	$ 3,600.00
Brenda Esson	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Wayne Garrison	$ 1.80	20,000	$ 51,622.41	$ 2,472.86	$ 36,000.00
Kathy Grauberger	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Jeffrey Hale	$ 1.80	-	$ -	$ -	$ -
Jeffrey Hale (Terminated 1/9/98)				-	-
Laura Holmbeck	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
David Ingwald	$ 1.80	-	$ -	$ -	$ -
David Ingwald (Terminated)					
James Kaufman	$ 1.80	1,000	$ 2,581.12	$ 123.64	$ 1,800.00
Jennifer Korby	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Frank Kuhar	$ 1.80	130,000	$ 335,545.64	$ 16,073.59	$ 234,000.00
Steve Larson	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Sayyara Munshi	$ 1.80	-	$	$ -	$ -
Sayyara Munshi (Terminated 7/22/98)					
Taylor Root	$ 1.80	1,000	$ 2,581.12	$ 123.64	$ 1,800.00
Robert Stokes	$ 1.80	5,000	$ 12,905.60	$ 618.21	$ 9,000.00
Lindsey Swint	$ 1.80	10,000	$ 25,811.20	$ 1,236.43	$ 18,000.00
Patrick Weisman	$ 1.80	1,000	$ 2,581.12	$ 123.64	$ 1,800.00
Christine Woefle	$ 1.80	1,000	$ 2,581.12	$ 123.64	$ 1,800.00
Chris Radlinski	$ 1.80	500	$ 1,290.56	$ 61.82	$ 900.00
Subtotal New Employees 1998		174,750	$ 451,050.78	$ 21,606.61	$ 314,550.00
Total Qualified Options		1,177,626	$ 3,039,594.41	$ 145,605.21	$ 1,904,076.80

GRANTEE	Net Proceeds	Escrow %	Escrow $'s	First Distribution	Second Distribution
Michael Chmelowsky	$ 493.11	0.00101%	$ 70.65	$ 422.46	$ 70.65
Martha Barness	$ 1,314.95	0.00269%	$ 188.40	$ 1,126.55	$ 188.40
Brenda Esson	$ 328.74	0.00067%	$ 47.10	$ 281.64	$ 47.10
Wayne Garrison	$ 13,149.55	0.02691%	$ 1,884.02	$ 11,265.52	$ 1,884.02
Kathy Grauberger	$ 328.74	0.00067%	$ 47.10	$ 281.64	$ 47.10
Jeffrey Hale	$ -	0.00000%	$ -	$ -	$ -
Jeffrey Hale (Terminated 1/9/98)	-	0.00000%	-	-	-
Laura Holmbeck	$ 328.74	0.00067%	$ 47.10	$ 281.64	$ 47.10
David Ingwald	$ -	0.00000%	$ -	$ -	$ -
David Ingwald (Terminated)		0.00000%			
James Kaufman	$ 657.48	0.00135%	$ 94.20	$ 563.28	$ 94.20
Jennifer Korby	$ 328.74	0.00067%	$ 47.10	$ 281.64	$ 47.10
Frank Kuhar	$ 85,472.05	0.17495%	$ 12,246.16	$ 73,225.89	$ 12,246.16
Steve Larson	$ 328.74	0.00067%	$ 47.10	$ 281.64	$ 47.10
Sayyara Munshi	$ -	0.00000%	$ -	$ -	$ -
Sayyara Munshi (Terminated 7/22/98)		0.00000%			
Taylor Root	$ 657.48	0.00135%	$ 94.20	$ 563.28	$ 94.20
Robert Stokes	$ 3,287.39	0.00673%	$ 471.01	$ 2,816.38	$ 471.01
Lindsey Swint	$ 6,574.77	0.01346%	$ 942.01	$ 5,632.76	$ 942.01
Patrick Weisman	$ 657.48	0.00135%	$ 94.20	$ 563.28	$ 94.20
Christine Woefle	$ 657.48	0.00135%	$ 94.20	$ 563.28	$ 94.20
Chris Radlinski	$ 328.74	0.00067%	$ 47.10	$ 281.64	$ 47.10
Subtotal New Employees 1998	$ 114,894.16	0.23517%	$ 16,461.67	$ 98,432.50	$ 16,461.67
Total Qualified Options	$ 989,912.41	2.02616%	$ 141,831.48	$ 848,080.92	$ 141,831.48

HARMONIC SYSTEMS INCORPORATED
INCENTIVE STOCK OPTIONS
8/10/98

GRANTEE	Exercise Price	Options Outstanding 8/10/98	Gross Proceeds	Allocated Expenses	Exercise Proceeds	Net Proceeds
John Akins	$ 0.875	10,000	$ 25,811.20	$ 1,236.43	$ 8,750.00	$ 15,824.77
John Akins	$ 2.00	10,000	$ 25,811.20	$ 1,236.43	$ 20,000.00	$ 4,574.77
John Akins Total		20,000	$ 51,622.41	$ 2,472.86	$ 28,750.00	$ 20,399.55
Timon Sloane	$ 0.875	20,000	$ 51,622.41	$ 2,472.86	$ 17,500.00	$ 31,649.55
Timon Sloane	$ 2.00	20,000	$ 51,622.41	$ 2,472.86	$ 40,000.00	$ 9,149.55
Timon Sloane Total		40,000	$ 103,244.81	$ 4,945.72	$ 57,500.00	$ 40,799.09
Paul Waldon	$ 2.50	-	$	$ -	$ -	$ -
Bob Wilsey	$ 0.875	12,000	$ 30,973.44	$ 1,483.72	$ 10,500.00	$ 18,989.73
Shawn Gillam	$ 1.80	20,000	$ 51,622.41	$ 2,472.86	$ 36,000.00	$ 13,149.55
Kevin Owling	$ 1.80	8,000	$ 20,648.96	$ 989.14	$ 14,400.00	$ 5,259.82
Total Non-Qualified Options		100,000	$ 258,112.03	$ 12,364.30	$ 147,150.00	$ 98,597.73

GRANTEE	Escrow %	Escrow $'s	First Distribution	Second Distribution
John Akins		$ 2,267.32	$ 13,557.45	$ 2,267.32
John Akins		$ 655.46	$ 3,919.31	$ 655.46
John Akins Total	0.04175%	$ 2,922.78	$ 17,476.76	$ 2,922.78
Timon Sloane		$ 4,534.65	$ 27,114.90	$ 4,534.65
Timon Sloane		$ 1,310.92	$ 7,838.63	$ 1,310.92
Timon Sloane Total	0.08351%	$ 5,845.56	$ 34,953.53	$ 5,845.56
Paul Waldon	0.00000%	$ -	$ -	$ -
Bob Wilsey	0.03887%	$ 2,720.79	$ 16,268.94	$ 2,720.79
Shawn Gillam	0.02691%	$ 1,884.02	$ 11,265.52	$ 1,884.02
Kevin Owling	0.01077%	$ 753.61	$ 4,506.21	$ 753.61
Total Non-Qualified Options	0.20181%	$ 14,126.77	$ 84,470.97	$ 14,126.77

Exhibit B to the Agreement and Plan of Merger

==========

ESCROW AGREEMENT

among

ALLIANCE DATA SYSTEMS CORPORATION

---

as Shareholders' Representative

and

---

as Escrow Agent

Dated as of , 1998

==========

TABLE OF CONTENTS

ESCROW AGREEMENT

ESCROW AGREEMENT, dated as of _____, 1998, among Alliance Data Systems Corporation, a Delaware corporation ("Parent"), Barrs S. Lewis, as Shareholders' representative (or any successor thereto, the "Shareholders Representative"), and _____ a national banking association, having its headquarters in _____ (the "Escrow Agent").

WHEREAS, Parent, HSI Acquisition Corp., a Minnesota corporation and wholly-owned subsidiary of Parent ("Merger Subsidiary"), and Harmonic Systems Incorporated, a Minnesota corporation (the "Company"), have entered into an Agreement and Plan of Merger, dated as of August 14, 1998 (the "Merger Agreement"), providing for the merger of the Merger Subsidiary with and into the Company;

WHEREAS, Section 1.3(b) of the Merger Agreement provides that at the Closing (as such term and other capitalized terms used herein without definition are defined in the Merger Agreement), the Indemnification Escrow Deposit in the amount of $7,000,000 and the Retention Payment Escrow Deposit in the amount of $[1,500,000] shall be delivered to the Escrow Agent, which shall be held and disbursed by the Escrow Agent pursuant to the terms hereof;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION I

APPOINTMENT OF ESCROW AGENT; RESIGNATION AND SUCCESSOR

1.1 APPOINTMENT OF ESCROW AGENT. The Escrow Agent is hereby appointed, and accepts its appointment and designation as, Escrow Agent pursuant to the terms and conditions of this Agreement.

1.2 RESIGNATION OF ESCROW AGENT; APPOINTMENT OF SUCCESSOR. The Escrow Agent acting at any time hereunder may resign at any time by giving at least 60 days' prior written notice of resignation to Parent and the Shareholders' Representative, such resignation to be effective on the date specified in such notice. Upon receipt of such notice, Parent and the Shareholders' Representative shall, unless they otherwise agree, appoint a [bank or trust company with a combined capital and surplus of at least $100 million] as successor to the Escrow Agent, by a written instrument delivered to such successor Escrow Agent, Parent and the Shareholders' Representative whereupon such

successor Escrow Agent shall succeed to all the rights and obligations of the resigning Escrow Agent as of the effective date of resignation as if originally named herein. Upon such assignment of this Agreement, the resigning Escrow Agent shall duly transfer and deliver the Escrow Amount (as defined in Section 2.2(b) hereof), at the time held by the resigning Escrow Agent, to such successor Escrow Agent, PROVIDED that, if no successor Escrow Agent shall have been appointed on the effective date of resignation of the resigning Escrow Agent hereunder, the resigning Escrow Agent may pay any funds remaining in the Escrow Account (as defined in Section 2.2(b)) into a court of competent jurisdiction.

SECTION II

ESCROW ARRANGEMENTS

2.1 LIABILITY SECURED BY THE ESCROW DEPOSIT. This Agreement has been executed and delivered, and the Escrow Account is hereby established, to facilitate any indemnification which any Shareholder may owe to Parent pursuant to Article 7 of the Merger Agreement.

2.2 DELIVERY OF THE DEPOSIT, ETC. (a) At the Effective Time, Parent shall deliver to the Escrow Agent, by wire transfer of immediately available funds, the Indemnification Escrow Deposit and the Retention Payment Escrow Deposit (together, the "Escrow Deposit"). The parties acknowledge and agree that for tax purposes, the Escrow Agent shall report all Earnings (as defined in Section 2.2(b) hereof) on the Escrow Deposit as attributable to the Shareholders and shall be reported by the Shareholders for federal, state, and local tax purposes for the accounts of the Shareholders. Any disbursement of the Escrow Deposit shall be allocated and paid by the Escrow Agent as provided herein and reported by the recipient to the Internal Revenue Service as having been so allocated and paid.

(b) The Escrow Agent shall hold the Escrow Deposit and all interest and other proceeds from the investment thereof ("Earnings", together with the Escrow Deposit, the "Escrow Amount") in an escrow account (the "Escrow Account"). The Escrow Amount shall not be subject to any lien or attachment of any creditor or any third party and shall be used solely for the purposes and subject to the conditions set forth in this Agreement and the Merger Agreement.

2.3 INVESTMENT OF THE ESCROW AMOUNT. Except for the release of the Escrow Amount pursuant to Section 2.4 or Section III hereof, the Escrow Agent shall not

sell or transfer any portion of the Escrow Deposit. Notwithstanding the foregoing, the Escrow Agent is hereby authorized and directed to invest and reinvest any amounts at any time in the Escrow Account in the following obligations (collectively, the "Permitted Investments"):

(a) obligations of, or fully guaranteed as to timely payment of principal and interest by, the United States of America;

(b) such money market funds as are agreed to from time to time by Parent and the Shareholders' Representative; and

(c) certificates of deposit with any bank or trust company organized under the laws of the United States of America or any agency or instrumentality thereof or under the laws of any state thereof which has a combined capital and surplus of at least $100 million.

Subject to the foregoing limitations, the Escrow Agent shall invest the Escrow Amount in accordance with written instructions delivered to it by Parent and the Shareholders' Representative from time to time. Except as provided above, the Escrow Agent shall have no power or duty to invest the Escrow Amount or to make substitutions therefor.

2.4 DISTRIBUTION OF INTEREST. Any and all interest or other income earned on any portion of the Escrow Deposit shall be distributed by the Escrow Agent to the Shareholders' Representative, or if directed by the Shareholders' Representative, to the Shareholders, promptly after receipt thereof by the Escrow Agent. Before making any payments of Earnings to Shareholders' Representative (or the Shareholders if so directed by the Shareholders' Representative), the Escrow Agent may deduct the Shareholders' share of the Escrow Agent's fees and expenses due under Section 4.1 and pay such amount to itself.

SECTION III

RELEASE OF THE ESCROW AMOUNT

Except as provided in Section 2.4, the Escrow Agent shall release the Escrow Amount only in accordance with this Section 3.

3.1 DISTRIBUTIONS FOR INDEMNIFICATION. (a) Parent may deliver to the Escrow Agent a certificate (a "Notice of Claim") (i) stating that Parent is of the opinion that it may he entitled to indemnification pursuant to Section 7.2(a)(i) or Section 7.2(a)(ii) of the Merger Agreement (each, an "Indemnification Obligation"), (ii) stating the aggregate amount (the "Claim Amount") of such Indemnification Obligation (or, in the case of an unliquidated Indemnification Obligation, a good faith and reasonable estimate thereof), and (iii) specifying in reasonable detail the nature of such Indemnification Obligation. Any Notice of Claim delivered pursuant to this Section with respect to any unliquidated Indemnification Obligation may be supplemented by a later Notice of Claim specifying in greater detail the applicable Claim Amount or any other items set forth therein. Parent shall deliver to the Shareholders' Representative a copy of any Notice of Claim hereunder concurrently with the delivery of such Notice of Claim to the Escrow Agent. Parent shall have the right to submit (x) a Notice of Claim in respect of any Indemnification Obligation under Section 7.2(a)(ii) at any time prior to the first anniversary of the Effective Time (the "First Escrow Date") and (y) a Notice of Claim in respect of any Indemnification Obligation under Section 7.2(a)(i) at any time on or prior to March 31, 2000 (the "Final Escrow Date").

(b) If the Shareholders' Representative shall object to the Indemnification Obligation or the Claim Amount specified in such original or later delivered Notice of Claim, the Shareholders' Representative shall, within twenty business days after delivery of the written notice containing a copy of any such Notice of Claim, deliver to the Escrow Agent a certificate (a "Reply Certificate") (x) specifying in reasonable detail each such objection, including, without limitation, the portion of the Claim Amount that the Shareholders' Representative does not want the Escrow Agent to release to Parent (the "Disputed Amount"), and (y) specifying in reasonable detail the nature and basis for such objection. The Shareholders' Representative shall deliver to Parent a copy of any Reply Certificate hereunder concurrently with the delivery of such Reply Certificate to the Escrow Agent. Parent and the Shareholders' Representative shall negotiate in good faith for a period of 20 business days after delivery of such Reply Certificate to Parent to reach a written resolution of any objections raised in a Reply Certificate.

(c) (i) If no Reply Certificate is delivered with respect to any Notice of Claim, then the Shareholders' Representative shall be deemed to have delivered a Payment Authorization (as defined below) acknowledging Parent's right to receive the Claim Amount specified in such Notice of Claim with respect to the applicable Indemnification Obligation and the Escrow Agent shall transfer to Parent a portion of the Indemnification Escrow Deposit in the case of an Indemnification Obligation under Section 7.2(a)(i) or the Retention Payment Escrow Deposit in the case of an Indemnification Obligation under Section 7.2(a)(ii), in each case in an amount equal to

the lesser of (x) such Claim Amount and (y) the Indemnification Escrow Deposit or the Retention Payment Escrow Deposit, as the case may be, all in accordance with the procedures set forth in Section 3.1(e).

(ii) If a Reply Certificate is delivered that identifies a Disputed Amount that is less than the Claim Amount (the amount by which any Claim Amount exceeds any given Disputed Amount, the "Undisputed Amount"), then the Shareholders' Representative shall he deemed to have delivered a Payment Authorization acknowledging Parent's right to receive the Undisputed Amount specified in such Reply Certificate with respect to the applicable Indemnification Obligation and the Escrow Agent shall transfer to Parent a portion of the Indemnification Escrow Deposit in the case of an Indemnification Obligation under Section 7.2(a)(i) or the Retention Payment Escrow Deposit in the case of an Indemnification Obligation under Section 7.2(a)(ii), in each case in an amount equal to the lesser of (x) such Undisputed Amount and (y) the Indemnification Escrow Deposit or the Retention Payment Escrow Deposit, as the case may be, all in accordance with the procedures set forth in Section 3.1(e).

(d) If the Escrow Agent receives a Reply Certificate in a timely manner with respect to any Notice of Claim, the Disputed Amount referred to in such Reply Certificate shall be held by the Escrow Agent and shall not be released to Parent except upon Parent's delivery to the Escrow Agent of written instructions signed by each of Parent and the Shareholders' Representative directing the Escrow Agent to release the Disputed Amount (or any other amount mutually agreed upon by such parties a "Payment Authorization"), whereupon the amount due to Parent as determined shall promptly be paid to Parent in accordance with the procedures set forth in Section 3.1(e).

(e) As soon as practicable following receipt by the Escrow Agent of a Payment Authorization (or following the deemed receipt of a Payment Authorization pursuant to Section 3.1(c)), the Escrow Agent shall pay from the Escrow Account to Parent the amount set forth in such Payment Authorization. In the event the amount remaining in the Escrow Account, after converting any and all Permitted Investments to cash (such amount, as of any given date, the "Remaining Escrow Balance"), shall be insufficient to pay the amount expressly set forth in such Payment Authorization, the Escrow Agent shall pay the entire Remaining Escrow Balance to Parent in accordance with this Section 3.1(e) and shall deliver to Parent and to the Shareholders' Representative a written notification setting forth the amount by which such Payment Authorization exceeds the amount of the Remaining Escrow Balance so paid.

(f) Notwithstanding anything to the contrary contained herein or in the Merger Agreement, Parent may submit Notices of Claim for portions of the

Indemnification Escrow Deposit solely in respect of the Indemnification Obligations under Section 7.2(a)(i) and submit Notices of Claim for portions of the Retention Payment Escrow Deposit solely in respect of the Indemnification Obligations under Section 7.2(a)(ii).

(g) The Escrow Agent shall pay all amounts pursuant to Section 3.1(e) hereof to Parent by wire transfer to the bank account or accounts designated by Parent to the Escrow Agent in writing not less than one Business Day prior to the date of such payment.

3.2 RELEASE. (a) The Escrow Agent shall distribute to the Shareholders:

(x) on the First Escrow Date, any Remaining Escrow Balance of the Retention Payment Escrow Deposit (together with any associated unpaid Earnings); and

(y) on the Final Escrow Date, any Remaining Escrow Balance of the Indemnification Escrow Deposit (together with any associated unpaid Earnings)

and, upon the distribution provided in clause (y), terminate the Escrow Account, in each case unless the Escrow Agent shall have received a Notice of Claim from Parent prior to the First Escrow Date or the Final Escrow Date, as the case may be, with respect to an indemnification claim (an "Escrow Date Unresolved Claim") for which the Escrow Agent has not received a subsequent Payment Authorization or written notification, signed by Parent and the Shareholders' Representative, informing the Escrow Agent of the termination or other resolution of such claim or claims (each, a "Claim Termination Notice"). If on the First Escrow Date or the Final Escrow Date, as the case may be, there shall exist any Escrow Date Unresolved Claim, then (i) the Escrow Agent shall retain such portion of the Remaining Escrow Balance of the relevant Escrow Deposit in the Escrow Account as would be sufficient for the payment of all Claim Amounts with respect to all such Escrow Date Unresolved Claims, and (ii) the Escrow Agent shall release to the Shareholders' Representative, on behalf of the Shareholders, the portion of the Remaining Escrow Balance of the relevant Escrow Deposit, if any, not otherwise retained in accordance with clause (i).

(b) Upon the resolution of any Escrow Date Unresolved Claim, the Escrow Agent shall (A) release any portion of the Remaining Escrow Balance retained in respect of such Escrow Date Unresolved Claim (x) to Parent in accordance with any Payment Authorization received by the Escrow Agent in respect of such Escrow Date Unresolved

Claim or (y) to the Shareholders in accordance with any Claim Termination Notice received by the Escrow Agent in respect of such Escrow Date Unresolved Claim, and (B) if no other Escrow Date Unresolved Claims remain outstanding, release the remainder of the Escrow Deposit to the Shareholders.

(c) Any distributions of any portion of any Remaining Escrow Balance of any Escrow Deposit or any other amounts payable to the Shareholders under this Agreement shall be made to the Shareholders in the percentages corresponding to each such Shareholder as set forth in Exhibit C to the Merger Agreement, all as provided in and subject to the terms of Article 1 of the Merger Agreement.

3.3 DISPUTE. Any dispute among any of the parties to this Agreement relating to this Agreement, including without limitation a dispute with respect to (a) a claim by Parent to the relevant Escrow Deposit or any portion thereof, (b) a claim by the Shareholders' Representative (on behalf of the Shareholders) to the Escrow Amount or any portion thereof or (c) the interpretation or administration of this Agreement or the Merger Agreement, shall be resolved (x) by good faith negotiations of the parties involved (as provided herein or otherwise) or (y) failing such resolution of any such disputes by the parties by mutual agreement, by arbitration as provided in Section 9.5(b) of the Merger Agreement (the "Determination"). The Escrow Agent shall not comply with any such claims or demands from either Parent or the Shareholders' Representative as long as such dispute may continue, and the Escrow Agent shall make no delivery or other disposition of any property then held by it under this Agreement until it has received a Determination directing disposition of the relevant Escrow Deposit or Escrow Amount, as the case may be.

SECTION IV

ESCROW AGENT

4.1 FEES. For its services hereunder, the Escrow Agent shall receive $_____ for each calendar year (or pro rated for any partial calendar year) until it has delivered all of the Escrow Amount pursuant to Section III hereof. Parent, on the one hand, and the Shareholders' Representative, on the other hand, shall share equally the fees referred to in the foregoing sentence. In addition, Parent, on the one hand, and the Shareholders' Representative, on the other hand, shall share equally the cost of reimbursing the Escrow Agent for its reasonable out-of-pocket expenses, including reasonable attorney's fees in administering the Escrow Account and performing its duties under this Agreement; PROVIDED that the Escrow Agent shall be responsible for all taxes

imposed in respect of the receipt of fees by it pursuant to this Section 4.1. if and when all of the Escrow Amount has been delivered pursuant to Section 3 prior to the Escrow Date, the Escrow Agent shall refUnd to Parent and the Shareholders' Representative all fees paid in advance and not accrued, if any.

4.2 RESPONSIBILITIES OF ESCROW AGENT. The Escrow Agent's acceptance of its duties under this Agreement is subject to the following terms and conditions, which the parties hereto agree shall govern and control with respect to its rights, duties, liabilities and immunities:

(a) Except as to its due execution and delivery of this Agreement, it makes no representation and has no responsibility as to the validity of this Agreement or of any other instrument referred to herein, or as to the correctness of any statement contained herein, and it shall not be required to inquire as to the performance of any obligation under the Merger Agreement;

(b) The Escrow Agent shall be protected in acting upon any written notice, request, waiver, consent, receipt or other paper or document, not only as to its due execution and the validity and effectiveness of its provisions, but also as to the truth of any information therein contained, which it in good faith believes to be genuine and what it purports to be;

(c) The Escrow Agent shall not be liable for any error of judgment, or for any act done or step taken or omitted by it in good faith, or for any mistake of fact or law, or for anything which it may do or refrain from doing in connection therewith, except its own gross negligence or misconduct;

(d) The Escrow Agent may consult with competent and responsible legal counsel selected by it, and it shall not be liable for any action taken or omitted by it in good faith in accordance with the advice of such counsel;

(e) Each of Parent and the Shareholders' Representative, jointly and severally agrees to indemnify and hold the Escrow Agent and its directors, employees, officers, agents, successors and assigns (collectively, the "Indemnified Parties") harmless from and against any and all losses, claims, damages, liabilities and expenses (collectively, "Damages"), including, without limitation, reasonable costs of investigation and counsel fees and expenses which may be imposed on the Escrow Agent or incurred by it in connection with the performance of its duties hereunder. Such indemnity includes, without limitation, Damages incurred in connection with any litigation (whether at the trial or appellate levels) arising from this Agreement or

involving the subject matter hereof. The indemnification provisions contained in this paragraph are in addition to any other rights any of the Indemnified Parties may have by law or otherwise and shall survive the termination of this Agreement or the resignation or removal of the Escrow Agent. Notwithstanding any provision to the contrary in this Agreement, (i) Parent's and the Shareholders' Representatives' liability, if any, to the Indemnified Parties with respect to any Damages shall in no event exceed the balance of the Escrow Account, as adjusted from time to time pursuant to this Agreement, and (ii) neither Parent nor the Shareholders' Representative shall have any liability to the Indemnified Parties with respect to any Damages that result, directly or indirectly, from the gross negligence or misconduct of the Escrow Agent;

(f) The Escrow Agent shall have no duties or responsibilities except those expressly set forth herein, and it shall not be bound by any modification of this Agreement unless in writing and signed by all parties hereto or their respective successors in interest;

(g) The recitals of facts in this Agreement shall be taken as the statements of Parent or the Shareholders' Representative, and the Escrow Agent assumes no responsibility for the correctness of the same. The Escrow Agent shall be under no obligation or duty to perform any act which would involve it in an expense or liability or to institute or defend any suit in respect of this Agreement or to advance any of its own monies unless properly indemnified;

(h) The Escrow Agent shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document reasonably believed by it to be genuine and to have been signed and presented by the proper party or parties. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Agreement, such matter may be deemed conclusively proved and established by a certificate signed by Parent and the Shareholders' Representative, and such certificate shall be full warranty for any action taken or suffered in good faith under the provisions of this Agreement; and

(i) The Escrow Agent does not have any interest in the Escrow Amount but is sewing as Escrow Agent only and having only possession thereof This Section 4.2(i) shall survive notwithstanding any termination of this Agreement or the resignation of the Escrow Agent.

SECTION V

MISCELLANEOUS

5.1 SHAREHOLDERS' REPRESENTATIVE. The Shareholders of the Company, by approving the Merger, have appointed Barrs S. Lewis as Shareholders' Representative, in accordance with and as provided in Section 1.12 of the Merger Agreement, to act on their behalf for the purpose of (i) administering and entering into this Agreement, (ii) settling on behalf of the Shareholders claims made by Parent under this Agreement, (iii) representing the Shareholders in any proceedings relating to the Merger Agreement and (iv) performing any other actions specifically delegated to the Shareholders' Representative by the Committee (as provided in the Merger Agreement). The Shareholders will be bound by any and all actions taken by the Shareholders' Representative on their behalf.

5.2 AMENDMENT. No amendment, waiver of compliance with any provision or condition hereof or consent pursuant to this Agreement shall be effective unless evidenced by an instrument in writing signed by the party against whom enforcement of any amendment, waiver, consent is sought.

5.3 TERMINATION. This Agreement shall terminate automatically at such time as all funds from the Escrow Account have been paid or distributed in accordance with the terms of this Agreement and the Escrow Agent has received all fees as described in Section 4.1 hereof. Notwithstanding the foregoing, all provisions concerning the indemnification of the Escrow Agent shall survive any termination of this Agreement.

5.4 SEVERABILITY. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, and if any provision of this Agreement is interpreted by a court of competent jurisdiction and found to be invalid or unenforceable, neither the enforceability nor the validity of such provisions with respect to any other facts or under any other circumstances shall thereby be impaired. The unenforceability or invalidity of any provision shall not result in the interpretation of the remainder of this Agreement, or any section hereof, in a manner inconsistent with intent of the parties as evidenced by the terms of this Agreement, or such section, as a whole.

5.5 WAIVER. Failure of any party to complain of any act or omission on the part of any other party in breach or default of this Agreement, no matter how long the same may continue, shall not be deemed to be a waiver by the party of its rights

hereunder. No waiver by any party at any time, express or implied, of any breach of any other provision of this Agreement shall be deemed a waiver of a breach of any other provision of this Agreement or a consent to any subsequent breach of the same or other provisions.

5.6 NOTICES. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given or made as follows: (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt; (b) if sent by reputable overnight air courier (such as DHL or Federal Express), two business days after mailing; (c) if sent by fax, with a copy mailed on the same day in the manner provided in (a) or (b) above, when transmitted and receipt is confirmed by telephone; or (d) if otherwise actually personally delivered, when delivered, and shall be delivered as follows:

a. If to Parent:

Attention:
Phone:
Fax:

with a copy to:

b. If to the Shareholders' Representative:

with a copy to:

c. If to the Escrow Agent:

Attention:
Phone:
Fax:

or to such other address or to such other person as the party to whom notice is given may have previously furnished to the other in writing in the manner set forth above.

5.7 ASSIGNMENT. Parent and the Shareholders' Representative may assign their rights under this Agreement to the same extent as they are permitted to assign their rights and obligations under the Merger Agreement.

5.8 ENTIRE AGREEMENT. This Agreement, the Merger Agreement and the exhibits thereto embody the entire agreement and understanding among Parent, the Shareholders' Representative, the Shareholders and the Escrow Agent with respect to the subject matter hereof and supersedes any and all prior agreements and understandings, oral and written, among Parent, the Shareholders' Representative, the Shareholders and the Escrow Agent with respect to the subject matter hereof.

5.9 INTERPRETATION. The headings set forth in this Agreement are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provision hereof.

5.10 GOVERNING LAW; JURISDICTION. The construction and performance of this Agreement shall be governed by the laws of the State of Minnesota without regard to its principles of conflict of law, and the state and federal courts of Minnesota shall have exclusive jurisdiction over any controversy or claim arising out of or relating to this Agreement.

5.11 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same agreement.

5.12 CONDITION TO EFFECTIVENESS. It shall be a condition to the effectiveness of this Agreement that the Effective Time (as provided in the Merger Agreement) shall have occurred.]

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

ALLIANCE DATA SYSTEMS CORPORATION

By:

Name:
Title:

Barrs S. Lewis, as Shareholders' Representative

By:

[Name of Escrow Agent]

By:

Name:
Title:

HARMONIC SYSTEMS INCORPORATED
SHAREHOLDER LIST
ACTUAL OUTSTANDING AUGUST 10, 1998

SUMMARY	TOTAL SHARES EXERCISED	GROSS PROCEEDS	ALLOCATED EXPENSES	EXERCISE PROCEEDS
Total Stock Converted to Common	18,588,648	$ 47,979,537.33	$ 2,298,356.14	
Total Debentures Converted	-	$ -	$ -	
Total Warrants Exercised	2,120,584	$ 5,473,482.48	$ 262,195.36	$ 3,124,499.45
Total Options Exercised	1,277,626	$ 3,297,706.45	$ 157,969.51	$ 2,051,226.80
Total	21,986,858	$ 56,750,726.26	$ 2,718,521.00	$ 5,175,726.25
Debentures Paid off		$ 425,000.00		
Total		$ 57,175,726.26		

SUMMARY	NET PROCEEDS	ESCROW %	ESCROW $'s	FIRST DISTRIBUTION	SECOND DISTRIBUTION
Total Stock Converted to Common	$ 45,611,181.19	93.50076%	$ 6,545,053.49	$ 39,136,127.70	$ 6,545,053.49
Total Debentures Converted	$ -	#DIV/01	$ -	$ -	$ -
Total Warrants Exercised	$ 2,016,787.67	4.27126%	$ 298,988.26	$ 1,787,799.41	$ 298,988.26
Total Options Exercised	$ 1,088,510.14	2.22798%	$ 155,958.25	$ 932,551.89	$ 155,958.25
Total	$ 48,856,479.00	100.00000%	$ 7,000,000.00	$ 41,856,479.00	$ 7,000,000.00
Debentures Paid off	$ 425,000.00		$ -	$ 425,000.00	$ -
Total	$ 49,281,479.00	100.00000%	$ 7,000,000.00	$ 42,281,479.00	$ 7,000,000.00

Note: Allocated expenses are estimated and include management retention agreement payments

HARMONIC SYSTEMS INCORPORATED
SHAREHOLDER LIST
ACTUAL OUTSTANDING AUGUST 10, 1998

SHAREHOLDER	TOTAL SHARES OUTSTANDING	GROSS PROCEEDS	ALLOCATED EXPENSES	NET PROCEEDS
TOTAL PNC PARTNERS	3,842,080	$ 9,916,870.81	$ 475,046.28	$ 9,441,824.53
Barr S. & Holly Lewis	24,065	$ 62,115.83	$ 2,975.52	$ 59,140.31
Jonathan D. Rick	10,000	$ 25,811.20	$ 1,236.43	$ 24,574.77
Judith H. Rick	4,500	$ 11,615.04	$ 556.39	$ 11,058.65
Lewis B. & Elizabeth Elliot	28,572	$ 73,747.77	$ 3,532.73	$ 70,215.04
Richard W. & Loviah E. Aldinger	111,330	$ 287,355.83	$ 13,765.16	$ 273,590.67
T.W. Ireland	220,819	$ 569,959.81	$ 27,302.69	$ 542,657.12
Floor Seal Technology Profit Sharing	39,462	$ 101,856.86	$ 4,879.23	$ 96,977.62
Melvin T. & Carol A. Lehman	57,144	$ 147,495.54	$ 7,065.46	$ 140,430.08
Randall T. & Carol A. Lehman	57,144	$ 147,495.54	$ 7,065.46	$ 140,430.08
Christopher & Jill Zollinger	57,144	$ 147,495.54	$ 7,065.46	$ 140,430.08
Jerry D. & Laquetta J. Freeman	28,572	$ 73,747.77	$ 3,532.73	$ 70,215.04
R. Hunt Greene	28,056	$ 72,415.91	$ 3,468.93	$ 68,946.98
Frank Trafton	28,572	$ 73,747.77	$ 3,532.73	$ 70,215.04
Katie Felts	13,333	$ 34,414.08	$ 1,648.53	$ 32,765.55
SUB-TOTAL PAGE 1	4,550,793	$ 11,746,145.31	$ 562,673.73	$ 11,183,471.58

SHAREHOLDER	ESCROW %	ESCROW $'s	FIRST DISTRIBUTION	SECOND DISTRIBUTION
TOTAL PNC PARTNERS	19.32563%	$ 1,352,794.41	$ 8,089,030.12	$ 1,352,794.41
Barr S. & Holly Lewis	0.12105%	$ 8,473.43	$ 50,666.87	$ 8,473.43
Jonathan D. Rick	0.05030%	$ 3,520.99	$ 21,053.72	$ 3,520.99
Judith H. Rick	0.02263%	$ 1,584.45	$ 9,474.20	$ 1,384.45
Lewis B. & Elizabeth Elliot	0.14372%	$ 10,060.19	$ 60,154.86	$ 10,060.19
Richard W. & Loviah E. Aldinger	0.55999%	$ 39,199.20	$ 234,391.47	$ 39,199.20
T.W. Ireland	1.11072%	$ 77,750.18	$ 464,906.94	$ 77,750.18
Floor Seal Technology Profit Sharing	0.19849%	$ 13,894.64	$ 83,082.98	$ 13,894.64
Melvin T. & Carol A. Lehman	0.28743%	$ 20,120.37	$ 120,309.71	$ 20,120.37
Randall T. & Carol A. Lehman	0.28743%	$ 20,120.37	$ 120,309.71	$ 20,120.37
Christopher & Jill Zollinger	0.28743%	$ 20,120.37	$ 120,309.71	$ 20,120.37
Jerry D. & Laquetta J. Freeman	0.14372%	$ 10,060.19	$ 60,154.86	$ 10,060.19
R. Hunt Greene	0.14112%	$ 9,878.50	$ 59,068.48	$ 9,878.50
Frank Trafton	0.14372%	$ 10,060.19	$ 60,154.86	$ 10,060.19
Katie Felts	0.06706%	$ 4,694.54	$ 28,071.00	$ 4,694.54
SUB-TOTAL PAGE 1	22.89046%	$ 1,602,332.03	$ 9,581,139.55	$ 1,602,332.03

HARMONIC SYSTEMS INCORPORATED
SHAREHOLDER LIST
ACTUAL OUTSTANDING AUGUST 10, 1998

SHAREHOLDER	TOTAL SHARES OUTSTANDING	GROSS PROCEEDS	ALLOCATED EXPENSES	NET PROCEEDS
SUB-TOTAL PAGE 1	4,550,793	$ 11,746,145.31	$ 562,673.73	$ 11,183,471.58
Addison Piper	71,123	$ 183,576.55	$ 8,793.84	$ 174,782.71
James J. Ingram	41,228	$ 106,414.43	$ 5,097.55	$ 101,316.88
Gary M. Petrucci	22,858	$ 58,999.25	$ 2,826.23	$ 56,173.02
Oscar Y. Lewis Sr.	61,476	$ 158,676.66	$ 7,601.06	$ 151,075.60
John A. Bruntjen Helayne Bruntjen	169,598	$ 437,751.79	$ 20,969.55	$ 416,782.23
George N. Nelson Jr.	177,593	$ 458,387.96	$ 21,958.09	$ 436,429.87
Paul R. Waldon	22,616	$ 58,374.62	$ 2,796.31	$ 55,578.31
Sally J. & Craig F. Smith	30,574	$ 78,914.17	$ 3,780.21	$ 75,133.96
Louise M. & William J. Brady	114,286	$ 294,985.92	$ 14,130.66	$ 280,855.25
Diana H. & Van L. Brady	114,286	$ 294,985.92	$ 14,130.66	$ 280,855.25
Donald Davis	247,620	$ 639,137.02	$ 30,616.48	$ 608,520.54
JoAnne Trafton	133,334	$ 344,151.10	$ 16,485.82	$ 327,665.28
Ben Oehler	80,164	$ 206,912.93	$ 9,911.72	$ 197,001.21
SUB-TOTAL PAGE 2	5,837,548	$ 15,067,413.61	$ 721,771.91	$ 14,345,641.69

SHAREHOLDER	ESCROW %	ESCROW $'s	FIRST DISTRIBUTION	SECOND DISTRIBUTION
SUB-TOTAL PAGE 1	22.89046%	$ 1,602,332.03	$ 9,581,139.55	$ 1,602,332.03
Addison Piper	0.35775%	$ 25,042.31	$ 149,740.40	$ 25,042.31
James J. Ingram	0.20738%	$ 14,516.36	$ 86,800.52	$ 14,516.36
Gary M. Petrucci	0.11498%	$ 8,048.29	$ 48,124.73	$ 8,048.29
Oscar Y. Lewis Sr.	0.30922%	$ 21,645.63	$ 129,429.97	$ 21,645.63
John A. Bruntjen Helayne Bruntjen	0.85307%	$ 59,715.22	$ 357,067.01	$ 59,715.22
George N. Nelson Jr.	0.89329%	$ 62,530.28	$ 373,899.60	$ 62,530.28
Paul R. Waldon	0.11376%	$ 7,963.08	$ 47,615.23	$ 7,963.08
Sally J. & Craig F. Smith	0.15379%	$ 10,764.95	$ 64,369.01	$ 10,764.95
Louise M. & William J. Brady	0.57486%	$ 40,240.04	$ 240,615.21	$ 40,240.04
Diana H. & Van L. Brady	0.57486%	$ 40,240.04	$ 240,615.21	$ 40,240.04
Donald Davis	1.24553%	$ 87,186.88	$ 521,333.66	$ 87,186.88
JoAnne Trafton	0.67067%	$ 46,946.83	$ 280,718.45	$ 46,946.83
Ben Oehler	0.40322%	$ 28,225.70	$ 168,775.51	$ 28,225.70
SUB-TOTAL PAGE 2	29.36282%	$ 2,055,397.64	$ 12,290,244.05	$ 2,055,397.64

HARMONIC SYSTEMS INCORPORATED
SHAREHOLDER LIST
ACTUAL OUTSTANDING AUGUST 10, 1998

SHAREHOLDER	TOTAL SHARES OUTSTANDING	GROSS PROCEEDS	ALLOCATED EXPENSES	NET PROCEEDS
SUB-TOTAL PAGE 2	5,837,548	$ 15,067,413.61	$ 721,771.91	$ 14,345,641.69
Kenneth H. Dahlberg Carefree Capital, Inc.	2,131,341	$ 5,501,247.19	$ 263,525.37	$ 5,237,721.83
Warren E. Mack	152,628	$ 393,950.00	$ 18,871.32	$ 375,078.67
Donald F. Swanson Revocable Trust	237,302	$ 612,505.94	$ 29,340.77	$ 583,165.17
William D. & Rita M. Witmer	10,000	$ 25,811.20	$ 1,236.43	$ 24,574.77
Marc E. Poirier	10,000	$ 25,811.20	$ 1,236.43	$ 24,574.77
Jerry J. & Kathleen L. Krause	10,000	$ 25,811.20	$ 1,236.43	$ 24,574.77
Norwest Equity Partners, IV	1,486,887	$ 3,837,835.50	$ 183,843.22	$ 3,653,992.27
Norwest Equity Partners, V	430,280	$ 1,110,605.43	$ 53,201.16	$ 1,057,404.28
Philip O. Rick Revocable Living Trust	12,436	$ 32,099.16	$ 1,537.64	$ 30,561.52
James E. Nicholson	5,716	$ 14,733.68	$ 706.74	$ 14,046.94
James P. Stephenson	48,158	$ 124,302.47	$ 5,954.44	$ 118,348.03
Gale R. Mellum	46,000	$ 118,731.54	$ 5,687.58	$ 113,043.96
SUB-TOTAL PAGE 3	10,418,297	$ 26,890,878.14	$ 1,288,149.45	$ 25,602,728.68

SHAREHOLDER	ESCROW %	ESCROW $'s	FIRST DISTRIBUTION	SECOND DISTRIBUTION
SUB-TOTAL PAGE 2	29.36282%	$ 2,055,397.64	$ 12,290,244.05	$ 2,055,397.64
Kenneth H. Dahlberg Carefree Capital, Inc.	10.72063%	$ 750,444.03	$ 4,487,277.80	$ 750,444.03
Warren E. Mack	0.76772%	$ 53,740.07	$ 321,338.60	$ 53,740.07
Donald F. Swanson Revocable Trust	1.19363%	$ 83,554.04	$ 499,611.13	$ 83,554.04
William D. & Rita M. Witmer	0.05030%	$ 3,520.99	$ 21,053.78	$ 3,520.99
Marc E. Poirier	0.05030%	$ 3,520.99	$ 21,053.78	$ 3,520.99
Jerry J. & Kathleen L. Krause	0.05030%	$ 3,520.99	$ 21,053.78	$ 3,520.99
Norwest Equity Partners, IV	7.47903%	$ 523,532.32	$ 3,130,459.95	$ 523,532.32
Norwest Equity Partners, V	2.16431%	$ 151,501.50	$ 905,902.78	$ 151,501.50
Philip O. Rick Revocable Living Trust	0.06255%	$ 4,378.76	$ 26,182.77	$ 4,378.76
James E. Nicholson	0.02875%	$ 2,012.60	$ 12,034.34	$ 2,012.60
James P. Stephenson	0.24224%	$ 16,956.53	$ 101,391.50	$ 16,956.53
Gale R. Mellum	0.23138%	$ 16,196.58	$ 96,847.38	$ 16,196.58
SUB-TOTAL PAGE 3	52.40396%	$ 3,668,277.05	$ 21,934,451.63	$ 3,668,277.05

HARMONIC SYSTEMS INCORPORATED
SHAREHOLDER LIST
ACTUAL OUTSTANDING AUGUST 10, 1998

SHAREHOLDER	TOTAL SHARES OUTSTANDING	GROSS PROCEEDS	ALLOCATED EXPENSES	NET PROCEEDS
SUB-TOTAL PAGE 3	10,418,297	$ 26,890,878.14	$ 1,288,149.45	$ 25,602,728.68
Thomas L. Kimer	43,693	$ 112,776.07	$ 5,402.29	$ 107,373.77
John K. Steffen	13,928	$ 35,949.84	$ 1,722.10	$ 34,227.74
Advanta Partners LP	3,717,942	$ 9,596,455.73	$ 459,697.49	$ 9,136,758.24
William Blair Capital Partners V LP	3,409,090	$ 8,799,272.40	$ 421,510.14	$ 8,377,762.25
Donald J. Sieb	46,250	$ 119,376.82	$ 5,718.49	$ 113,658.33
Sieb Trafton Associates	911,670	$ 2,353,129.97	$ 112,721.61	$ 2,240,408.36
The Gift Certificate Center, Inc.	27,778	$ 71,698.36	$ 3,434.56	$ 68,263.81
TOTAL	18,588,648	$ 47,979,537.33	$ 2,298,356.14	$ 45,681,181.19

SHAREHOLDER	ESCROW %	ESCROW $'s	FIRST DISTRIBUTION	SECOND DISTRIBUTION
SUB-TOTAL PAGE 3	52.40396%	$ 3,668,277.05	$ 21,934,451.63	$ 3,668,277.05
Thomas L. Kimer	0.21977%	$ 15,384.17	$ 91,989.60	$ 15,384.17
John K. Steffen	0.07006%	$ 4,904.04	$ 29,323.70	$ 4,904.04
Advanta Partners LP	18.70122%	$ 1,309,085.49	$ 7,827,672.75	$ 1,309,085.49
William Blair Capital Partners V LP	17.14770%	$ 1,200,338.97	$ 7,177,423.28	$ 1,200,338.97
Donald J. Sieb	0.23264%	$ 16,284.60	$ 97,373.73	$ 16,284.60
Sieb Trafton Associates	4.58569%	$ 320,998.54	$ 1,919,409.82	$ 320,998.54
The Gift Certificate Center, Inc.	0.13972%	$ 9,780.62	$ 58,483.19	$ 9,780.62
TOTAL	93.50076%	$ 6,545,053.49	$ 39,136,127.70	$ 6,545,053.49

EXHIBIT 2.4

STOCK PURCHASE AGREEMENT

among

SPS PAYMENT SYSTEMS, INC.,

as

SELLER,

ALLIANCE DATA SYSTEMS CORPORATION,

as

PURCHASER, and

SPS COMMERCIAL SERVICES, INC. and ADS NETWORK SERVICES, INC.,
as SUBSIDIARIES.

June 8, 1999

TABLE OF CONTENTS

TABLE OF SCHEDULES AND EXHIBITS

TABLE OF DEFINITIONS

STOCK PURCHASE AGREEMENT

This Stock Purchase Agreement, dated as of June 8, 1999 (this "Agreement"), is by and among SPS Payment Systems, Inc., a Delaware corporation ("Seller"), Alliance Data Systems Corporation, a Delaware corporation ("Purchaser"), SPS Commercial Services, Inc., a Delaware corporation ("Commercial Services"), and ADS Network Services, Inc., a Delaware corporation ("ADS Network").

RECITALS

A. Seller, through its Network Services Division, is engaged in the business of conducting the electronic processing of point-of-sale transactions including POS device management, authorization, data capture, reporting and routing for settlement of credit and debit transactions and selling and providing servicing support for various POS equipment (collectively, the "Network Services Business"). Seller, through its Commercial Services subsidiary, is engaged in the business of operating a fleetcard service including new account processing, customer service, collections, accounts receivable, receivables financing, statement production, remittance, and fleet management reporting (collectively, the "FleetShare Business"). Prior to the Closing, Seller will have transferred all of the assets it uses primarily to conduct the Network Services Business and certain of the liabilities of the Network Services Business and the FleetShare Business (collectively, the "Business") to ADS Network and Commercial Services (collectively, the "Subsidiaries"). At Closing, the Subsidiaries will own and operate the Business.

B. Seller owns all of the issued and outstanding shares of capital stock of the Subsidiaries (collectively, the "Shares").

C. Purchaser desires to purchase from Seller, and Seller desires to sell to Purchaser, the Shares upon the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants, representations, warranties and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I.

PURCHASE AND SALE OF SHARES

1.1 PURCHASE AND SALE OF SHARES . Upon the terms and subject to the conditions contained herein, on the Closing Date (as hereinafter defined), Seller will sell, convey, transfer, assign and deliver to Purchaser the Shares free and clear of all security interests, liens, adverse claims, charges and encumbrances (collectively, the "Encumbrances"), and Purchaser will purchase the Shares from Seller.

1.2 PAYMENT OF PURCHASE PRICE . On the Closing Date Purchaser shall deliver to Seller by electronic wire transfer to a bank account designated in writing by Seller at least two business days

prior to the Closing Date, in immediately available funds, the sum of $170,000,000, subject to adjustment as specified in Section 1.3 below (as adjusted, the "Purchase Price").

1.3 POST-CLOSING PURCHASE PRICE ADJUSTMENT .

(a) PREPARATION OF CLOSING BALANCE SHEET. As soon as practicable following the Closing Date, but in no event later than 30 days after the Closing, Seller shall deliver to Purchaser a balance sheet of the Business as of the Closing Date (the "Closing Balance Sheet") prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied without giving effect to the transfer of assets to the Subsidiaries or the sale of Stock contemplated by this Agreement. The Closing Balance Sheet or explanatory notes shall identify as separate items the following: (i) the value of the Inventory (as hereinafter defined) and (ii) the value of the FleetShare Accounts Receivable (as hereinafter defined) and all allowances for doubtful accounts relating thereto. The Closing Balance Sheet shall be accompanied by a certificate signed by an officer of Seller certifying (i) that as of December 31, 1998, $3,919,487 was the amount of the FleetShare Accounts Receivable net of all reserves, (ii) the reserves for the FleetShare Accounts Receivable as of that date represented 1.047% of the FleetShare Accounts Receivable, (iii) that as of December 31, 1998, $844,648 was the amount of the Inventory of the Business, and (iv) that the Closing Balance Sheet and the certification of the FleetShare Accounts Receivable and the Inventory described in (i) and (iii) of this sentence: (x) were prepared in accordance with GAAP consistently applied, subject to normal recurring year end adjustments (which will not individually or in the aggregate have a Material Adverse Effect (as hereinafter defined)) and the absence of notes and (y) fairly reflects the assets and liabilities of the Business as of December 31, 1998 or the Closing Date, respectively. In the event that Purchaser shall disagree with amounts specified on the Closing Balance Sheet for the FleetShare Accounts Receivable, reserves related thereto or the Inventory, Purchaser shall notify Seller of the matters with which it disagrees within 15 days of Purchaser's receipt of the Closing Balance Sheet and the parties shall use their best efforts to promptly resolve any differences. If the parties are unable to resolve any disagreements that they may have within 30 days following Purchaser's giving of notice of its disagreement to Seller, then Seller and Purchaser shall use the dispute resolution mechanism established in Article XII.

(b) POST-CLOSING ADJUSTMENTS TO THE PURCHASE PRICE. The amounts shown for the FleetShare Accounts Receivable less related reserves and the Inventory of the Business on the Closing Balance Sheet shall be compared to the comparable items as set forth below. If the amount shown for FleetShare Accounts Receivable on the Closing Balance Sheet less allowance for doubtful accounts (calculated by multiplying the amount shown for FleetShare Accounts Receivable (gross of reserves) on the Closing Balance Sheet by 1.047%) is larger than $3,919,487, Purchaser shall pay the excess to Seller. If the reverse is true, Seller shall pay the difference to Purchaser. If the amount shown for Inventory on the Closing Balance Sheet is larger than $844,648, Purchaser shall pay the excess to Seller. If the reverse is true, Seller shall pay the difference to Purchaser. In the event Seller shall owe Purchaser for one line item and Purchaser shall owe Seller for the other, the payments may be offset and the party owing the balance shall pay such amount to the other. All undisputed amounts shall be made by check or wire transfer within 10 days of the delivery of the Closing Statement. All disputed amounts will be paid by check or wire transfer within 10 days of the parties' ultimate agreement upon the amounts of FleetShare Accounts Receivable and Inventory as shown on the Closing Balance Sheet.

1.4 CLOSING . Upon the terms and subject to the conditions hereof, the closing of the transactions contemplated hereby (the "Closing") shall take place at Dallas, Texas on July 1, 1999, or three (3) business days after expiration or early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), whichever is later, or such other place and/or time as Seller and Purchaser may agree (the "Closing Date").

1.5 AFCC'S, SELLER'S AND THE SUBSIDIARIES' DELIVERIES TO PURCHASER . At Closing, Associates First Capital Corporation, a Delaware corporation ("AFCC"), Seller and the Subsidiaries shall deliver to Purchaser the instruments and items set forth below:

(a) Stock certificates representing the Shares, registered in the name of Seller, duly endorsed in blank or accompanied by duly executed stock powers;

(b) A certificate of Seller and each Subsidiary's Secretary or an Assistant Secretary certifying resolutions adopted by the Board of Directors of Seller and each Subsidiary authorizing and approving the execution, delivery and performance of this Agreement and the other documents to be delivered by Seller and such Subsidiary in connection with this Agreement and, in the case of Seller, the transfer of the Shares to Purchaser pursuant to this Agreement;

(c) The written resignations of the directors of the Subsidiaries, effective upon Closing;

(d) The stock books, stock ledgers, minute books, and corporate seals of the Subsidiaries;

(e) All Certificates of AFCC's, Seller's and the Subsidiary's officers required under or in connection with this Agreement;

(f) Any updates of Schedules pursuant to Section 4.16, which shall be dated as of a date not more than two days prior to the Closing Date and certified by Seller's and each Subsidiary's Secretary or an Assistant Secretary;

(g) Duly executed Interim Services Agreement, Gray Lease, Riverwoods Sublease, Services Agreement, Assumption Agreement, Tax Cooperation and Indemnification Agreement and Master Agreement for Systems Operations Services (the "Master Agreement") relating to the IBM Contract (as defined in the Master Agreement), which documents shall be in the forms attached hereto as Exhibits A, B, C, D, E, F, and G respectively; and

(h) All other documents, certificates, instruments, agreements and writings required to be delivered by AFCC, Seller or either Subsidiary on or before the Closing Date pursuant to this Agreement.

1.6 PURCHASER'S DELIVERIES TO SELLER . At Closing, Purchaser shall deliver to Seller, or cause the delivery to Seller of, the following instruments and items:

(a) The Purchase Price;

(b) A certificate of Purchaser's Secretary or an Assistant Secretary certifying resolutions of the Board of Directors of Purchaser authorizing and approving the execution, delivery, and performance of this Agreement;

(c) All certificates of Purchaser's officers required under or in connection with this Agreement;

(d) Duly executed Interim Services Agreement, Gray Lease, Riverwoods Sublease, Services Agreement, Tax Cooperation and Indemnification Agreement and Master Agreement in the forms attached hereto as Exhibits A, B, C, D, F and G respectively; and

(e) All other documents, certificates, instruments, agreements and writings required to be delivered by the Purchaser on or before the Closing Date pursuant to this Agreement.

ARTICLE II
ARTICLE REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Purchaser as follows:

2.1 AUTHORITY . Seller and each Subsidiary have the corporate power and authority to execute this Agreement and all documents, instruments and agreements required to be executed by Seller or either Subsidiary pursuant hereto and to consummate the transactions contemplated hereby or thereby. Prior to Closing, the execution and delivery of this Agreement and all documents, instruments and agreements required to be executed by Seller or either Subsidiary pursuant hereto or thereto, and the performance by Seller or either Subsidiary of its obligations hereunder or thereunder, have been duly authorized by the respective Board of Directors of Seller and the Subsidiaries and no further corporate action is necessary on the part of Seller or either Subsidiary. This Agreement and all documents, instruments and agreements required to be executed by Seller or either Subsidiary pursuant hereto have been duly executed and delivered by Seller and the Subsidiaries and constitute valid and legally binding obligations of Seller and the Subsidiaries, enforceable against them in accordance with their respective terms subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium (whether general or specific) and similar laws relating to creditors' rights generally, and general principles of equity regardless of whether such enforcement is sought in a proceeding in equity or at law.

2.2 NO CONFLICTS; CONSENTS . Except as set forth on Schedule 2.2, neither the execution and delivery of this Agreement by Seller or either Subsidiary, nor the execution and delivery of any other documents, instruments and agreements required to be executed and delivered by Seller or either Subsidiary pursuant hereto, nor the consummation of the transactions contemplated hereby or thereby will conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of first refusal, right of termination, cancellation or acceleration or similar right relating to any obligation or to loss of a benefit under any provision of (a) the respective certificates of incorporation or by-laws of Seller or either Subsidiary, (b) any note, bond, mortgage, indenture, deed of trust, license, lease, contract, commitment, agreement or

arrangement to which Seller or either Subsidiary is a party or by which any of them or any of their respective properties or assets is bound or (c) any judgment, order or decree, or statute, law, ordinance, rule or regulation, applicable to Seller or either Subsidiary or any of their respective properties or assets, in the case of (b) and (c) above, except for any such conflict, violation, default or right which would not reasonably be expected to have a material adverse effect on the business, assets, financial condition, or results of operations of the Subsidiaries taken as a whole (a "Material Adverse Effect"). No consent, approval, license, permit, order or authorization of, or registration, declaration or filing (each, a "Permit") with, any Federal, state, local or foreign government or any court of competent jurisdiction, administrative agency or commission or other governmental authority or instrumentality, domestic or foreign, or other regulatory or self-regulatory body or association (each, a "Governmental Entity") is required to be obtained or made by Seller or the Subsidiaries in connection with the consummation of the transactions contemplated hereby other than (x) compliance with and filings under the HSR Act, (y) as set forth on Schedule 2.2, and (z) with respect to the Network Services Business, those the failure of which to make or obtain would not have a Material Adverse Effect.

2.3 ORGANIZATION AND STANDING . Each of Seller and the Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. Seller and each of the Subsidiaries has all requisite corporate power and authority to carry on its respective business as presently conducted and to own, lease and operate its respective properties and assets as currently owned, leased and operated, and each is duly qualified to do business and is in good standing in each jurisdiction in which the properties owned, leased or operated by it, or where the nature of the business conducted by it, make such qualification necessary, except where the failure to so qualify or be in good standing would not have a Material Adverse Effect.

2.4 CAPITAL STOCK OF THE SUBSIDIARIES . The authorized capital stock of ADS Network consists of 1,000 shares of common stock, par value $.01 per share, of which 1,000 shares are duly authorized and validly issued and outstanding, fully paid and nonassessable and are owned by Seller free and clear of any Encumbrances. The authorized capital stock of Commercial Services consists of 1,000 shares of capital stock, par value $.01 per share, of which 1,000 shares are duly authorized and validly issued and outstanding, fully paid and nonassessable and are owned by Seller free and clear of any Encumbrances. Except for the Shares, there are no shares of capital stock or other equity securities of either Subsidiary outstanding. None of the Shares have been issued in violation of any orders, constitutions, laws, ordinances, principles of common law, regulations, rules, statutes and treaties (collectively, "Legal Requirements"), or in violation of, or are subject to, any purchase option, call, right of first refusal or preemptive, subscription or similar right. Except as set forth on Schedule 2.4, there are no outstanding warrants, options, rights, agreements, convertible or exchangeable securities or other commitments (other than this Agreement) (a) pursuant to which Seller or either Subsidiary, is or may become obligated to issue, sell, purchase, return or redeem any shares of capital stock or other securities of such Subsidiary or (b) that give any Person (as hereinafter defined) the right to receive any benefits or rights similar to any rights enjoyed by or accruing to the holders of shares of capital stock of such Subsidiary. Upon delivery to Purchaser at the Closing of certificates representing the Shares, duly endorsed by Seller for transfer to Purchaser, and upon Seller's receipt of the Purchase Price, Purchaser will acquire title to the Shares, free and clear of any Encumbrances. No legend (other than a restricted securities legend) or other reference to any purported Encumbrance appears upon any certificate representing equity securities of either Subsidiary.

2.5 SUBSIDIARIES' EQUITY INTERESTS . The Subsidiaries do not own, directly or indirectly, any capital stock of or other equity interests in any corporation, partnership, limited liability partnership, limited liability company, joint venture, association, trust, unincorporated organization or any other entity (collectively, together with any individual, "Person").

2.6 BUSINESS PREMISES .

(a) Seller is a party to a lease (the "Riverwoods Lease") covering the premises at 2500 Lake Cook Road, Riverwoods, Illinois 60015, which is used, in part, in connection with the Business. Schedule 2.6(a) contains a complete and accurate list of the Riverwoods Lease, all amendments thereto, and all other material documents relating to the Riverwoods Lease, true copies of which documents have been previously made available to Purchaser. Except as set forth in Schedule 2.6(a), (i) the Riverwoods Lease is in full force and effect, constitutes the legal, valid and binding obligation of, and is enforceable against, Seller and, to the knowledge of Seller, each other Person that is a party thereto, in accordance with its terms, (ii) Seller has not received any written notice from the lessor under the Riverwoods Lease of the termination thereof, and (iii) there is no default (including any failure by Seller to make timely payments to the lessor in accordance with the terms of the Riverwoods Lease) or event which, with notice or lapse of time, or both, would constitute a default on the part of Seller (nor, to the knowledge of Seller, on the part of any other party thereto). Seller will have entered into a written sublease with ADS Network in the form attached hereto as Exhibit C (the "Riverwoods Sublease") covering the portion of the Riverwoods, Illinois premises used in connection with the Business, effective as of the Closing Date. At Closing, the Riverwoods Sublease will be in full force and effect. Seller will have transferred to ADS Network at Closing, good and valid title to the leasehold estate in the premises demised under the Riverwoods Sublease free and clear of any Encumbrance. The Riverwoods Sublease will cover substantially all the properties that Seller and the Subsidiaries currently use to operate the Business (other than the Gray Lease, defined below, and off-site storage facilities). The Riverwoods, Illinois premises is not, to the knowledge of Seller subject to: any requisition, closing or demolition order; any notice of enforcement orders, abatement notices or declarations given by a Governmental Entity that has not been complied with; any order or agreement with a planning authority regulating use or development thereof which would have a material adverse effect on the Business currently conducted on that property; or any material dispute with any Person relating to the property or its use. The Riverwoods Lease complies, and the Riverwoods Sublease will comply, with all material and applicable Governmental Entity Legal Requirements.

(b) Seller owns the premises located at 104 Sunset Drive, Gray, Tennessee 37615, which is used in connection with the Business, and Seller has the right and power to lease all or part of such premises. Seller will have entered into a lease with ADS Network in the form attached hereto as Exhibit B (the "Gray Lease") covering the Gray, Tennessee premises used in connection with the Business, effective as of the Closing Date. At Closing, the Gray Lease will be in full force and effect. Seller will have transferred to ADS Network at Closing, good and valid title to the leasehold estate in the premises demised under the Gray Lease free and clear of any Encumbrance. The Gray Lease will cover substantially all the properties that Seller and the Subsidiaries currently use to operate the Business (other than the Riverwoods Sublease, defined above, and off-site storage facilities). The Gray, Tennessee premises is not, to the knowledge of Seller, subject to: any requisition, closing or demolition order; any notice of enforcement orders, abatement notices or declarations given by a

Governmental Entity that has not been complied with; any order or agreement with a planning authority regulating use or development thereof which would have a material adverse effect on the Business currently conducted in that property; or any material dispute with any Person relating to the property or its use. The Gray Lease will comply with all material and applicable Legal Requirements.

2.7 LITIGATION . Except as disclosed on Schedule 2.7, there is no suit, action or proceeding pending or, to the knowledge of Seller or either Subsidiary, threatened against Seller relating to the Business, or against either Subsidiary. There is no judgment, decree, injunction, rule or order of any Governmental Entity or arbitrator outstanding against Seller or either Subsidiary which has had or is reasonably likely to have a Material Adverse Effect.

2.8 TAXES .

(a) For purposes of this Agreement, (i) "Tax" or "Taxes" shall mean all taxes, charges, fees, levies or other assessments, however denominated, including, without limitation, income, profits, gross receipts, excise, property, sales, withholding, social security, occupation, use, service, license, payroll, franchise, transfer and recording taxes, fees and charges, including estimated taxes, imposed by the United States or any other federal, territorial, state, local or other taxing authority (domestic or foreign), whether computed on a separate, consolidated, unitary, combined or any other basis; and such term shall include any interest, fines, penalties or additional amounts attributable to, or imposed upon, or with respect to any such taxes, charges, fees, levies or other assessments; (ii) "Tax Return" shall mean any return, report or other document or information required to be supplied to a taxing authority in connection with Taxes; (iii) "IRS" shall mean the United States Internal Revenue Service; (iv) "Treasury Regulations" shall mean the Treasury Regulations promulgated under the Code; (v) "Group" shall mean, individually and collectively, (A) the Subsidiaries, (B) Seller, (C) AFCC, and (D) any individual, trust, corporation, partnership or any other entity as to which either one or both of the Subsidiaries is liable for Taxes incurred by such individual or entity either (x) as a transferee, (y) pursuant to Treasury Regulations Section 1.1502-6, or (z) pursuant to any other provision of federal, territorial, state, local or foreign law or regulation; (vi) "Audit" shall mean any audit or inquiry, assessment of Taxes, reassessment of Taxes, or other examination by any taxing authority or any judicial or administrative proceedings or appeal of such proceedings; and (vii) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(b) In the last five years, the only jurisdictions where the Subsidiaries have filed (or had filed on their behalf) any income Tax Returns are with the Federal government of the United States and with those States set forth on Schedule 2.8(b).

(c) As of the date hereof and at Closing, except as set forth on Schedule 2.8(c): (i) all Tax Returns required to be filed by or on behalf of the members of the Group with respect to any period ending on or prior to the date hereof or the Closing Date, as the case may be, have been duly filed on a timely basis and such Tax Returns are true, complete and correct in all material respects; (ii) all Taxes shown to be payable on such Tax Returns or on subsequent assessments with respect thereto have been paid in full on a timely basis; (iii) there are no liens for Taxes upon any shares of the stock or assets of the Subsidiaries, except for statutory liens for current Taxes not yet due; (iv) the Subsidiaries have complied in all respects with all applicable laws, rules and regulations relating to the payment and withholding of Taxes except where the failure to so comply would not

have a Material Adverse Effect; and have, within the time and the manner prescribed by law, withheld from and paid over to the proper Governmental Entities all amounts required to be so withheld and paid over under applicable laws; (v) there are no Audits or other administrative proceedings or court proceedings pending with regard to any Taxes or Tax Returns of the Subsidiaries, and neither Seller nor the Subsidiaries have received notice of any pending Audits or proceedings, in each case, except those which would not have a Material Adverse Effect; (vi) there are no outstanding written requests, agreements, consents or waivers to extend the statutory period of limitations applicable to the assessment of any Taxes or deficiencies against any of the Subsidiaries; (vii) none of the Subsidiaries is a party to any agreement providing for the allocation or sharing of Taxes; and (viii) no power of attorney has been executed by any of the Subsidiaries with respect to any matter relating to Taxes which is currently in force.

(d) TAX RETURNS FURNISHED. Purchaser has been furnished by Seller or the Subsidiaries true and correct copies, as such may exist, of (i) relevant portions of income tax audit reports, statements of deficiencies, closing or other agreements received by the Subsidiaries or on behalf of the Subsidiaries relating to Taxes, and (ii) all federal, state and local income or franchise Tax Returns for the Subsidiaries for all periods ending after 1993. Except as set forth on Schedule 2.8(d), each Subsidiary has never been a member of an affiliated group filing consolidated returns other than as a group of which AFCC, the Subsidiaries and Seller were the only members. Neither one of the Subsidiaries does business or derives income from any state, local, territorial or foreign taxing jurisdiction other than those for which all Tax Returns for all periods ending after 1993 have been furnished to Purchaser. No claim has ever been made in writing to AFCC, Seller or any Subsidiary by a taxing authority in a jurisdiction where the Subsidiaries do not file Tax Returns that either entity is or may be subject to taxation by that jurisdiction.

(e) TAX ELECTIONS AND SPECIAL TAX STATUS. As of the date hereof and at Closing, except as set forth on Schedule 2.8(e): (i) neither of the Subsidiaries is a party to any safe harbor lease within the meaning of Section 168(f)(8) of the Code as in effect prior to amendment by the Tax Equity and Fiscal Responsibility Act of 1982; (ii) neither of the Subsidiaries has entered into any compensatory agreements with respect to the performance of services which payment thereunder would result in a nondeductible expense to the Subsidiaries pursuant to Section 280G of the Code; (iii) none of the assets of either of the Subsidiaries is "tax exempt use property" within the meaning of Section 168(h) of the Code; (iv) none of the assets of either of the Subsidiaries is property which is required to be treated as being owned by any other Person pursuant to the so-called "safe harbor lease" provisions of former Section 168(f)(8) of the Code; (v) none of the assets of either of the Subsidiaries directly or indirectly secures any debt, the interest on which is tax-exempt pursuant to Section 103(a) of the Code; (vi) neither Subsidiary has any liability for the Taxes of any Person (other than such Subsidiary) either (A) under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign law), (B) as a transferee or successor, (C) by contract, or (D) otherwise; (vii) Seller is not and will not be a "foreign person" (as that term is defined in Section 1445 of the Code); (viii) neither of the Subsidiaries has a permanent establishment in any foreign country, as defined in any applicable Tax treaty or convention between the United States of America and such foreign country; (ix) except as set forth in Schedule 2.8(e), neither of the Subsidiaries is a party to any joint venture, partnership, or other arrangement or contract which could be treated as a partnership for federal income Tax purposes; and (x) neither Subsidiary owns shares of stock or

other equity ownership interests in any corporation or other entity taxable as an association for federal income tax purposes.

(f) SECTION 338 ELECTION. AFCC has the authority to make a joint election under Code Section 338(h)(10) and similar state elections with respect to the purchase of the Shares of the Subsidiaries by Purchaser as contemplated by this Agreement.

2.9 BENEFIT PLANS . For purposes of this Agreement, "Benefit Plans" means each bonus, incentive compensation, deferred compensation, pension, profit-sharing, retirement, stock purchase, stock option or other stock-based compensation, severance or termination benefits, supplemental unemployment benefits, salary continuation, salary in lieu of notice, hospitalization or other medical, life or other insurance plan or retiree medical or retiree life insurance plan relating to Seller's and the Subsidiaries' businesses, employees, officers or directors, including any policy, plan, program or agreement that provides for the payment of similar benefits including all plans that are "employee welfare benefit plans" or "employee pension benefit plans" as such terms are defined in Sections 3(1) and 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") maintained, sponsored or contributed to by Seller, either Subsidiary, any Affiliate (as hereinafter defined) of them or any member of their Controlled Group or under which Seller, either Subsidiary, any Affiliate of them or any member of their Controlled Group has any present or future obligations or liability on behalf of the Employees, Former Employees or their dependents or beneficiaries. For purposes of this Agreement, "Controlled Group" shall mean with respect to Seller and the Subsidiaries, each Person which together with Seller and the Subsidiaries is treated as a single employer under Sections 414(b), (c), (m) and (o) of the Code. The Subsidiaries do not have any employees.

All contributions made or required to be made by the Subsidiaries under any Benefit Plan meet the requirements for deductibility under the Code in all material respects, and all contributions that are required to have been made or to be made by the Subsidiaries prior to the Closing have been made or will be made prior to the Closing.

Neither Subsidiary has sponsored or contributed to any "multiemployer plan" (as defined in Section 4001(a)(3) of ERISA). No event or condition has occurred in connection with which either Subsidiary is or could be subject to any material Liability or any Encumbrance or lien with respect to any Benefit Plan under ERISA, the Code or any other applicable law or under any agreement or arrangement pursuant to or under which either Subsidiary is required to indemnify any Person against such liability.

2.10 EMPLOYEE AND EMPLOYEE RELATIONS .

Except as set forth on Schedule 2.10, neither Subsidiary is a to or subject to, or directly or indirectly liable under, any incentive, bonus or commission plan or similar arrangement or understanding for the benefit of any current or former officer, director or employee of Seller or either Subsidiary or any deferred compensation, severance, retention or employment contract or similar arrangement or understanding with any such officer, director or employee (whether written or oral), that is not terminable at will by Seller or either Subsidiary and that in any event could result in liability of or an obligation against Purchaser or either Subsidiary following the Closing. Except as set forth

on Schedule 2.10 or as otherwise expressly provided in this Agreement, no officer, director or employee of Seller or either Subsidiary shall be entitled to any severance pay or retention pay or bonus from Purchaser or either Subsidiary solely as a result of the consummation of the transactions contemplated hereby.

2.11 COMPLIANCE, LICENSES AND PERMITS . Seller and its Subsidiaries each has complied in all material respects with all Legal Requirements including, without limitation, all consumer protection laws and regulations. Except as set forth on Schedule 2.11, Seller and the Subsidiaries each has all Permits necessary to permit Seller and the Subsidiaries to conduct the Business as now being conducted, other than such Permits which, individually or in the aggregate, with respect to the Network Services Business, if not obtained, would not have a Material Adverse Effect. Except as set forth on Schedule 2.11, each such Permit is in good standing and there is no proceeding pending or, to the Seller's and each Subsidiary's knowledge, threatened, to revoke or limit any of them.

2.12 TAKEOVER STATUTES . No "fair price," "moratorium," "control share acquisition" or other similar anti-takeover statute or regulation enacted under state or federal laws in the United States applicable to Seller or either Subsidiary is applicable to the transaction contemplated hereby (including, without limitation, Section 203 of the General Corporation Law of the State of Delaware).

2.13 CONTRACTS IN FULL FORCE AND EFFECT .

(a) Schedule 2.13(a) sets forth a complete and accurate list of each contract or agreement relating to the Business as to which the Subsidiaries will be bound by or subject to at Closing as a result of Sections 4.3, 4.4, and 4.5:

(i) pursuant to which Seller or either Subsidiary has been engaged by any other Person to provide any products or services in connection with the Business;

(ii) pursuant to which Seller or either Subsidiary purchases or otherwise acquires any products or services from any other Person in connection with the Business with an annualized anticipated expense of more than $25,000;

(iii) pursuant to which Seller or either Subsidiary leases any of the assets used by Seller or either Subsidiary to operate the Business;

(iv) that contains covenants or other provisions limiting the freedom of Seller to compete with the Business, or limiting the freedom of either Subsidiary to compete in any line of business or with any Person or in any area;

(v) pursuant to which Seller or either Subsidiary licenses (either as a licensor or licensee), obtains or possesses any rights with respect to, or that otherwise relates to, Intellectual Property Assets (as defined below);

(vi) evidencing or relating to any Encumbrance on any asset used by Seller or either Subsidiary to operate the Business;

(vii) evidencing or relating to any employment, consulting, bonus, commission, severance, non-compete or confidentiality agreement or arrangement (or any other agreement with Employees or consultants); or

(viii) that would have a Material Adverse Effect in the event of termination or default of the contract or agreement (the contracts and agreements listed in (i) - (viii) collectively, the "Contracts").

At Closing, the Subsidiaries will hold all of Seller's rights, title and interests under the Contracts.

(b) Seller and the Subsidiaries will make available to Purchaser a complete and accurate copy of each Contract as presently in effect, and, except as listed Schedule 2.13(b), neither Seller nor either Subsidiary has received any written notice from any party to any such Contract of the termination or threatened termination thereof.

(c) Except as expressly set forth in Schedule 2.13(c), all Contracts are valid and binding, and are in full force and effect and are enforceable against Seller or the Subsidiaries in accordance with their terms and, to the knowledge of Seller and either Subsidiary, are enforceable against the other parties thereto, except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar laws of general applicability affecting creditors' rights and by general equitable principles. Neither Seller nor either Subsidiary has received notice of any pending or threatened bankruptcy, insolvency or similar proceeding with respect to any party to such agreements except as disclosed on Schedule 2.13(c). Except as set forth in Schedule 2.13(c), each of the Contracts may be assigned by Seller to ADS Network or Commercial Services without the consent or approval of any other Person and, upon consummation of the transactions contemplated by this Agreement and by the other documents, instruments and agreements required to be executed and delivered by Seller or either Subsidiary pursuant hereto, will remain in full force and effect and will not create a right of any other Person that is a party thereto to terminate such Contract based upon such transactions.

2.14 BROKERS, FINDERS, ETC. Except for Salomon Smith Barney Inc., Seller is not subject to any valid claim of any broker, investment banker, finder or other intermediary in connection with the transactions contemplated by this Agreement. Neither Subsidiary has or will pay any costs or expenses including, without limitation, investment advisors, brokers, accountant and attorneys' fees, for services rendered as a result of or in connection with the preparation, negotiation, execution or performance of this Agreement. Any such costs and expenses incurred by either Subsidiary shall be paid by Seller.

2.15 INSURANCE . Seller and/or the Subsidiaries are and, until Closing, will be covered by the policies of insurance (including fidelity bonds) that, in respect of amounts, types and risks insured, management reasonably believes to be adequate for the Business (which policies are in full force and effect). Upon request, Seller and the Subsidiaries shall provide to Purchaser copies of such insurance policies.

2.16 TANGIBLE PERSONAL PROPERTY . Except as listed in Schedule 2.16 and except for liens for Taxes not yet due and payable, Seller or either Subsidiary currently owns or leases, and at Closing

the Subsidiaries will own or lease, free and clear of all Encumbrances, all tangible personal property which Seller and the Subsidiaries use primarily to conduct the Business as presently conducted. Such tangible personal property has been and will be maintained in good condition (ordinary wear and tear excepted) as to permit Seller and each Subsidiary to conduct the Business as presently conducted.

2.17 INTENTIONALLY OMITTED .

2.18 GUARANTIES . Except as set forth on Schedule 2.18, no Subsidiary is a guarantor or is otherwise liable for any liability or obligation (including indebtedness) of any other Person.

2.19 POWERS OF ATTORNEY . Schedule 2.19 contains a complete and accurate list of each power of attorney granted to any Person by either Subsidiary or by Seller with regard to the Business.

2.20 INTELLECTUAL PROPERTY .

(a) The term "Software Products" means the currently distributed versions and all earlier and predecessor versions, and versions presently in development, of computer programs developed by Seller or one of the Subsidiaries relating to the Business as listed on Schedule 2.20(a), which term also includes source and object code versions and associated documentation, and all other computer programs (other than miscellaneous commonly-available third-party software) used primarily in connection with the Business.

(b) The term "Intellectual Property Assets" includes:

(i) the name "FleetShare" and all fictional business names, trading names, registered and unregistered trademarks, service marks, and applications therefor owned, used or licensed by Seller or either Subsidiary primarily in connection with the Business excluding any name using "SPS" or any derivation thereof (collectively, "Marks");

(ii) all patents, patent applications, provisional patent applications, continuations, continuations in part, and inventions and discoveries that may be patentable owned or licensed by Seller or either Subsidiary primarily in connection with the Business (collectively, "Patents");

(iii) all copyrights in both published works and unpublished works, including the Software Products, owned by Seller or either Subsidiary primarily in connection with the Business (collectively, "Copyrights");

(iv) the Software Products;

(v) all rights in mask works owned by Seller or either Subsidiary primarily in connection with the Business;

(vi) all know-how, trade secrets, confidential or proprietary INFORMATION, customer lists, technical information, data, process technology, plans, drawings, and

blue prints owned or licensed (whether as licensee or licensor) by Seller or either Subsidiary primarily in connection with Business (collectively, "Trade Secrets"); and

(vii) all Internet domain names and other computer user identifiers and any rights in and to web sites, including rights in and to any text, graphics, audio and video files or other code incorporated in such sites owned by or licensed to Seller or either Subsidiary used primarily in connection with the Business (collectively, "Internet Assets").

(c) Schedule 2.13(a) contains a complete and accurate list of all Contracts relating to the Intellectual Property Assets except for any license implied by the sale of a product and perpetual, paid-up licenses for commonly-available third-party software programs under which Seller or either Subsidiary is the licensee. Except as set forth on Schedule 2.20(c), there are no outstanding and, to Seller's and each Subsidiary's knowledge, no threatened disputes or disagreements with respect to any such Contract. All commonly-available third-party software programs used in connection with the Business are installed on computer equipment that is, or will be at Closing, owned by a Subsidiary, pursuant to valid and existing software licenses to Seller.

(d) One or more of the Subsidiaries is, or will be at Closing, the owner of all right, title, and interest in and to each of the Intellectual Property Assets, free and clear of all Encumbrances other than those identified in Schedule 2.20(d), and either or both of the Subsidiaries has, or will have, the right to use and license others to use all of the Intellectual Property Assets. All former and current employees of Seller and of each Subsidiary involved in the Business who participated in the creation of any Intellectual Property Asset did so in the normal course and scope of his or her employment by Seller or the Subsidiaries, and his or her work product is considered "work made for hire." No independent contractor was used by Seller or either Subsidiary in the creation of any Intellectual Property Asset unless such contractor first executed a written contract with Seller or the Subsidiaries providing that all work created by the contractor was "work made for hire," and that all right, title, and interest in and to such work would be assigned without reservation to Seller or the Subsidiaries, as the case may be. No employee of Seller or either Subsidiary involved in the Business has entered into any Contract that restricts or limits in any way the scope or type of work in which the employee may be engaged or requires the employee to transfer, assign, or disclose information concerning his or her work to anyone other than Seller or the Subsidiaries.

(e) Schedule 2.20(e) contains a complete and accurate list and summary description of all patent registrations and patent applications. All of the issued Patents are currently in compliance with formal legal requirements (including payment of filing, examination, and maintenance fees and proofs of working or use), are valid and enforceable, and are not subject to any maintenance fees or taxes or actions falling due within ninety days after the Closing Date. No patent registration or application has been or is now involved in any interference, infringement, reissue, reexamination, or opposition proceeding. To Seller's knowledge, there is no potentially interfering or infringing patent or patent application of any third party. To Seller's knowledge, no Patent is infringed or has been challenged or threatened as to its validity or enforceability in any way. Seller does not have knowledge of any act constituting inequitable conduct in the procurement or maintenance of any Patent. The Software Products can be manufactured, distributed and used without infringement of any patent or other proprietary right of any Person. Neither Seller nor either

Subsidiary has committed any act with respect to any Patent which may constitute patent misuse or may otherwise render a patent registration unenforceable.

(f) Schedule 2.20(f) contains a complete and accurate list and summary description of all Marks that have been registered or for which application for registration has been made. All Marks that have been registered with the United States Patent and Trademark Office are currently in compliance with all formal legal requirements (including the timely post-registration filing of affidavits of use and incontestability and renewal applications), are valid and enforceable, and are not subject to any maintenance fees, Taxes, or actions falling due within ninety days after the Closing Date. No Mark that has been registered or applied for has been or is now involved in or threatened with any opposition, invalidation, or cancellation proceeding and, to Seller's knowledge, no such action is threatened with the respect to any of the Marks. To Seller's knowledge, there is no potentially interfering or infringing registered or common law trademark, service mark, trademark application, or service mark application of any third party. To Seller's knowledge, no Mark is infringed or has been challenged or threatened in any way. The Marks can be used in the Business and to identify the Subsidiaries' goods and services without infringing any trademark, service mark or trade name right of any Person, and without violating any anti-dilution law.

(g) Schedule 2.20(g) contains a complete and accurate list and summary description of the Copyright registrations. No Copyright is infringed or, to Seller's and each Subsidiary's knowledge, has been challenged or threatened in any way. The creation of the Software Products did not involve the copying, reproduction or adaptation of any pre-existing work in which Seller or one of the Subsidiaries was not the copyright owner except to the extent authorized by the copyright owner. The Software Products can be copied, and copies of the Software Products can be manufactured, distributed and used by Seller and the Subsidiaries and their customers and licensees without infringing any copyright of any Person and without violating any contractual restriction by which Seller or either Subsidiary is bound.

(h) With respect to each Trade Secret, the documentation, as such exists, relating to such Trade Secret is current, accurate, and sufficient in detail and content to identify and explain it and to allow its full and proper use without reliance on the knowledge or memory of any individual. Seller and each Subsidiary have used commercially reasonable efforts to document the Trade Secrets, and have taken all commercially reasonable precautions to protect the secrecy, confidentiality, and value of the Trade Secrets. Seller and one or more of the Subsidiaries has good title and an absolute (but not necessarily exclusive) right to use the Trade Secrets, and at Closing one or more of the Subsidiaries will have good title and an absolute (but not necessarily exclusive) right to use the Trade Secrets. To Seller's knowledge, the Trade Secrets have not been used, divulged, or appropriated either for the benefit of any Person (other than one or more of the Subsidiaries) or to the detriment of either Subsidiary. No Trade Secret is subject to any adverse claim or has been challenged or threatened in any way.

(i) Seller and the Subsidiaries have provided or will provide to Purchaser true and accurate copies of the source code versions of all Software Products developed or owned by Seller or either of the Subsidiaries (collectively, "Proprietary Software Products"), including, with respect to each Proprietary Software Product, documentation of previous versions of such product and materials and information evidencing when, by whom and how each version of such product was

created, including drafts, flow charts, written documents, manuals and other materials produced during the creation of such Proprietary Software Product that is sufficient to utilize such Proprietary Software Product. Except as identified in Schedule 2.20(i), no copies of any of the Proprietary Software Products have been sold or licensed to any Person. No Person, other than Seller or a Subsidiary, is in possession of a source code version of any of the Proprietary Software Products, and at Closing no Person, other than a Subsidiary, will be in possession of a source code version of any of the Proprietary Software Products. All copies of all the Proprietary Software Products distributed have been distributed in object code format subject to written licenses which restrict the use of the Proprietary Software Products and forbid copying, decompiling, revision or reverse engineering of the Proprietary Software Products. All licensees of Software Products are in full compliance with all the terms of their licenses. All copies of the Proprietary Software Products licensed or sold to third parties substantially conform to all published specifications therefor and all technical and other written materials provided by Seller or either Subsidiary to a licensee or purchaser in connection with the respective Proprietary Software Product. Except as identified in Schedule 2.20(i), the Proprietary Software Products contain no material operating defects and, to Seller's knowledge, the other Software Products contain no material operating defects.

(j) At Closing, the Subsidiaries will have adequate programming and operations to meet existing commitments of the Business relating to the Software Products.

(k) Schedule 2.20(k) contains a complete and accurate list of the Internet Assets. Seller does not know of any dispute with any trademark or service mark claimant or registrant concerning use of any domain name listed on Schedule 2.20(k), nor has any Internet domain name registering administration organization, including Network Solutions, Inc., delivered any notice to Seller or either of the Subsidiaries demanding that it change or discontinue use of any domain name listed on Schedule 2.20(k). Seller and the Subsidiaries have licenses allowing the reproduction and display on all Internet sites listed on Schedule 2.20(k) of the graphical material (including maps, trademarks, service marks, drawings photographs and scans), audio, video and textual material appearing on such Internet sites. Seller and the Subsidiaries are not aware of any graphics, words or phrases used on any Internet sites listed on Schedule 2.20(k), including in meta-tags and meta-descriptions or other indexing features of such Internet sites, or any hyperlinks including on any such Internet sites, which would infringe or dilute the mark of another, which would defame or disparage any Person or which would violate the rights or privacy or publicity of another.

2.21 WARRANTIES AND WARRANTY CLAIMS . Schedule 2.21 lists and accurately summarizes all product and service warranties made by or on behalf of Seller or either Subsidiary in connection with the Business. Schedule 2.21 lists and accurately summarizes all warranty claims received by Seller or either Subsidiary relating to the Business for the two year period ending December 31, 1998, and the three-month period ending March 31, 1999. Neither Seller nor either Subsidiary has knowledge of any basis for any product or service warranty, product liability or similar claims against Seller or either Subsidiary relating to the Business.

2.22 OFFICERS AND DIRECTORS . Schedule 2.22 contains a complete and accurate list of the officers and directors of each Subsidiary.

2.23 BOOKS AND RECORDS . The books of account, minute books, stock record books, and other records of Seller and each Subsidiary relating to the Business, all of which have been made available to Purchaser, are complete and correct and have been maintained in accordance with sound business practices, including the maintenance of an adequate system of internal controls. Such minute books of each Subsidiary contain accurate and complete records of all formal meetings held of, and corporate action taken by, the stockholders, the Boards of Directors, and committees of the Boards of Directors of the relevant Subsidiary. No meeting of any such stockholders, Board of Directors, or committee has been held at which any corporate action was taken for which minutes have not been prepared and are not contained in such minute books. At the Closing, all of the books and records referred to in this Section 2.23 will be in the possession of the relevant Subsidiary.

2.24 CERTAIN PAYMENTS . Neither Seller nor either Subsidiary or any director, officer, agent, or employee of Seller or either Subsidiary, or any other Person associated with or acting for or on behalf of Seller or either Subsidiary, has, in connection with the Business, directly or indirectly (a) made any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to any Person, private or public, regardless of form, whether in money, property, or services (i) to obtain favorable treatment in securing business, (ii) to pay for favorable treatment for business secured, (iii) to obtain special concessions or for special concessions already obtained, for or in respect of either Subsidiary, or (iv) in violation of any Legal Requirement, or (b) established or maintained any fund or asset relating to the Business that has not been recorded in the books and records of Seller or the relevant Subsidiary.

2.25 BANK ACCOUNTS . The only bank or securities account maintained by or on behalf of either Subsidiary or the Business is Commercial Services' account number 5544718 at 1st Chicago. The only Persons authorized to sign on behalf of Commercial Services with respect to such bank account are D. Michael Gatewood, Kent M. Williams, Christopher T. Porter, Michael C. Smith, John F. Hughes and Roy A. Guthrie.

2.26 YEAR 2000 . As used in this Agreement, the term "Date Handling" means the consistent and accurate: (i) handling of date data before, during or after January 1, 2000; (ii) processing, providing, receiving, calculating, comparing and sequencing of date data before, during or after January 1, 2000; and (iii) responding to two-digit year date data in a manner that resolves any ambiguity as to the 20th and 21st centuries.

(a) PLAN. Seller and the Subsidiaries have developed a detailed, comprehensive plan and time line for addressing on a timely basis their ability for proper Date Handling relating to the Business (the "Plan"). Schedule 2.26 is a complete and accurate copy of the Plan. The Plan has been approved by Seller's senior management. Seller reasonably believes that: (i) the Plan addresses all aspects of potential improper Date Handling associated with the Business; (ii) the Plan is capable of being completely implemented, in a timely manner, in accordance with its time line; (iii) currently, Seller has, and, immediately prior to the Closing, the Subsidiaries will have, an adequate number of employees with the necessary expertise and experience to continue to implement the Plan, on a timely basis, in accordance with its time line; and (iv) the Plan includes contingency plans in the event of failure of any system, application or equipment (whether theirs or a third party's) due to improper Date Handling, which contingency plans Seller reasonably believes are feasible and allow (after

implementation of contingency plans) the uninterrupted and unimpaired operation of the Business in the event of any such failure.

(b) IMPLEMENTATION OF THE PLAN. Seller and the Subsidiaries have implemented, and will through Closing continue to implement, the Plan in accordance with the Plan's requirements and time line. At Closing, Seller reasonably believes Seller and the Subsidiaries will have progressed in all material respects in the implementation of the Plan to the corresponding milestone required by the Plan's time line for the Closing Date. On or prior to Closing Seller will notify Purchaser of the status of the Plan including any remaining remediation and testing of any improper Date Handling with regard to the remaining portion of the Business's systems, applications and equipment. In implementing the Plan, Seller is making due inquiry and will through Closing continue to make due inquiry of all of the suppliers, vendors and third-party trading partners of the Business regarding the status of such other Persons' efforts to address improper Date Handling. Seller and the Subsidiaries are in the process of coordinating, and will through Closing continue to coordinate, with such other Persons in such Person's efforts to remediate any improper Date Handling by the systems, applications and equipment of such other Persons which may affect the Business. Seller and the Subsidiaries have, or by Closing will have, notified each of the customers of the Business of: (i) the necessity for each customer to participate in testing for proper Date Handling the interface and connections between the respective systems, applications and equipment of Seller and the Subsidiaries relating to the Business, on one hand, and the customer, on the other hand; (ii) the necessity for each customer to require its third-party service providers relating to the Business to likewise participate in such testing; (iii) the time line for such testing; and (iv) the consequences of results from such testing indicating that a customer's or any of its third-party service provider's systems, applications or equipment does not accommodate proper Date Handling. On or prior to the Closing Seller will notify Purchaser of the status of its dealings with its customers, including a more detailed report with respect to any Business customer whose 1998 revenue with respect to the Business was $1 million or greater.

(c) Seller reasonably believes that if the Plan is completely implemented in accordance with the Plan's time line, all of the systems, applications and equipment owned or operated by Seller or Commercial Services for the Business and affected by any improper Date Handling will be identified and remedied before any such system, application or equipment will cause any interruption or impairment of the operations of the Business.

2.27 SERVICE LEVELS . The Business is, and will at Closing be, capable of performing at levels of service that meet in all material respects all contractual service level requirements relating to the Business, or, to the extent there are no such requirements, at a level of service that meets in all material respects the levels of service performed by the Business since November 1, 1998.

2.28 FINANCIAL STATEMENTS .

(a) Seller has delivered to Purchaser: (i) its unaudited consolidated balance sheet as at December 31, 1998 (the "Balance Sheet") and the related unaudited consolidated statement of income for the year then ended; and (ii) its unaudited consolidated balance sheet as at March 31, 1999 (the "Interim Balance Sheet") and the related unaudited consolidated statement of income for the three months then ended, including in each case the notes thereto. Such financial statements and

notes fairly present the financial condition and the results of operations of Seller as at the respective dates of and for the periods referred to in such financial statements, all in accordance with GAAP, subject, in the case of the interim financial statements, to normal recurring year-end adjustments (which will not, individually or in the aggregate, have a Material Adverse Effect) and the absence of notes. The financial statements referred to in this Section 2.28(a) reflect the consistent application of such accounting principles throughout the periods involved, except as disclosed in the notes to such financial statements. Except for the entities included in the consolidated financial statements, GAAP does not require the financial statements of any other Person to be included in the financial statements of Seller.

(b) Attached as Schedule 2.28(b) are: (i) pro forma statements of income of the Business for each of the fiscal years ending December 31, 1994 through 1998; and (ii) a pro forma statement of income for the Business for the three months ending March 31, 1999. Such pro forma financial statements fairly present in all material respects the results of operations of the Business, as at the respective dates of and for the periods referred to in such pro forma financial statements, all in accordance with GAAP, subject, in the case of the interim pro forma financial statements, to normal recurring year-end adjustments (which will not, individually or in the aggregate, have a Material Adverse Effect) and the absence of notes. The pro forma financial statements referred to in this Section 2.28(b) reflect the consistent application of such accounting principles throughout the periods involved. The assumptions used in the preparation of the pro forma financial statements of the Business are reasonable and appropriate to give pro forma effect in all material respects to the transactions or circumstances described therein. No financial statements of any Person, other than of Seller and the Subsidiaries, are required by GAAP to be included in the pro forma financial statements of the Business.

2.29 INVENTORY . All inventories of products held for sale or lease or under customer orders for purchase or lease by Seller or either Subsidiary relating to the Business (collectively the "Inventory") consists in all material respects of a quality usable and salable in the ordinary course of business. All Inventory has been and will be recorded at cost. At Closing there will be, in all material respects consistent with historical demand, sufficient Inventory on hand to enable the Subsidiaries to continue to conduct the Business as it is being conducted at the time this Agreement is executed, and to supply in all material respects, their customers with the products and services they have ordered.

2.30 ACCOUNTS RECEIVABLE . Schedule 2.30 (which, upon the agreement of the parties, may be delivered in commonly readable electronic format) contains a complete and accurate list of all accounts receivable of Seller and each Subsidiary relating to the FleetShare Business (collectively, the "FleetShare Accounts Receivable") as of April 30, 1999 and as of a date that is no more than two days prior to the Closing Date, as the case may be, which list sets forth the aging of such FleetShare Accounts Receivable. With respect to all commercial credit card accounts (the "Accounts") and related FleetShare Accounts Receivable: (a) such Accounts Receivable represent valid obligations arising from sales actually made or services actually performed in the ordinary course of business; (b) there is no contest, claim or, to the knowledge of Seller or either Subsidiary, right of set-off, under any contract with any obligor of a FleetShare Account Receivable relating to the amount or validity of such FleetShare Account Receivable; (c) all underwriting and origination of Accounts were performed in accordance with the then applicable written policies and procedures of Commercial Services; (d) each of the FleetShare Accounts Receivable and Accounts and the interest rates, fees

and charges in connection therewith comply, and have at all times in all material respects complied with, all Legal Requirements; (e) each Account, FleetShare Account Receivable and the related cardholder agreement is the legal, valid and binding obligation of the cardholder-obligor and any guarantor named therein and each is enforceable and legally collectible in accordance with its terms under all applicable Legal Requirements, and, to Seller's and Commercial Services' knowledge, is subject to no defense, offset or counterclaim, subject to applicable bankruptcy, reorganization, insolvency, moratorium (whether general or specific) and similar laws relating to creditor rights generally, and general principles of equity regardless of whether such enforcement is sought in a proceeding in equity or at law; (f) each FleetShare Account Receivable is free and clear of any and all Encumbrances incurred or existing by, through or on behalf of, or in favor of any Person; and (g) each cardholder agreement constitutes the agreement of Commercial Services and the cardholder, and Commercial Services has made no amendment, modification or supplement to any cardholder agreement which is not reflected in writing in such agreement.

2.31 CUSTOMERS AND SUPPLIERS . Except to the extent set forth in Schedule 2.31, there has not been any adverse change in the business relationship of Seller or either Subsidiary with any customer listed on Schedule 2.31 (a "Material Customer") or with any supplier and no Material Customer or supplier has notified Seller or either Subsidiary in writing or otherwise that they have canceled or otherwise terminated or threatened in writing or otherwise to cancel or otherwise terminate, their relationship with Seller or either Subsidiary nor, to Seller's and each Subsidiary's knowledge, has there been any material dispute with any Material Customer or supplier.

2.32 RELATIONSHIPS WITH RELATED PERSONS . For purposes of this Agreement, the term "Related Person" as used with regard to an entity means (a) any Person that directly or indirectly controls, is directly or indirectly controlled by, or is directly or indirectly under common control with such specified Person; (b) any Person that holds a direct or indirect beneficial ownership of voting securities or other voting interests representing at least 10% of the outstanding voting power of a Person or equity securities or other equity interests representing at least 10% of the outstanding equity securities or equity interests ("Material Interest") in such specified Person; (c) each Person that serves as a director, officer, partner, executor, or trustee of such specified Person (or in a similar capacity); (d) any Person in which such specified Person holds a Material Interest; and (e) any Person with respect to which such specified Person serves as a general partner or a trustee (or in a similar capacity). As of the Closing Date, neither Seller nor any Related Person of Seller or of either Subsidiary has, or will have, any interest in any property (whether real, personal, or mixed and whether tangible or intangible), used primarily in the operation of the Business, except for the various arrangements between Seller and the Subsidiaries expressly contemplated by this Agreement. Except for such arrangements, neither Seller nor any Related Person of Seller or of either Subsidiary is, or has owned (of record or as a beneficial owner) an equity interest or any other financial or profit interest in, an entity that has had business dealings or a material financial interest in any transaction with either Subsidiary other than business dealings or transactions conducted in the ordinary course of business with either Subsidiary at substantially prevailing market prices and on substantially prevailing market terms. Except as expressly contemplated by the provisions of this Agreement or as set forth in Schedule 2.32, neither Seller nor any Related Person of Seller or of either Subsidiary is a party to any contract with, or has any claim or right against, either Subsidiary.

2.33 DISCLOSURE . No representation or warranty of Seller or either Subsidiary contained in this Agreement and no statement contained in any certificate or schedule furnished or to be furnished by or on behalf of Seller or either Subsidiary to Purchaser or any of its representatives hereto contains or will contain any untrue statement of a material fact, or omits or will omit to state any material fact necessary in light of the circumstances under which it was or will be made, in order to make the statements herein or therein not misleading or necessary in order to fully and finally provide the information required to be provided in any such document, certificate or schedule. There is no fact known to Seller or either Subsidiary that has specific application to Seller or either Subsidiary (other than general economic or industry conditions) and that materially adversely affects or, as far as Seller and each Subsidiary can reasonably foresee, materially threatens, the assets, business, prospects, financial condition, or results of operations of the Business or either Subsidiary that has not been set forth in this Agreement or the related schedules.

2.34 ABSENCE OF CERTAIN CHANGES; CONDUCT OF BUSINESS . Except as contemplated by the parties in connection with the creation of ADS Network and the transfer of the Business from Seller to the Subsidiaries pursuant to the provisions of this Agreement, or as set forth in Schedule 2.34, since December 31, 1998:

(a) Seller and each Subsidiary have conducted the Business only in the ordinary course, consistent with past practice, and there has not occurred or arisen any event, individually or in the aggregate, having, or which, insofar as reasonably can be foreseen, in the future is likely to have, a Material Adverse Effect on the business, operations, properties, prospects, assets, or condition of either Subsidiary or the Business;

(b) there has been no change in either Subsidiary's authorized or issued shares; no grant of any option or right to purchase shares of either Subsidiary; no issuance of any security convertible into such shares; no grant of any registration rights; no purchase, redemption, retirement, or other acquisition by either Subsidiary of any shares; and no declaration or payment of any dividend or other distribution or payment in respect of shares;

(c) there has been no amendment to any of the original certificates of incorporation or bylaws or similar documents of either Subsidiary;

(d) except in the ordinary course of business, there has been no payment or increase by Seller or either Subsidiary relating to the Business of any bonuses, salaries, or other compensation to any shareholder, director, officer, or employee or entry into any employment, severance, or similar contract with any director, officer, or employee involved in the Business;

(e) there has been no damage to or destruction or loss of any asset or property of Seller or either Subsidiary relating to the Business, whether or not covered by insurance, materially and adversely affecting the properties, assets, business, financial condition, or prospects of the relevant Subsidiary or the Business;

(f) there has been no entry into, termination of, or receipt of notification of termination of any joint venture, credit, or similar agreement involving Seller or either Subsidiary relating to the Business;

(g) there has been no termination or breach of, or receipt of notice of termination of any vendor contract or any Material Customer contract, by or to Seller or either Subsidiary relating to the Business;

(h) there has been no sale (other than sales of inventory in the ordinary course of business), lease, or other disposition of any material asset or property of Seller or any Subsidiary relating to the Business, or Encumbrance on any material asset or property of Seller or either Subsidiary relating to the Business, including the sale, license, or other disposition of any of the Intellectual Property Assets;

(i) there has been no cancellation or waiver of any claims or rights with a value to Seller or either Subsidiary with regard to the Business in excess of $100,000;

(j) there has been no material change in the accounting methods used by Seller or either Subsidiary with regard to the Business;

(k) there has been no acquisition by merger or consolidation with, or purchase of a substantial portion of the assets of, or by any other manner, any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire any assets that are material, individually or in the aggregate, to the Subsidiaries or the Business; and

(l) there has been no agreement, whether oral or written, by Seller or either Subsidiary with regard to the Business to do any of the foregoing.

2.35 UNDISCLOSED LIABILITIES . Except as set forth in Schedule 2.35, there are no Liabilities with respect to:

(a) Seller, except (i) as and to the extent set forth on the Interim Balance Sheet, (ii) as incurred in connection with the transactions contemplated, or as provided, by this Agreement or (iii) as incurred since the date of the Interim Balance Sheet to the extent such Liabilities, when aggregated, do not decrease the net worth of Seller to less than $170,000,000; or

(b) the Business or either Subsidiary, except (i) as incurred in connection with the transactions contemplated, or as provided, by this Agreement or (ii) as incurred in the ordinary course of business and consistent with past practice and not in violation of Section 2.34.

2.36 CONDUCT OF THE BUSINESS . Schedule 2.36 lists all of the assets, whether tangible or intangible, and all other rights, title and interests that are used by Seller or the Subsidiaries to conduct the Business as conducted by Seller and the Subsidiaries immediately prior to the Closing that will not be possessed by the Subsidiaries after the Closing.

2.37 NO OTHER REPRESENTATIONS OR WARRANTIES . Except for the representations and warranties contained in this Article II, neither Seller nor any other person makes any other express or implied representation or warranty on behalf of Seller.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Seller as follows:

3.1 ORGANIZATION AND STANDING. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

3.2 AUTHORITY. Purchaser has all requisite corporate power and authority to execute this Agreement and all documents, instruments and agreements required to be executed by Purchaser pursuant hereto and to consummate the transactions contemplated hereby. The execution and delivery of the Agreement and all documents, instruments and agreements required to be executed by Purchaser hereto, and the performance by Purchaser of its obligations hereunder have been duly authorized by all necessary action on the part of Purchaser (including requisite stockholder approval, if necessary). This Agreement has been duly executed and delivered by Purchaser and, assuming the due execution and delivery hereof by Seller and the Subsidiaries, constitutes a valid and legally binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms (subject, as to the enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium (whether general or specific) and similar laws relating to creditors' rights generally, and general principles of equity (regardless of whether such enforcement is sought in a proceeding in equity or at law)).

3.3 NO CONFLICTS; CONSENTS. Except as set forth on Schedule 3.3, neither the execution and delivery of this Agreement by Purchaser, nor the consummation of the transactions contemplated hereby will conflict with, or result in any violation of or default (with or without notice or lapse of time, or both) under, or give rise to a right of termination, cancellation or acceleration of any obligation or to loss of a material benefit under any provision of (a) the certificate of incorporation or by-laws of Purchaser, (b) any note, bond, mortgage, indenture, deed of trust, license, lease, contract, commitment, agreement or arrangement to which Purchaser is a party or by which it or any of its properties or assets is bound or (c) any judgment, order or decree, or statute, law, ordinance, rule or regulation, applicable to Purchaser or any of its properties or assets, in the case of (b) and (c) except for any such conflict, violation, default or right which would not reasonably be expected to have a material adverse effect on the business, assets, financial condition, or results of operations of Purchaser and its Affiliates taken as a whole. No Permit of, or registration, declaration or filing with, any Governmental Entity is required to be obtained or made by Purchaser or in connection with the consummation of the transactions contemplated hereby other than (x) compliance with and filings under the HSR Act, (y) as set forth on Schedule 3.3 hereto and (z) those the failure of which to make or obtain would not materially affect the ability of Purchaser to consummate the transactions contemplated hereby. As used herein, the term "Affiliate" shall mean, as to any specified Person, any other Person that directly or indirectly through one or more intermediaries, controls or is controlled by, or under common control with such specified Person. For the purpose of this definition, "control," when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" shall have meanings correlative to the foregoing.

3.4 FINANCIAL ABILITY TO PERFORM. At Closing Purchaser will have sufficient funds available (through existing credit arrangements or otherwise) to purchase all the Shares and to pay all of its fees and expenses related to the transactions contemplated by this Agreement.

3.5 ABSENCE OF CERTAIN CHANGES OR EVENTS. There has not occurred or arisen any event or events which is reasonably likely to prevent or delay in any material respect the consummation of any of the transactions contemplated by this Agreement.

3.6 NO OTHER REPRESENTATIONS OR WARRANTIES. Except for the representations and warranties contained in this Article III, neither Purchaser nor any other Person makes any other express or implied representation or warranty on behalf of Purchaser.

ARTICLE IV

COVENANTS OF SELLER AND THE SUBSIDIARIES

Seller and each Subsidiary covenants and agrees with Purchaser as follows:

4.1 ACCESS. Prior to the Closing, at Purchaser's expense, Seller and the Subsidiaries: (a) shall give Purchaser and its officers, employees, representatives, counsel and accountants reasonable access, during normal business hours and upon reasonable notice, to the assets, personnel, properties, financial statements, contracts, books, records, working papers and other relevant information pertaining to the Subsidiaries or the Business; (b) shall furnish to Purchaser and its officers, employees, representatives, counsel and accountants such financial and operating data and other information with respect to the Subsidiaries or the Business as Purchaser shall from time to time reasonably request; and (c) shall provide reasonable accommodations during normal business hours at each of its locations for up to three employees of Purchaser at a time, and shall allow such employees of Purchaser reasonable access to facilities and personnel of Seller or the Subsidiaries for purposes of monitoring the operation of the Business; provided, however, that such access shall be in a manner that does not unreasonably interfere with the normal operation of the Business.

4.2 ORDINARY CONDUCT. Except as set forth on Schedule 4.2 or otherwise permitted by the terms of this Agreement, from the date hereof to the Closing, Seller and the Subsidiaries shall (i) cause the Business to be conducted in the ordinary course in substantially the same manner as presently conducted and shall make all reasonable efforts consistent with past practices to preserve their relationships with customers and others with whom Seller or either Subsidiary deals, and (ii) maintain in effect all insurance relating to the Business as to which the Seller or either Subsidiary is a beneficiary, including any directors and officers insurance. Except as set forth on Schedule 4.2 or otherwise permitted by the terms of this Agreement, from the date hereof until the Closing, neither Seller (with respect to the Business) nor either Subsidiary shall do any of the following without the written consent of Purchaser (which consent will not be unreasonably withheld):

(a) enter into or amend any agreement, contract or other arrangement (or series of related agreements, contracts or other arrangements) by which the Subsidiaries or any of their properties or assets are bound which (i) as to any service contract with a customer, does not provide for a mark-up of at least one cent over the applicable incremental cost per transaction, (ii) has

annualized anticipated expenses to the Subsidiaries in excess of $100,000, (iii) is not terminable by Seller or the Subsidiaries, as the case may be, by notice of not more than 60 days for an aggregate cost of less than $100,000, or (iv) is otherwise not in the ordinary course of business and consistent with past practices of the Business;

(b) sell any of the Shares or any other shares of capital stock of either Subsidiary;

(c) terminate, breach, modify or amend any Contract listed on Schedule 4.2(c) to the extent such would have an adverse effect on the Business;

(d) mortgage or otherwise subject to any Encumbrance any assets or interests of the Business, other than in the ordinary course of business and consistent with past practice provided such Encumbrance will be released on or prior to Closing;

(e) enter into any Contract that contains any provision that, solely as a result of the consummation of the transactions contemplated by this Agreement, would (assuming that the other party's consent or approval is not obtained, to the extent required) result in any penalty, additional payments or forfeiture that would be payable or sufferable by a Subsidiary at or after the Closing Date;

(f) solicit or induce any Employee not to become a Hired Employee;

(g) hold in the Subsidiaries any assets or liabilities other than those related to the Business or operate any business in the Subsidiaries other than the Business;

(h) take any action that would, or could reasonably be expected to, result in (i) any of the representations and warranties of Seller or either Subsidiary set forth in this Agreement that are qualified as to materially becoming untrue, (ii) any of such representations and warranties of Seller or either Subsidiary that are not so qualified becoming untrue in any material respect, or (iii) any of the conditions set forth in Article VIII not being satisfied; or

(i) agree, whether in writing or otherwise, to do any of the foregoing.

4.3 ASSETS OF ADS NETWORK. On the Closing Date, Seller shall transfer to ADS Network all of Seller's rights, title and interest in each of assets listed in Schedule 4.3; provided, however, Purchaser may direct Seller to transfer all or part of the assets listed in Schedule 4.3 to Commercial Services, and Seller shall comply with such directions unless Seller has previously transferred the relevant assets to ADS Network or the transfer of the assets as directed will have a material adverse effect on Seller.

4.4 ASSETS OF COMMERCIAL SERVICES. On or before the Closing Date, each of the assets listed in Schedule 4.4 will be among the assets of Commercial Services, and Seller shall have no further right, title or interest in such assets; provided, however, if any such assets are not owned by Commercial Services at the time this Agreement is executed, Purchaser may direct Seller to transfer all or part of such assets to ADS Network, unless Seller has previously transferred the relevant assets

to Commercial Services or the transfer of the assets as directed will have a material adverse effect on Seller.

4.5 ASSUMED LIABILITIES. On or before the Closing Date, ADS Network shall assume the obligations of Seller relating to the Network Services Business to the extent, and only to the extent, (a) listed on Schedule 4.5(a) (collectively, the "ADS Network Assumed Obligations") or (b) provided in the Tax Cooperation and Indemnification Agreement. On or before the Closing Date, pursuant to an assumption agreement substantially in the form attached hereto as Exhibit E (the "Assumption Agreement"), Commercial Services shall assign to Seller and Seller shall assume all obligations and liabilities, known or unknown, of Commercial Services other than the obligations of Commercial Services listed on Schedule 4.5(b) (the obligations retained by Commercial Services, the "Commercial Services Retained Obligations"; and the ADS Network Assumed Obligations and the Commercial Services Retained Obligations collectively, the "Assumed Liabilities"). Neither Seller nor either Subsidiary shall cause or permit either Subsidiary to assume or incur any obligation or liability other than the ADS Network Assumed Obligations and the Commercial Services Retained Obligations. On or before the Closing Date, Seller shall retain or assume all obligations and liabilities associated with the Business other than the Assumed Liabilities (collectively, the "SPS Retained Liabilities").

4.6 HIRED EMPLOYEE SOLICITATION AND EMPLOYMENT. For a period of two (2) years from and after the Closing Date, neither Seller, AFCC nor any of their Affiliates (the "AFCC Group") will without Purchaser's prior written consent solicit or employ the Employees other than Hired Employees (as hereinafter defined) whose employment with the Subsidiaries or Purchaser is thereafter terminated by Purchaser or the Subsidiaries or as to which Purchaser or the Subsidiaries shall consent in writing.

4.7 NON-COMPETITION BY THE AFCC GROUP. For a period of five years following the Closing Date, the AFCC Group shall refrain from engaging in any business which competes with the Network Services Business. With respect to the FleetShare Business, for a period of five years following the Closing Date, the AFCC Group shall not intentionally target or directly solicit any customer of the FleetShare Business as of the Closing Date to offer or provide a private label fleetcard. Notwithstanding the foregoing, the AFCC Group shall be entitled to acquire as part of a strategic business acquisition (but not to develop on its own) a business that competes with the Network Services Business so long as such acquired business is not primarily engaged in the business of electronic processing of point-of-sale transactions (e.g., such acquired business derives less than fifty percent of its total revenues and less than fifty percent of its net income from such business). In the event the AFCC Group determines to divest itself of any such acquired business that is engaged in the business of electronic processing of point-of-sale transaction, a member of the AFCC Group shall give notice in writing to Purchaser of its intention to sell such business. Purchaser and its Affiliates shall have a right of first refusal for a period of 60 days thereafter to purchase such business from the AFCC Group on such terms and conditions as shall be agreed upon between the parties.

4.8 CONSENTS; ASSIGNABILITY.

(a) Seller shall use commercially reasonable efforts to obtain consents to the assignment of, or change of control under, the Contracts listed on Schedule 2.2. Purchaser shall use all commercially reasonable efforts to assist Seller in that endeavor.

(b) If a Material Customer raises a colorable objection to the assignment of its Contract, by operation of law or otherwise, based on the form or structure of the transfers of the Business contemplated by this Agreement, and Seller receives notice of such objection within ninety (90) days from the date this Agreement is executed: (i) if the Material Customer Contract is terminated, Seller agrees to reimburse Purchaser for any losses in revenues to be suffered by Purchaser according to the following formula: thirty percent (30%) of the Material Customer's 1998 revenue will be multiplied by 11, or (ii) if revenues on a per transaction basis under a Material Customer's Contract are reduced, Seller shall reimburse Purchaser for any losses in revenues to be suffered by Purchaser as follows: the amount of the per unit reduction shall be multiplied times the Material Customer's transaction volume for the calendar month prior to the reduction, and such amount shall be multiplied times the number of months remaining in the term of the Material Customer's Contract. Any such amount shall be payable to Purchaser by Seller within 10 days of Seller's receipt of notice of any such objection.

4.9 NO SOLICITATION. From the date hereof through the Closing Date, no member of the AFCC Group and none of their officers, directors, stockholders, members, partners, employees and agents not to, directly or indirectly, solicit or negotiate with, or provide any non-public information relating to the Business or the Subsidiaries or afford access to the properties, books and records of Seller or the Subsidiaries to any third party that may be considering an acquisition of the Business or the Subsidiaries or a substantial portion thereof, or otherwise cooperate in any way with or assist or participate in, or facilitate or encourage any attempt by any Person to do or seek any of the foregoing. The AFCC Group will immediately cease and cause to be terminated any existing activities, discussions or negotiations by or on behalf of the AFCC Group with any parties conducted heretofore with respect to any of the foregoing. The AFCC Group shall each immediately notify Purchaser (a) after receipt by any member of the AFCC Group of any offer or indication that any Person is considering making an offer for any such acquisition, which notice shall include the terms and conditions of such offer or indication, and (b) upon receipt by any member of the AFCC Group of any request for non-public information relating to Business or the Subsidiaries or for access to the properties, books or records of Seller or the Subsidiaries with respect to the Business or the Subsidiaries from any Person that may be considering any such acquisition.

4.10 RECORDS RETENTION. The AFCC Group (a) shall preserve and keep the books, records, files and accounting records of Seller and the Subsidiaries relating to the Business that are not transferred to or in the possession of the Subsidiaries at the date of Closing (the "Business Records") for periods prior to the Closing Date for a period of the longer of the retention period under applicable Legal Requirements or the retention period provided under the document retention policy of AFCC or Seller, as the case may be and (b) shall make such books, records, files and accounting records available to Purchaser and its Affiliates, and shall permit Purchaser and its Affiliates to make copies thereof, upon request by Purchaser, which request will not unreasonably be denied. Seller shall undertake reasonable measures to preserve in good order the Business Records retained by it.

4.11 CEASE USE OF MARKS. From and after the Closing Date, Seller shall refrain, and shall cause its Affiliates to refrain, from using the Marks, the Internet Assets and all other Intellectual Property Assets.

4.12 CONFIDENTIALITY.

(a) The AFCC Group covenants and agrees that all confidential information regarding Purchaser or any of its Affiliates provided to AFCC, Seller or the Subsidiaries or any of their directors, officers, employees, consultants, agents, advisors, Affiliates or representatives (collectively "Representatives") by Purchaser, its agents or representatives, whether furnished before or after the date of this Agreement, shall be kept confidential by the AFCC Group and its Representatives. Except with the prior written consent of Purchaser, neither the AFCC Group nor its Representatives will disclose any such information. The AFCC Group and its Representatives shall not use this confidential information for any purpose other than to evaluate Purchaser as a prospective party to the transactions contemplated under this Agreement. Upon written request by Purchaser, the AFCC Group and its Representatives, will promptly deliver to Purchaser all documents and other matters furnished by Purchaser containing confidential information, together with all copies thereof in the possession of the AFCC Group or any of its Representatives.

(b) The AFCC Group covenants and agrees that following the Closing, all Trade Secrets will be the property of the Subsidiaries unless otherwise required by law. From and after the Closing Date, the AFCC Group: (i) shall use their reasonable best efforts and exercise utmost diligence to protect and safeguard all of such Trade Secrets; (ii) shall not, directly or indirectly, use, sell, license, publish, disclose or otherwise transfer or make available to others any of such Trade Secrets; (iii) without the prior written consent of Purchaser, shall not, directly or indirectly, disclose any of such Trade Secrets; and (iv) it shall not, directly or indirectly, use for its own benefit or for the benefit of another, any of such Trade Secrets. It is expressly understood, however, that the obligations in the preceding sentence shall not apply to any information that was or becomes available to the public on a non-confidential basis or was or becomes available to the public on a non-confidential basis from a third party who is not bound to Seller, either Subsidiary or Purchaser to keep such information confidential. In addition, AFCC and Seller covenant and agree that after Closing, without the prior written consent of Purchaser or unless as a result of a Legal Requirement, the AFCC Group will not disclose the economic terms of this Agreement.

(c) The parties acknowledge and agree that, at Closing, that certain Confidentiality Agreement dated January 20, 1999 between Purchaser and AFCC (the "Confidentiality Agreement") shall terminate and be of no further force or effect.

4.13 COOPERATION REGARDING FINANCIAL STATEMENTS. In connection with any filings to be made by Purchaser or its Affiliates under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, with respect to or as a result of the transactions contemplated by this Agreement, AFCC and Seller agree that the AFCC Group shall (i) use commercially reasonable efforts to provide to Purchaser and its Affiliates the financial and other information and documents pertaining to the Business (as such may be in the possession or control of the AFCC Group) that Purchaser and its Affiliates will be required by applicable SEC rules and regulations to be included in its filings, (ii) use commercially reasonable efforts to cause the accountants for the AFCC Group to deliver such consents and reports in and provide access to files and work papers in connection therewith (as such may be subject to the AFCC Group's control) as Purchaser and its Affiliates may reasonably request and (iii) generally use commercially reasonable efforts to cooperate with Purchaser and its Affiliates in connection therewith. Purchaser acknowledges that prior to

October 1998 Seller was not owned by AFCC or its Affiliates. As a result, to the extent that the AFCC Group currently does not possess or does not have access to any information and documents requested by Purchaser or its Affiliates under this Section 4.13, the AFCC Group will use commercially reasonable efforts to assist Purchaser in Purchaser's efforts to cause the prior owners of Seller to comply with the terms of this Section 4.13. Nothing in this Section 4.13 is intended to require the AFCC Group to create at the expense of the AFCC Group documents and/or records which do not exist as of the Closing. To the extent the AFCC Group does not possess, but has the right of access to any information or documentation requested by Purchaser or its Affiliates under this Section 4.13, the AFCC Group will, at Purchaser's expense, obtain such information and documents on behalf of Purchaser.

4.14 FINANCIAL STATEMENTS AND REPORTS. As promptly as practicable after each month or fiscal quarter ending between the date hereof and the Closing Date, but in no event later than 15 days after the end of each month or and 30 days after the end of each quarter, as the case may be, Seller and the Subsidiaries shall deliver to Purchaser true and correct copies of the unaudited pro forma statements of operations of the Business as of and for the month or the quarter, as the case may be, then ended, prepared in accordance with GAAP and which shall present fairly, in all material respects, the results of operations of the Business for and during the period then ended, subject to normal and recurring year-end audit and quarter-end adjustments.

As promptly as practicable, Seller and the Subsidiaries will deliver to Purchaser true and complete copies of such other material financial statements, reports or analyses as may be prepared or received by Seller or either Subsidiary between the date hereof and the Closing Date as relates to the Business.

4.15 TAX ELECTIONS. No new elections with respect to Taxes, or any changes in current elections with respect to Taxes, affecting the Subsidiaries after the Closing shall be made without the prior consent of Purchaser.

4.16 SUPPLEMENTS TO SCHEDULES. Prior to Closing, Seller and the Subsidiaries shall provide to Purchaser, as of a date that is within two days prior to the Closing Date, updated Schedules. If any such supplement or amendment shall include any matter which would result in a failure to satisfy the condition set forth in Section 8.3(a) and is unacceptable to Purchaser, Purchaser may deem the condition set forth in Section 8.3(a) not to be satisfied.

ARTICLE V

EMPLOYEES AND EMPLOYEE MATTERS

5.1 EMPLOYMENT. Effective as of the Closing, Purchaser or the Subsidiaries (a) shall offer to employ each employee of the Business listed on Schedule 5.1 as updated upon request and finally at Closing (collectively, the "Employees") who is actively at work on the Closing (collectively, the "Active Employees"), and (b) shall offer to employ any Employee who is not actively at work on the Closing Date due to approved leave of absence, short-term illness or injury (including those Employees who are absent due to illness or injury for a period of less than 10 days), military leave or layoff with recall rights or reemployment rights under the Family and Medical Leave Act (the

"FMLA") or any other applicable law (collectively, the "Inactive Employees") upon the conclusion of their leave or layoff. In addition, any Employee who is not actively at work on the Closing Date due to a short-term absence (including due to vacation, holiday, jury duty or bereavement leave) in accordance with applicable policies of Seller shall be deemed to be an Active Employee provided such Employee returns to active employment in accordance with such policies. Active Employees who immediately following the Closing become employed by Purchaser or either Subsidiary and Inactive Employees, to the extent that they later become employed by Purchaser or either Subsidiary prior to January 1, 2000, shall be referred to collectively as "Hired Employees." Seller makes no representation as to whether any Employee will accept employment with Purchaser or the Subsidiaries after Closing. For purposes hereof, an Employee who has terminated employment for any reason prior to, as of, or in connection with, the Closing (including by reason of resignation, retirement, short-term or long-term disability, workers' compensation, personal leaves of absence (other than leaves of absence under FMLA) as of the Closing) shall be referred to as a "Former Employee."

5.2 HIRED EMPLOYEE BENEFITS. Except as expressly set forth in this Section 5.2, nothing in this Agreement shall prohibit or limit Purchaser's or either Subsidiary's right on or after the Closing Date, at any time and from time to time, to modify, amend or terminate any salary and wages payable or benefit provided to any Hired Employee, or to terminate the employment of any Hired Employee at any time for any reason. The employment of the Hired Employees shall be subject to all of the Purchaser's practices and policies, including its policy of employment-at-will. Notwithstanding the above, (a) as of the Closing Date Purchaser or a Subsidiary shall employ the Hired Employees at the same base salary and base wages in effect as of Closing Date as known by Purchaser, and (b) until October 15, 1999, Purchaser or the Subsidiaries shall provide for the payment of severance pay (and not benefits) to any Hired Employee whose employment is terminated by Purchaser or a Subsidiary (other than for cause or total and permanent disability) in amounts determined in accordance with Seller's severance policies. For this purpose, Schedule 5.2 sets forth the formula for determining the amount of severance pay due upon termination by Purchaser and defines what constitutes termination for cause.

5.3 EMPLOYMENT AND EMPLOYEE BENEFITS.

(a) Seller and its Affiliates (other than the Subsidiaries) shall be liable for all employment claims, benefit claims and obligations in respect of Hired Employees, Former Employees, and their respective eligible dependents and beneficiaries, that arise prior to or on the Closing Date. Purchaser shall be liable for employment claims, benefit claims and obligations in respect of only Hired Employees and their respective dependents and beneficiaries that arise after the Closing Date; provided further that Purchaser shall not be liable for any such employment claims, benefit claims or obligations that arise or are payable with respect to Inactive Employees prior to the date such Inactive Employees become employed by Purchaser, or any such employment claims, benefit claims or obligations with respect to any Inactive Employees who do not become employed by Purchaser in accordance with this Section 5.3, all of which employment claims, benefit claims and obligations shall remain with Seller.

(b) AFCC and Seller, on a joint and several basis, shall be liable for and indemnify and hold Purchaser, the Subsidiaries and their Affiliates harmless from and against all claims, losses,

liabilities, damages, deficiencies, judgments, assessments, fines, settlements, costs or expenses, including without limitation, attorneys' fees by Purchaser, either of the Subsidiaries and/or their Affiliates, arising out of, resulting from, or relating to: (i) the employee benefits and the employee benefit plans (as the term is defined in Section 3(3) of ERISA) which have been or are maintained, sponsored or contributed to by AFCC, Seller, either of the Subsidiaries (with respect to periods prior to Closing only), or any member of their Controlled Group; (ii) post-employment benefits, including but not limited to retiree medical, retiree life and retiree accidental death and disability benefits for current and former Employees of Seller, either Subsidiary (with respect to periods prior to Closing only), and each member of Seller's Controlled Group; (iii) any requirement to provide any Employee of Seller or either of the Subsidiaries, any spouse or dependent of any such Employee, and each member of Seller's Controlled Group on or prior to the Closing Date with continuation coverage under the requirements of Sections 601-609 of ERISA, or Section 4980B of the Code with respect to any "qualifying event" as defined in Section 4980B(f)(3) of the Code; and (iv) any other liabilities retained or assumed by Seller under the terms of this Article V relating to employees or employee benefits. The conditions to indemnification contained in Sections 11.4 and 11.5 shall apply to any claim for indemnification under this Section 5.3(b).

5.4 NO EMPLOYMENT AGREEMENTS. Seller represents there are no written or oral employment agreements with any of the Employees that will survive Closing.

5.5 EMPLOYEE BENEFIT PLANS COVERAGE. Except as otherwise provided herein, on and after the Closing Date (or on such other date as may be determined under the terms of the Interim Services Agreement), Purchaser shall provide the Hired Employees with the employee benefits and paid time-off plans generally provided to other employees of Purchaser, subject to the terms and conditions of Purchaser's plans.

5.6 EMPLOYEE SERVICE CREDIT. Purchaser and the Subsidiaries shall cause Purchaser's employee benefit plans and any fringe benefit plans in existence on the Closing Date, including vacation programs and policies, to the extent such plans may cover Hired Employees on or after the Closing Date, to recognize for all purposes (except as noted below for the ADS 401(k) and Retirement Savings Plan ("Purchaser's 401(k) Plan")) the service of each Hired Employee with Seller and the Subsidiaries and the service of each Hired Employee with all other prior employers prior to the Closing Date, but only to the extent such service shall have previously been credited by Seller or its Affiliates to such Hired Employee under any employee benefit or fringe benefit plans of Seller or its Affiliates (such periods of time, collectively, "Prior Service"). Such Prior Service credit shall be calculated by using the original hire date of such Hired Employee as credited by Seller or its Affiliates as known by Purchaser. Notwithstanding anything herein to the contrary, Hired Employees will receive Prior Service credit under Purchaser's 401(k) Plan solely for purposes of eligibility for participation. The Closing Date will be used as the original hire date to determine service credit under Purchaser's 401(k) Plan for purposes of vesting of benefits and service related contributions.

5.7 PRE-EXISTING CONDITION EXCLUSIONS. If a Hired Employee or eligible dependent shall have satisfied the pre-existing condition exclusion period under Seller's or its Affiliates' welfare benefit plans, Purchaser shall waive application of any additional waiting period or preexisting condition exclusion under Purchaser's comparable plans; provided, however, Seller acknowledges that certain benefits provided under Purchaser's long-term disability plan may be

reduced in the event the Hired Employee fails to satisfy Purchaser's long-term disability plan's pre-existing condition exclusion eligibility requirement.

5.8 MEDICAL AND DENTAL.

(a) MEDICAL AND DENTAL PLANS GENERALLY. Seller and its Affiliates (other than the Subsidiaries) shall be responsible in accordance with their applicable welfare benefit plans for all medical and dental claims for expenses incurred on or prior to the Closing Date by Hired Employees and their dependents subject to Section 5.8. Purchaser shall be responsible in accordance with its applicable welfare plans (or under the terms of the Interim Services Agreement) for all medical and dental claims made by Hired Employees and their dependents for expenses incurred after the Closing Date. A medical or dental claim otherwise covered under Seller's or Purchaser's applicable welfare benefit plan (or under the terms of the Interim Services Agreement) shall be deemed incurred when the services giving rise to the claim are rendered (regardless of when such claim is billed by the service provider or submitted by the Hired Employee).

(b) DEDUCTIBLES. All charges and expenses of such Hired Employees and their eligible dependents which were applied to the deductible and out-of-pocket maximums under Seller's or its Affiliates' welfare benefit plans during the plan year of Seller in which the Closing Date falls shall be credited toward any deductible and out-of-pocket maximum applicable in the plan year of Purchaser in which the Closing Date falls; provided, however, that the foregoing shall be applicable to any Hired Employee and eligible dependents only to the extent such Hired Employee provides an explanation of benefits satisfactory to the administrator of such plan reflecting amounts paid or accrued prior to the Closing Date.

(c) COBRA. Seller shall be responsible for satisfying obligations under Section 601 ET. SEQ. of ERISA and the rules and regulations promulgated thereunder and Section 4980B of the Code ("COBRA"), and to provide COBRA continuation coverage to or with respect to any Employee or Former Employee of Seller or the Subsidiaries, or to any COBRA "qualified beneficiary" of any such Employee or Former Employee, with respect to any COBRA "qualifying event" occurring on or prior to the Closing Date, including any COBRA "qualifying event" resulting from the Closing. Purchaser or, with respect to the period after the Closing, the Subsidiaries shall be responsible for satisfying all requirements of COBRA with respect to any Hired Employee or COBRA "qualified beneficiary" of a Hired Employee for any COBRA "qualifying event" which occurs after the Closing Date.

(d) CAFETERIA PLAN. Effective as of the Closing Date (but with any transfer of funds and/or accounts to occur on such other date as may be determined under the terms of the Interim Services Agreement), Purchaser and the Subsidiaries shall allow Hired Employees to participate in Purchaser's so called "cafeteria" plans by (i) continuing to apply for the then current fiscal year all elections (including benefit elections and salary reduction elections) made by Hired Employees under Seller's or its Affiliates' flexible spending account plan ("Seller's FSA") and Seller's or its Affiliates' dependent care assistance plan ("Seller's DCA") for the then current fiscal year, and (ii) giving credit for all unused amounts credited for the then current fiscal year for each Hired Employee as of the Closing Date under Seller's FSA and Seller's DCA; provided, however, that Purchaser's obligation to allow Hired Employees to participate is contingent upon (i) receipt from Seller, Seller's FSA or

Seller's DCA, in cash, of amounts equal to the unused credit amounts in each Hired Employee's accounts in Seller's FSA and Seller's DCA, without any netting of credit and debit amounts in different individual Seller FSA and Seller DCA accounts, and (ii) with respect to any Hired Employee, such Hired Employee has provided a new salary reduction election to Purchaser and such election does not revoke or adversely change his or her salary reduction election. Seller or its Affiliates shall retain all assets and liabilities of Seller's DCA and Seller's FSA accounts for the Hired Employees for all claims for benefits incurred on or before the Closing Date.

5.9 ACCRUED VACATION DAYS. Purchaser and the Subsidiaries shall, through the end of the calendar year that includes the Closing Date, honor all unused vacation days accrued by Hired Employees as of the Closing Date under the respective programs and policies of Seller and its Subsidiaries which were applicable to Hired Employees immediately prior to the Closing Date. Effective as of January 1 of the year after becoming a Hired Employee, each Hired Employee will be subject to the terms and conditions of Purchaser's vacation programs and policies.

5.10 401(k) PLANS. Each Hired Employee eligible to participate in any 401(k) plan for the benefit of the employees of Seller or the Subsidiaries as of the Closing (collectively, "Seller's 401(k) Plans") shall become eligible to participate in the Purchaser's 401(k) Plan upon fulfillment of the minimum age and service conditions of Purchaser's 401(k) Plans. Each Hired Employee shall receive credit for all Prior Service with Seller only for purposes of eligibility (but not for vesting or service related contributions) under Purchaser's 401(k) Plan. Effective as of the Closing Date, (a) each Hired Employee shall cease active participation in Seller's 401(k) Plans, (b) to the extent required by the terms of Seller's 401(k) Plans, Seller shall make any contributions to Seller's 401(k) Plans due in respect of Hired Employees relating to periods on or prior to the Closing Date in accordance with the terms of Seller's 401(k) Plans, and (c) Seller shall cause all Hired Employees who are participants in such plan to become 100 percent vested in their account balances under Seller's 401(k) Plans as of the Closing Date. Neither Purchaser nor the Subsidiaries will assume, or receive transfers of, benefits or liabilities accrued with respect to Hired Employees under Seller's 401(k) Plans. To the extent not inconsistent with the qualification requirements of the Code, Seller agrees that the account balances of all Hired Employees under Seller's 401(k) Plans shall be distributed or available for rollover as soon as administratively feasible after the Closing Date. "Eligible rollover distributions," as defined in Section 402(c)(4) of the Code, of Hired Employees who decide to roll over such distributions into Purchaser's 401(k) Plan will be accepted by Purchaser's 401(k) Plan provided Purchaser is satisfied Seller's 401(k) Plans are tax-qualified plan under the Code.

5.11 EMPLOYEE WITHHOLDING AND REPORTING. Purchaser and Seller agree that they will follow the "standard procedure" set forth in Section 4 of Rev. Proc. 96-60 promulgated by the Internal Revenue Service with respect to reporting of wages and other compensation. Purchaser agrees to furnish Seller's Forms W-2 to Hired Employees to the extent such Forms W-2 are timely forwarded by Seller to Purchaser so that any Legal Requirement for such distribution is satisfied.

5.12 WITHDRAWAL FROM PLANS . Prior to the Closing Date, Seller shall cause the Subsidiaries to withdraw from any employee benefit plans as defined in Section 3(3) of ERISA or arrangements maintained by Seller or any of its Affiliates in which any of the Subsidiaries is a participating employer as of the Closing Date, in the manner, if any, that such plan or arrangement specifies for withdrawal

of a participating employer. Seller shall be liable for any liability, cost or expense which arise as a result of Seller or the Subsidiaries' withdrawal from such plans.

5.13 EMPLOYMENT - NO THIRD PARTY RIGHTS. Nothing in this Agreement, express or implied, shall confer upon any employee of Seller, Purchaser, the Subsidiaries, or any of their Affiliates or any legal representatives thereof or any collective bargaining agent any rights or remedies, including any right to employment, or continued employment for any specific period. Nothing in this Agreement, express or implied, shall be deemed to confer upon any Person (or any beneficiary) any rights under or with respect to any plan, program, or arrangement described in or contemplated by this Agreement, and each Person (or any beneficiary) shall be entitled to look only to the express terms of any such plan, program, or agreement. Nothing in this Agreement, express or implied, shall create a third-party beneficiary relationship or otherwise confer any benefit, entitlement, or right upon any Person other than the parties to this Agreement and their respective corporate Affiliates.

5.14 SELLER ASSISTANCE. As soon as practicable after execution of this Agreement, Seller shall provide Purchaser with a download file from Seller's payroll records of the data listed on Schedule 5.14.

5.15 WARN ACT. Seller shall be responsible for providing notices for any "plant closing" or "mass layoff," as defined in the Worker Adjustment and Retraining Notification Act (the "WARN Act"), 29 U.S.C. Section 2101 ET SEQ., up to and including the Closing Date. After the Closing Date, Purchaser or the Subsidiaries shall be responsible for providing notice for any "plant closing" or "mass layoff" to Hired Employees in accordance with the WARN Act.

5.16 FLEETSHARE EMPLOYEES. Schedule 5.16 lists each employee of the FleetShare Business as of the date of this Agreement (the "FleetShare Employees"). Such Schedule shall be updated as of the date of Closing and as of the date of the termination of the services rendered by Seller under the terms of the Interim Services Agreement relating to the FleetShare Receivables (such date, the "FleetShare Services Termination Date"). Pending the FleetShare Services Termination Date, Seller shall use its best efforts to retain, shall not grant any compensation increase to, and shall not enter into any contract or arrangement for the benefit of any FleetShare Employee other than in the ordinary course of business consistent with Seller's past practices. Effective as of FleetShare Services Termination Date, Purchaser or the Subsidiaries shall offer to employ each FleetShare Employee who is actively at work on the FleetShare Services Termination Date on the terms specified in this Article V. For purposes of applying the provisions of this Agreement to the FleetShare Employees, (a) the FleetShare Employees shall be deemed to be Employees, (b) FleetShare Employees who become employed by Purchaser or either Subsidiary shall become Hired Employees, (c) any former employees of the FleetShare Business shall be deemed to be Former Employees and (d) all references to provisions becoming effective as of the Closing shall become effective with respect to any FleetShare Employee as of the FleetShare Services Termination Date. As soon as practicable after the Subsidiaries have given notice to Seller of the termination of the Services under the Interim Services Agreement that relate to the FleetShare Business, Seller shall provide Purchaser with a download file from Seller's payroll records of the data listed on Schedule 5.14 with respect to all FleetShare Employees.

ARTICLE VI

COVENANTS OF PURCHASER

Purchaser covenants and agrees with Seller as follows:

6.1 REGULATORY CONDITIONS. To the extent required by any regulatory authority as a condition to approval of the purchase and sale of the Shares or the other transactions contemplated hereby, Purchaser shall take such reasonable action as may be required in order to comply with any such requirement.

6.2 CERTAIN UNDERSTANDINGS. Purchaser acknowledges that, except as expressly set forth in this Agreement or in any other document or certificate to be delivered by Seller or either Subsidiary or any other party in connection herewith (collectively, the "Transaction Documents"), (a) neither Seller nor any other Person has made any representation or warranty, express or implied, as to the accuracy or completeness of any information regarding the Subsidiaries, including but not limited to projections, estimates, budgets, forecasts and other information relating to the Subsidiaries, (b) neither Seller nor any other Person will be subject to any liability to Purchaser or any other Person resulting from the distribution to Purchaser, or the use of, any such information, and (c) SELLER EXPRESSLY DISCLAIMS ANY WARRANTIES OF MERCHANTABILITY AND WARRANTIES OF SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE TANGIBLE ASSETS OF THE BUSINESS. Purchaser acknowledges that, should the Closing occur, Purchaser will acquire the Subsidiaries' businesses without any representation or warranty of any kind, express or implied, except for such representations and warranties as are expressly set forth in this Agreement or in any Transaction Document.

6.3 COMMONLY-AVAILABLE THIRD PARTY SOFTWARE PROGRAMS. After Closing, to the extent commonly-available third party Software Programs are installed on computer equipment owned by either of the Subsidiaries which, by the terms of the license related thereto, cannot be transferred to the Subsidiaries, or only may be transferred with additional payments, Purchaser will either license such software programs at Purchaser's expense or delete such software programs from such computer equipment.

6.4 CONFIDENTIALITY. After the Closing, Purchaser covenants and agrees that all confidential information regarding Seller or any of its Affiliates (other than the Subsidiaries) provided to Purchaser or any of its Representatives by Seller or its Representatives, whether furnished before or after the date of this Agreement, which does not relate to the Business shall be kept confidential by Purchaser and its Representatives. Except with the prior written consent of Seller, neither Purchaser nor its Representatives will disclose any such information. It is expressly understood, however, that the obligations in the preceding sentence shall not apply to any information that was or becomes available to the public on a non-confidential basis or was or becomes available to the public on a non-confidential basis from a third party who is not bound to Seller to keep such information confidential. Upon written request by Seller, Purchaser and its Representatives will promptly deliver to Seller all documents and other matters furnished by Seller containing confidential information which does not relate to the Business together with all copies thereof in the possession of Purchaser or its Representatives.

ARTICLE VII

MUTUAL COVENANTS

7.1 CONSUMMATION OF THE TRANSACTIONS. Subject to the terms and conditions of this Agreement, each party hereto shall use its best efforts consistent with applicable Legal Requirements to cause the Closing to occur. AFCC, Seller and the Subsidiaries and each of their respective directors, officers and representatives shall file and agree to cooperate with Purchaser in filing, and Purchaser and its directors, officers and representatives shall, file and agree to cooperate with AFCC, Seller and the Subsidiaries in filing, any necessary applications, reports or other documents with, giving any notices to, and seeking any consents from, any court, administrative agency or commission or other Governmental Entities and all third parties as may be required by AFCC, Seller or either Subsidiary, on the one hand, and Purchaser, on the other hand, in connection with the consummation of the transactions contemplated by this Agreement and the performance by the Subsidiaries of the Business after such consummation, and in seeking necessary consultation with and prompt favorable action by any such Governmental Entity or third party.

7.2 PUBLICITY. The parties hereto agree that, notwithstanding the terms of the Confidentiality Agreement, from the date of the execution and delivery of this Agreement through the Closing, no public release or announcement concerning the transactions contemplated hereby shall be issued by any party hereto without the prior consent of (a) Purchaser in the case of a release or an announcement by AFCC, Seller, the Subsidiaries or any of their Affiliates, or (b) Seller in the case of a release or an announcement by Purchaser (in each case which consent shall not be unreasonably withheld), except as such release or announcement may be required by law or the rules or regulations of any United States or foreign securities exchange, in which case the party required to make the release or announcement shall allow the other party reasonable time to comment on such release or announcement in advance of such issuance. After the date hereof and prior to Closing, the parties hereto shall not make any comments or statements with respect to the transactions contemplated hereby to any third party (including, without limitation, members of the news media, securities analysts and employees of AFCC, Seller, the Subsidiaries, or any of their Affiliates, or Purchaser or any of its subsidiaries) without the prior consent of Purchaser, on the one hand, or Seller, on the other hand, as the case may be; provided, however, that the provisions of this Section 7.2 shall not apply to communications by Seller or Purchaser to any Governmental Entity in connection with obtaining any consents or approvals required for the consummation of the transactions contemplated hereby or to any other communications pursuant to Section 7.5.

7.3 ANTITRUST NOTIFICATION. AFCC and Seller shall on the one hand, and Purchaser, on the other, shall, as promptly as practicable, file with the United States Federal Trade Commission (the "FTC") and the United States Department of Justice (the "DOJ") the notification and report form, if any, required for the transactions contemplated hereby and any supplemental information requested in connection therewith pursuant to the HSR Act. Any such notification and report form and supplemental information shall be in substantial compliance with the requirements of the HSR Act. AFCC, Seller and the Subsidiaries shall furnish to Purchaser, and Purchaser shall furnish to Seller, such necessary information and reasonable assistance as may be requested in connection with the preparation of any filing or submission which is necessary under the HSR Act. Each of AFCC and Seller shall keep Purchaser reasonably informed, and Purchaser shall keep Seller reasonably informed,

of the status of any communications with, and any inquiries or requests for additional information from, the FTC and the DOJ and shall comply promptly with any such inquiry or request.

7.4 CONFIDENTIALITY PRIOR TO CLOSING. Prior to Closing, the Confidential Agreement shall continue to apply, except to the extent that any of the provisions of the Confidentiality Agreement are inconsistent with this Agreement in which case the terms of this Agreement shall govern and supersede such provisions. In addition, the parties hereto agree not to disclose (without the consent of the other parties under the terms of Section 7.2) the nature and terms of this Agreement to a third party, unless such disclosure is required by law.

7.5 EMPLOYEE, CUSTOMER, VENDOR AND SUPPLIER NOTIFICATION. From the date hereof through the Closing Date, Seller and the Subsidiaries shall cooperate with Purchaser to jointly notify employees, customers, vendors and suppliers of the Business regarding the pending transactions contemplated under this Agreement in a mutually agreed upon manner, and Seller and the Subsidiaries shall use commercially reasonable efforts to cooperate in Purchaser's efforts to employ the Employees and to negotiate retention agreements with key employees.

7.6 FURTHER ASSURANCES. From time to time, as and when reasonably requested by another party hereto, a party hereto shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further acts or other actions as such other party may reasonably deem necessary or desirable to consummate the transactions contemplated by this Agreement.

7.7 CURE FOR BREACH BETWEEN PURCHASER AND SELLER OF CERTAIN REPRESENTATIONS, WARRANTIES AND COVENANTS.

(a) If any party discovers that, pursuant to Sections 4.3, 4.4 or 4.5, additional assets of the Business should have been transferred to either Subsidiary or additional liabilities should have been assumed by either Subsidiary or by Seller, as the case may be, the party discovering such omission promptly shall notify the other affected parties. A party purportedly in breach of such covenants by its failure to transfer any such asset or assume any such liability relating to such breach shall have an opportunity, in the absence of a Third Party Claim relating to such breach, to cure such omission as provided in this Section 7.7.

(b) With regard to any asset which was not transferred to either Subsidiary pursuant to Sections 4.3 or 4.4, the absence of which results in any interruption or impairment to the Business that results or could reasonably be expected to result in a Material Adverse Effect (a "Critical Asset"), Seller shall as promptly as possible, and in no event more than five days after receipt of the written notice provided for herein, transfer the Critical Asset to the appropriate Subsidiary. If Seller is unable or unwilling to transfer the Critical Asset to the appropriate Subsidiary within such period, Seller shall, at its own cost and expense, use its utmost best efforts to provide or otherwise arrange for the provision of appropriate replacement assets or services in order to completely remediate the interruption or other impairment resulting from the absence of the Critical Asset.

(c) With regard to any asset which was not transferred to either Subsidiary pursuant to Sections 4.3 or 4.4, and which is not a Critical Asset, Seller shall as promptly as possible,

and in no event more than 30 days after receipt of the written notice provided for herein, transfer such asset to the appropriate Subsidiary. If Seller is unable or unwilling to transfer such asset to the appropriate Subsidiary within such period, Seller shall, at its own cost and expense, use its best efforts to provide or otherwise arrange for the provision of appropriate replacement assets or services to remediate the interruption or other impairment resulting from the absence of the asset.

(d) If any party discovers that an asset or right, title and interest that should have been listed on Schedule 2.36, was not so listed, the party discovering such omission promptly shall notify the other affected parties. Seller shall, at its own cost and expense, use commercially reasonable efforts to provide or otherwise arrange for the provision of appropriate replacement assets or services to remediate the interruption or other impairment resulting from the absence of the asset or right, title and interest. Purchaser shall take all commercial reasonable efforts to mitigate any damage or loss resulting from such omission.

(e) With regard to any obligation or liability which was not assumed by either Subsidiary or by Seller, as the case may be, pursuant to Section 4.5, the party notified of such omission shall as promptly as possible, and in no event more than five days after receipt of the written notice provided for herein, cause the obligation or liability to be assumed in accordance with Section 4.5. The party assuming such obligation or liability shall, at its own cost and expense, use its best efforts to satisfy or assume such obligation or liability directly without the other party being obligated to satisfy such obligation or liability.

(f) Seller shall promptly upon demand reimburse the affected Subsidiary for all reasonable costs and expenses incurred by such Subsidiary in connection with any efforts to remediate the interruption or other impairment resulting from the absence of any asset from Schedule 4.3, Schedule 4.4 or Schedule 2.36 or from the failure to assume any SPS Retained Liability, and Seller shall indemnify for, and hold the affected Subsidiary harmless from, any Claims arising out of such circumstances.

(g) If any purported failure to transfer any asset or to assume liability pursuant to Sections 4.3, 4.4 or 4.5 is timely cured in the manner provided in this Section 7.7, in the absence of a third party Claim, there shall be deemed to have been no breach of the covenants contained in Section 4.3, 4.4 or 4.5 or of the representations and warranties affected by such covenants (consisting of those representations and warranties contained in Sections 2.16, 2.20, and 2.36 that represent that the assets transferred are all the assets used primarily to conduct the Business or, in the case of Section 2.36, all the assets relating to the Business not being transferred) and that, as between Seller and Purchaser, in the absence of a third party Claim, there shall be no additional remedy for such purported breach. If Third Party Claim shall arise out any matter described in this Section 7.7, the parties acknowledge that Purchaser and the Subsidiaries shall have indemnification rights for any such breach in accordance with Article XI.

7.8 REVENUES AND EXPENSES. The parties intend and agree that (a) all revenue of the Business prior to Closing shall belong to Seller, (b) all revenue of the Business on or after the Closing shall belong to the Subsidiaries, (c) all expenses of the Business that occurred prior to the Closing (other than Taxes) shall be the liability of and shall be timely paid by Seller, including all expenses of the Subsidiaries that occurred prior to the Closing, (d) all expenses of the Business that

occurred on or after the Closing (other than Taxes) shall be the liability of and shall be timely paid by the Subsidiaries unless any such expense shall not constitute an Assumed Liability and (e) Seller shall be liable for and shall timely pay all SPS Retained Liabilities. The allocation of Taxes between Seller and Purchaser shall be governed by the provisions of the Tax Cooperation and Indemnification Agreement. In the event either party shall receive revenues of the other, such revenues shall promptly be paid to the other party. In the event one party shall receive invoices for expenses or demands relating to obligations of the other party, such party shall promptly forward such invoices or demands to the other party.

7.9 POST-CLOSING REIMBURSEMENT FOR YEAR 2000 COSTS. The parties desire to expedite implementation of the Plan and to set forth certain agreements regarding allocation of certain costs and liabilities between them about Year 2000 Date Handling.

(a) Prior to Closing, Seller covenants to continue to implement the Plan in accordance with the Plan's requirements and time line. After Closing, as part of implementation of the Plan, Seller acknowledges Purchaser intends to conduct additional testing of the systems, applications and equipment of the Business and its interfaces with the customers, vendors and third party trading partners of the Business (the "Post-Closing Testing"). Seller agrees to reimburse Purchaser or the Subsidiaries for all Post-Closing Testing Costs to the extent conducted by Purchaser on or before December 31, 1999 up to $200,000; provided, however, that such reimbursement obligation shall be reduced by any unexpended amount as of the Closing Date of the $550,000 currently budgeted under the Plan for 1999. For purposes of this Agreement, "Post-Closing Testing Costs" shall mean all commercially reasonable project costs incurred by Purchaser or the Subsidiaries to conduct the Post-Closing Testing including, but not limited to, all independent consultant and employee time and related expenses and all Y2K Project Support under the Interim Services Agreement. In the event the Closing is delayed beyond July 1, 1999, Seller agrees to consult with Purchaser to identify and use reasonable commercial efforts to carry out the testing that Purchaser intended to implement as the Post-Closing Testing.

(b) If the Post-Closing Testing reveals that any additional remediation, re-testing and implementation of remediation plans is necessary for proper Date Handling with respect to the Proprietary Software Programs of Business (the "Post-Closing Remediation"), Purchaser shall be entitled to undertake such Post-Closing Remediation and Seller shall to reimburse Purchaser and the Subsidiaries for all Project Costs relating to such Post-Closing Remediation incurred on or before December 31, 1999. For purposes of this Agreement, "Project Costs" shall mean all commercially reasonable project costs to renovate and remediate the Proprietary Software Products of the Business for proper Date Handling, including all of those relating to the renovation, repair, replacement, re-testing and implementation costs, such as independent consultant and employee time and related expenses and all Y2K Project Support costs incurred under the Interim Services Agreement.

(c) Purchaser shall report to Seller promptly (i) when, in aggregate, any Post-Closing Remediation Costs exceed $100,000 and/or (ii) when the Post-Closing Testing has been completed. Such reports shall provide in reasonable detail the matters requiring Post-Closing Remediation, the results of the testing and Purchaser's reasonable expectation, based on current information, of additional Post-Closing Remediation Costs.

(d) Purchaser shall notify Seller promptly in the event Purchaser reasonably expects any Post-Closing Remediation project to exceed $50,000 or when a project which was not expected to exceed such amount is revised to be reasonably expected to exceed such amount (a "Critical Remediation"). Within 48 hours of such notice Seller agrees to meet with Purchaser for the purpose of discussing the problem identified, the anticipated means of remediating such problem and an estimate of the Project Costs. Within 24 hours after such meeting, Seller shall notify Purchaser whether Seller consents to the project relating to such Critical Remediation, which consent Seller agrees may not be unreasonably withheld. In the event Seller is unwilling or unable to meet such schedule, Seller waives any rights to object to the Critical Remediation. Purchaser shall be entitled to pursue any Critical Remediation notwithstanding the fact that Seller withholds its consent. However, any disputed matters relating to the Critical Remediation shall be resolved in accordance with Section 7.9(f).

(e) Each month Purchaser shall provide Seller with a written invoice, specifying in detail the Post-Closing Testing Costs and Project Costs during the preceding month and the total cost therefor. Within 30 days following the date of receipt of each invoice, Seller shall pay to Purchaser any undisputed invoiced amounts.

(f) Any specific remediation efforts and costs approved in advance by Seller, including those under Section 7.9(d), or those matters as to which Seller has waived its rights, may not be disputed. If Seller disputes any other matters, which disputes shall be limited to the commercial reasonableness of any Post-Closing Remediation, the scope of any Post-Closing Remediation or the amount of any Post-Closing Testing Costs or Project Costs (the matters in dispute, the "Disputed Matters"), Seller shall deliver to Purchaser, within 10 days from the date Seller receives notice of the matter which constitutes the Disputed Matter, a written statement identifying the Disputed Matters and providing a detailed explanation of its objections. If the parties cannot resolve all disputes under this Section 7.9 in a mutually satisfactory manner on or before January 15, 2000, the disputes shall be finally adjudicated by an independent consultant whose business involved Date Handling and who is mutually acceptable to the parties (the "Independent Consultant"). The Independent Consultant will review the Disputed Matters for commercial reasonableness, and shall make such other investigations as the Independent Consultant may deem necessary in order to ascertain the whether such matters were commercially reasonable. Pending the Independent Consultant's final determination, Seller shall pay the amounts not in dispute to Purchaser, subject to any adjustment as required to give effect to the Independent Consultant's final determination. Seller shall pay to Purchaser any amounts determined by the Independent Consultant to be owed with respect to the Disputed Matters. If the Disputed Matters are determined to be substantially correct, Seller shall pay Purchaser all costs incurred in engaging the Independent Consultant. If the Project Costs are not substantially correct, Purchaser shall pay to Seller all costs incurred in engaging the Independent Consultant. For purposes of this Agreement, "substantially correct" shall mean that the amount of the costs invoiced by Purchaser relating to the Disputed Matters varied no more than five percent from the Independent Consultant's final determination of such costs.

(g) The parties do not intend that the remedies granted to Purchaser and the Subsidiaries in this Section 7.9 to preclude any other remedies that Purchaser or the Subsidiaries may have with respect to improper Date Handling according to the representations and warranties contained in

Section 2.26, but Purchaser and the Subsidiaries agree that Seller shall not be liable twice for the same damages suffered by Purchaser or the Subsidiaries.

ARTICLE VIII

CONDITIONS TO CLOSING

8.1 EACH PARTY'S OBLIGATIONS. The respective obligations of each party hereto to effect the transactions contemplated hereby is subject to the satisfaction or waiver as of the Closing of the following conditions:

(a) No statute, rule, regulation, executive order, decree, temporary restraining order, preliminary or permanent injunction or other order shall have been enacted, entered, promulgated, enforced or issued by any Governmental Entity and no other legal restraint or prohibition preventing consummation of any of the transactions contemplated by this Agreement shall be in effect;

(b) The waiting period under the HSR Act, if applicable to the transactions contemplated hereunder, shall have expired or been terminated; and

(c) In all material respects, the parties hereto shall have filed all applications, reports or other documents, given all notices, met all requirements, received all consents and approvals, satisfied any and all conditions of approval and all applicable waiting periods shall have expired in connection with the consummation of the transactions contemplated hereby.

(d) IBM CONTRACT. Seller shall have extended the term of the IBM Contract (as defined in the Interim Services Agreement) to June 30, 2000 and shall have obtained IBM's consent for the parties to enter into the Master Agreement, and all other conditions precedent to such extension of such term and to the entering into the Master Agreement shall have been satisfied.

8.2 SELLER'S AND THE SUBSIDIARIES' OBLIGATIONS. The obligations of Seller and the Subsidiaries to effect the transactions contemplated hereby is subject to the satisfaction (or waiver by Seller) as of the Closing of the following additional conditions:

(a) ACCURACY OF REPRESENTATIONS AND WARRANTIES, COMPLIANCE WITH COVENANTS. The representations and warranties of Purchaser made in this Agreement qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, as of the date hereof and as of the time of the Closing as though made as of such time, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, on and as of such earlier date). Purchaser shall have duly performed, complied with and satisfied in all material respects all covenants, agreements and conditions required by this Agreement to be performed, complied with or satisfied by it by the time of the Closing. Purchaser shall have delivered to Seller a certificate dated the Closing Date and signed by an officer of Purchaser confirming the foregoing.

(b) ABSENCE OF LITIGATION, INJUNCTION. There shall not be threatened, instituted or pending any suit, action, investigation, inquiry or other proceeding by or before any court or Governmental Entity requesting an order, judgment or decree (except those in which Seller is a plaintiff directly or derivatively) which, in the reasonable judgment of Seller, would, if issued, be reasonably likely to restrain or prohibit the consummation of the transactions contemplated hereby or require rescission of this Agreement or such transactions or result in material damages to Seller, and there shall not be in effect any injunction, writ, preliminary restraining order or any order of any nature issued by a court or Governmental Entity of competent jurisdiction directing that the transactions contemplated hereby not be consummated as so provided or any statute, rule or regulation enacted or promulgated that makes consummation of the transactions contemplated hereby illegal.

(c) SPECIFIED ITEMS. Purchaser shall have delivered the items to be delivered to Seller pursuant to Section 1.6.

8.3 PURCHASER'S OBLIGATIONS. The obligations of Purchaser to effect the transactions contemplated hereby is subject to the satisfaction (or waiver by Purchaser) as of the Closing of the following additional conditions:

(a) ACCURACY OF REPRESENTATIONS AND WARRANTIES, COMPLIANCE WITH COVENANTS. The representations and warranties of Seller and the Subsidiaries made in this Agreement qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, as of the date hereof and as of the time of the Closing as though made as of such time, except to the extent such representations and warranties expressly relate to an earlier date (in which case such representations and warranties qualified as to materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, on and as of such earlier date), and except that the representations and warranties contained in Section 2.36 shall be true and correct in all respects or Seller shall have undertaken in writing to cure any known breaches that are the subject matter of Section 7.7 in accordance with Section 7.7. Except to the extent such covenants relate to the period after Closing, the covenants of the AFCC Group made in this Agreement qualified as to materiality shall have been duly performed, complied with and satisfied, and those not so qualified shall have been duly performed, complied with and satisfied in all material respects, as of the time of the Closing, except that the covenants contained in Sections 4.3, 4.4, and 4.5 shall have been duly performed, complied with and be satisfied in all respects or Seller shall have undertaken in writing to cure any known breaches that are the subject matter of Section 7.7 in accordance with Section 7.7. The AFCC Group shall have duly performed, complied with and satisfied in all material respects all other agreements and conditions required by this Agreement to be performed, complied with or satisfied by the AFCC Group by the time of the Closing. The AFCC Group shall have delivered to Purchaser a certificate dated the Closing Date and signed by an officer of AFCC, Seller and the Subsidiaries confirming the foregoing.

(b) ABSENCE OF LITIGATION, INJUNCTIONS. There shall not be threatened, instituted or pending any suit, action, investigation, inquiry or other proceeding by or before any court or governmental or other regulatory or administrative agency or commission requesting an order, judgment or decree (except those in which Purchaser is a plaintiff directly or derivatively) which, in the reasonable judgment of Purchaser would, if issued, be reasonably likely to restrain or prohibit the

consummation of the transactions contemplated hereby or require rescission of this Agreement or such transactions or result in material damages to Purchaser, if the transactions contemplated hereby are consummated, and there shall not be in effect any injunction, writ, preliminary restraining order or any order of any nature issued by a court or governmental agency of competent jurisdiction directing that the transactions contemplated hereby not be consummated as so provided or any statute, rule or regulation enacted or promulgated that makes consummation of the transactions contemplated hereby illegal.

(c) TERMINATION OF INTRACOMPANY AGREEMENTS. Each Subsidiary shall have terminated each contract, agreement or understanding between any of them, on one hand, and any member of the AFCC Group (other than the Subsidiaries), on the other hand, relating to either Subsidiary or the Business; provided, however, that nothing in this Section 8.3(c) is intended to affect the Transaction Documents.

(d) INTERCOMPANY DEBTS. At or immediately prior to the Closing, each Subsidiary shall have discharged in full any and all amounts due from such Subsidiary to any member of the AFCC Group and each member of the AFCC Group (other than the Subsidiaries) shall have discharged in full any and all amounts due to each Subsidiary, in each case that are outstanding at the Closing Date.

(e) SPECIFIED ITEMS. AFCC, Seller and the Subsidiaries shall have delivered the items to be delivered to Purchaser pursuant to Section 1.5.

(f) CONSENT TO SUBLEASE. Seller shall have taken all actions necessary to receive the consent of NOVUS Credit Services, Inc. as the landlord under the Riverwoods Lease to the Sublease.

8.4 FRUSTRATION OF CLOSING CONDITIONS. No party to this Agreement may rely on the failure of any condition set forth in this Article VIII if such failure was caused by such party's failure to act in good faith or to use its best efforts to cause the Closing to occur.

ARTICLE IX.

TAX MATTERS

9.1 TAX MATTERS. Certain tax matters which are the subject matter of the Tax Cooperation and Indemnification Agreement shall be governed by the Tax Cooperation and Indemnification Agreement to be executed by the parties thereto.

ARTICLE X.

TERMINATION

10.1 TERMINATION EVENTS. Anything contained herein to the contrary notwithstanding, this Agreement may be terminated and the transactions contemplated hereby abandoned at any time prior to the Closing Date:

(a) by mutual written consent of the Seller and Purchaser;

(b) by either Seller or Purchaser if the Closing does not occur on or prior to October 15, 1999; provided, however, that the right to terminate this Agreement pursuant to this Section 10.1(b) shall not be available to any party hereto, if it has failed to perform any of its obligations under this Agreement, which failure has resulted in a failure of any of the conditions of Article VIII; or

(c) by either Seller or Purchaser if any Governmental Entity shall have issued a judgment, order or decree or taken any other action permanently enjoining, restraining or otherwise prohibiting any of the transactions contemplated by this Agreement, and such judgment, order or decree or other action shall have become final and nonappealable.

10.2 INFORMATION AND CONFIDENTIALITY. In the event of any termination pursuant to this Article X, written notice thereof setting forth the reasons therefor shall promptly be given to the other parties and the transactions contemplated by this Agreement shall be terminated, without further action by any party. If the transactions contemplated by this Agreement are terminated as provided herein: (a) Purchaser shall return all documents and other materials received from Seller and the Subsidiaries relating to the transactions contemplated hereby, whether so obtained before or after the execution hereof, to Seller; and (b) all confidential information received by Purchaser with respect to the business of Seller and the Subsidiaries shall be treated in accordance with the Confidentiality Agreement, which shall remain in full force and effect notwithstanding the termination of this Agreement.

10.3 REMEDIES FOR TERMINATION. In the event that this Agreement is terminated due to the intentional breach of a representation, warranty, covenant or condition by the breaching party, then the non-breaching party shall be entitled to pursue, exercise and enforce any and all remedies, rights, powers and privileges available at law or in equity including the recovery of its actual expenses incurred in the negotiation and execution of this Agreement.

10.4 ABANDONMENT. If this Agreement is terminated and the transactions contemplated hereby are abandoned as described in this Article X, this Agreement shall become void and of no further force or effect, except for the provisions of (a) Section 7.4 relating to confidentiality, (b) Section 7.2 relating to publicity, (c) this Article X and (d) Section 13.11 relating to certain expenses. In addition, upon termination of this Agreement, Network Services shall promptly change its name to a name that does not include the initials "ADS." Nothing in this Article X shall be deemed to release any party from any liability for any breach by such party of the terms and provisions of this

Agreement or to impair the right of any party to compel specific performance by any other party of its obligations under this Agreement.

ARTICLE XI

INDEMNIFICATION

11.1 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties in this Agreement and in any Schedule or certificate delivered hereto shall survive the Closing for purposes of the other party asserting claims for breaches of such representations and warranties for eighteen months after Closing (except for (a) those representations and warranties contained in Sections 2.1, 2.4, 2.8, 2.9 and 3.2, which shall survive the Closing for any applicable statute of limitations periods and any extensions thereof, (b) the representations and warranties contained in Section 2.36, which shall survive the Closing through June 30, 2000, and (c) the representations and warranties contained in Section 2.26, which shall survive the Closing through December 31, 1999). The right of a party to indemnification, payment of damages or other remedy based on a breach of the representations or warranties contained herein will not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) by such party at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of, or compliance with, any such representation or warranty. The waiver of any condition based on the accuracy of any representation or warranty will not affect the right to indemnification, payment of damages or other remedy based on such representations or warranties.

11.2 INDEMNIFICATION BY SELLER. Upon the terms and subject to the conditions of this Article XI, Seller shall indemnify Purchaser, the Subsidiaries, their Affiliates and each of their respective officers, directors, employees and agents against and hold them harmless from any losses, liabilities, claims, damages or expenses (including costs of investigation and defense and reasonable legal fees and expenses) whether or not involving a third-party claim (collectively, "Claims") suffered or incurred by any such indemnified Person arising from, relating to or otherwise in respect of (a) any and all obligations and liabilities, secured or unsecured, whether absolute, accrued, contingent or otherwise, whether known or unknown and whether or not due ("Liabilities") of Seller or the Subsidiaries other than the Assumed Liabilities; (b) any breach of, or inaccuracy in, any representation or warranty of Seller or Subsidiaries in this Agreement (without giving effect to any supplement to the Schedules to this Agreement) or any certificate, instrument or other document delivered pursuant hereto or in connection herewith; (c) any breach of any covenant of Seller or, with respect to the period prior to the Closing, the Subsidiaries, contained in this Agreement; (d) any exercise or attempt to exercise any right of refusal or similar right with respect to the sale of the Subsidiaries, the Business or any portion thereof, including but not limited to any such right described on Schedule 2.2; or (e) any claim of a breach of a software license agreement as a result of the hiring of the FleetShare Employees by the Subsidiaries.

11.3 INDEMNIFICATION BY PURCHASER. Upon the terms and subject to the conditions of this Article XI, Purchaser shall indemnify Seller and each of its officers, directors, employees and agents against and hold them harmless from any Claims suffered or incurred by any such indemnified party arising from, relating to or otherwise in respect of (a) the operations of the Subsidiaries to the extent such Claims relate to an occurrence on or after the Closing Date (except to the extent such Claims

are not Assumed Liabilities); and (b) any breach of, or inaccuracy in, any representation or warranty of Purchaser contained in this Agreement (without giving effect to any supplement to the Schedules to this Agreement) or any certificate, instrument or other document delivered pursuant hereto or in connection herewith.

11.4 CONDITIONS OF INDEMNIFICATION RELATING TO THIRD PARTY CLAIMS. Subject to the provisions of this Article XI, the obligations and liabilities of Seller, in the case of Section 11.2(a), (b), (d) and (e) and the Purchaser, in the case of Section 11.3(b), with respect to Claims made by or against third parties ("Third Party Claims"), shall be subject to the following terms and conditions:

(a) The Person to whom such Third Party Claim relates (the "Indemnified Party") will give the party from which indemnity is sought hereunder (the "Indemnifying Party") prompt notice of such Third Party Claim, which notice in any event shall be given to the Indemnifying Party within 10 days of the Indemnified Party first becoming aware of the facts and circumstances that form the basis of such Third Party Claim; provided that the omission so to promptly notify the Indemnifying Party with respect to a Third Party Claim brought against or sought to be collected from such Indemnified Party will not relieve the Indemnifying Party from any liability which it may have to such Indemnified Party under Section 11.2 or 11.3 except to the extent that such failure has materially prejudiced such Indemnifying Party with respect to the defense of such Third Party Claim. The Indemnifying Party shall have the right to control the defense of any such Third Party Claim. Except as otherwise provided herein, the Indemnified Party shall have the right to participate in (but not control) the defense of any Third Party Claim and to retain its own counsel in connection therewith, but the fees and expenses of any such counsel for the Indemnified Party shall be borne by the Indemnified Party.

(b) If the Indemnifying Party, within a reasonable time after notice of any such Third Party Claim, fails to assume the defense thereof, the Indemnified Party shall (upon a subsequent 10 days' notice to the Indemnifying Party) have the right to undertake the defense or, with the consent of the Indemnifying Party, to undertake a compromise or settlement of such Third Party Claim on behalf of and for the account and risk of the Indemnifying Party, subject to the right of the Indemnifying Party to assume the defense of such Third Party Claim at any time prior to the settlement, compromise or final determination thereof. The Indemnifying Party shall not be liable for any compromise or settlement of a Third Party Claim effected without its written consent. During any period when the Indemnifying Party is contesting any such Third Party Claim in good faith, the Indemnified Party shall not pay, compromise or settle such Third Party Claim without the Indemnifying Party's consent; provided that the Indemnified Party may nonetheless pay, compromise or settle such Third Party Claim without such consent during such period, in which event it shall, automatically and without any further action on its part, waive any right (whether or not pursuant to this Agreement) to indemnity in respect of all losses, liabilities, damages or expenses relating to such Third Party Claim. If the Indemnifying Party shall defend any such Third Party Claim until such Third Party Claim shall be adjudicated by order, decree, ruling or other action, then the Indemnifying Party shall have the right, in the exercise of its exclusive discretion, to determine whether or not to appeal such adjudication.

(c) Anything in this Section 11.4 to the contrary notwithstanding, the Indemnifying Party shall not, without the written consent of the Indemnified Party (which consent shall not be

withheld unreasonably or delayed), settle or compromise any Third Party Claim or consent to the entry of any judgment which imposes any future obligation on the Indemnified Party or which does not include as an unconditional term thereof the giving by the claimant and or plaintiff to the Indemnified Party a release from all liabilities in respect of such Third Party Claim; provided that, whether or not such a release is required to be obtained, the Indemnifying Party shall remain liable to such Indemnified Party in accordance with Section 11.2 or 11.3 in the event that a Third Party Claim is subsequently brought against or sought to be collected from such Indemnified Party.

(d) The Indemnified Party shall, and shall cause its Affiliates to, provide the Indemnifying Party with such assistance (without charge) as may reasonably be requested by the Indemnifying Party in connection with any indemnification or defense provided for herein, including, without limitation, providing the Indemnifying Party with such information, documents and records and reasonable access to the services of and consultations with such personnel of the Indemnified Party or its Affiliates as the Indemnifying Party shall deem necessary (provided that such access shall not unreasonably interfere with the performance of the duties performed by or responsibilities of such personnel).

(e) The indemnification required by Section 11.2 or 11.3, as the case may be, shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills with reasonable documentation are received or Claims are actually incurred.

11.5 CONDITIONS OF INDEMNIFICATION RELATING TO CLAIMS THAT ARE NOT THIRD PARTY CLAIMS. In the event any Indemnified Party should have a claim against any Indemnifying Party under Section 11.2 or 11.3 that does not involve a Third Party Claim being asserted against or sought to be collected from such Indemnified Party, to the extent not otherwise cured pursuant to Section 7.7, the Indemnified Party shall deliver notice of such claim with reasonable promptness to the Indemnifying Party within the applicable time period specified in Section 11.1. The failure by any Indemnified Party so to notify the Indemnifying Party shall not relieve the Indemnifying Party from any liability which it may have to such Indemnified Party under Section 11.2 or 11.3 except to the extent that the Indemnifying Party demonstrates that it has been materially prejudiced by such failure. If the Indemnifying Party disputes its liability with respect to such claim, the Indemnifying Party and the Indemnified Party agree to proceed in good faith to negotiate a resolution of such dispute and, if not resolved through negotiations, such dispute will be resolved in accordance with Article XII.

11.6 LIMITATIONS ON INDEMNIFICATION. Any Claim brought under Section 11.2(b) or Section 11.3(b) is subject in each case to the following limitations and restrictions:

(a) Claims may not be asserted any time after 11:59 p.m. on the date on which a claim for a breach of the related representation and warranty terminates as established in Section 11.1. A claim for indemnification for which notice was given pursuant to Section 11.1 prior to the end of such period shall survive until such claim is fully and finally determined.

(b) Claims made pursuant to Section 11.2(b) will be paid only to the extent they exceed $2,000,000 (the "Seller's Basket"); provided, however, that (i) once Seller's Basket has been exceeded, all amounts back to the first dollar of claims shall be recoverable (ii) and the aggregate amount recoverable pursuant to Section 11.2(b) shall in no event exceed $50,000,000.

Notwithstanding anything to the contrary in this Article XI, the limitations and restrictions in this Section 11.6(b) shall not apply to any breach of the representations and warranties contained in Sections 2.8 and 2.9 of this Agreement.

(c) Claims made pursuant to Section 11.3(b) will be paid only to the extent they exceed $2,000,000 (the "Purchaser's Basket"); provided, however, that (i) once Purchaser's Basket has been exceeded, all the amounts back to the first dollar of claims shall be recoverable and (ii) the aggregate amount recoverable pursuant to Section 11.3(b) shall in no event exceed $50,000,000.

(d) The limitations contained in Sections 11.6(b) and 11.6(c) shall not apply to any breach of a representation or warranty to the extent the Person making such warranty had knowledge of such breach at any time prior to the date on which such representation and warranty is made.

(e) Each Claim shall be reduced by the amount of any insurance proceeds actually received in connection with such Claim. Each party covenants to exercise its reasonable commercial efforts to collect insurance proceeds under applicable insurance policies that are then in force if and to the extent that such Claim relates to an event covered by such insurance policies.

(f) The representations and warranties of Seller and the Subsidiaries specifically enumerated in Section 11.2(b) for purposes of determining whether a breach thereof has occurred that may entitle Purchaser or any other Person to recover for any Claim under Section 11.2(b) shall not be deemed qualified by any references to materiality (or variations thereof) contained therein and any breaches thereof shall be determined without regard to whether such breach constitutes a Material Adverse Effect.

(g) Following the Closing, the remedies provided in this Article XI shall be the sole recourse of all parties hereto for all Claims relating to breaches of representations and warranties, other than as may be provided for elsewhere in this Agreement and other than for the willful misconduct of Purchaser or Seller related to or arising, directly or indirectly, out of this Agreement or the transactions contemplated hereby.

(h) Notwithstanding anything herein to the contrary, if a matter which constitutes a breach of any representation or warranty by Seller or (before Closing) either Subsidiary also meets the definition of a SPS Retained Liability, then any limitations or restrictions imposed by this Section 11.6 shall not be applicable to a claim against Seller for any such SPS Retained Liability.

(i) All Claims described in Section 5.3 shall be governed by the provisions of Article V and not by the provisions of this Article XI except to the extent Article XI is expressly referenced. All Claims covered by the Tax Cooperation and Indemnification Agreement shall be governed by the provisions of such Tax Cooperation and Indemnification Agreement, and not by the provisions of this Article XI.

ARTICLE XII
DISPUTE RESOLUTION

12.1 NEGOTIATION. In the event of any dispute, claim, question, or disagreement arising from or relating to this Agreement or the breach thereof, the parties hereto shall use their reasonable best efforts to settle the dispute, claim, question, or disagreement. To this effect, a party who is involved in the dispute shall provide written notice to the other parties hereto, specifying in reasonable detail the factual background of the dispute and the basis for the party's claim. Thereafter, the parties shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to the parties. If the parties do not reach such solution within a period of sixty (60) days, then the dispute will be handled according to Section 12.2 below.

12.2 MEDIATION. If any dispute, claim, question or disagreement arising from or relating to this Agreement or the breach thereof cannot be settled according to Section 12.1 above, the parties agree to endeavor first to settle the dispute in an amicable manner by mediation administered by the American Arbitration Association under its Commercial Mediation Rules before resorting to any other remedy.

12.3 PROVISIONAL REMEDIES. Notwithstanding anything to the contrary in this Article XII, either party may seek from a court any interim or provisional relief that is necessary to protect the rights or property of that party.

ARTICLE XIII

MISCELLANEOUS

13.1 NO THIRD-PARTY BENEFICIARIES. Except as otherwise provided in Article XI which is for the benefit of, and enforceable by, the Indemnified Parties, this Agreement is for the sole benefit of the parties hereto and their permitted assigns, and nothing herein expressed or implied shall give or be construed to give to any Person, other than the parties hereto and such assigns, any legal or equitable rights hereunder.

13.2 AMENDMENT OR WAIVER. No amendment, modification or waiver in respect of this Agreement shall be effective unless it shall be in writing and signed by the parties hereto.

13.3 HEADINGS. The headings contained in this Agreement, or in any exhibit or schedule hereto and in the table of contents to this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

13.4 COUNTERPARTS. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the parties and delivered to the other parties.

13.5 ASSIGNMENT. This Agreement and the rights and obligations hereunder shall not be assignable or transferable by any party hereto (including by operation of law in connection with a merger, or sale of substantially all the assets, or any dissolution, of any party hereto) without the prior written consent of the other parties hereto; PROVIDED, HOWEVER, that Purchaser may assign its rights hereunder, in whole or in part, to an Affiliate of the Purchaser without the prior written consent of any party hereto; PROVIDED FURTHER, however, that no assignment shall limit or affect the assignor's obligations hereunder. Any attempted assignment in violation of this Section 13.5 shall be void.

13.6 NOTICES. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand or sent by telecopy or sent, postage prepaid, by registered, certified or express mail or overnight courier service and shall be deemed given when so delivered by hand, or telecopied, or if mailed, three days after mailing (one business day in the case of express mail or overnight courier service), as follows:

if to Seller, or the Subsidiaries (before Closing)

SPS Payment Systems, Inc.
2500 Lake Cook Road
Riverwoods, IL 60015
Telecopy No: (847) 405-4952
Attention: General Counsel

with a copy to:

Associates First Capital Corporation
250 E. Carpenter Freeway
Irving, Texas 75065
Telecopy No.: (972) 652-7123
Attention: General Counsel

if to Purchaser, or the Subsidiaries (after Closing)

Alliance Data Systems Corporation
17655 Waterview Parkway
Dallas, Texas 75252
Telecopy No.: (972) 348-4534
Attention: President, Network Services Division

with copies to:

Alliance Data Systems Corporation
800 Techcenter Drive
Gahanna, Ohio 43230
Telecopy No.: (614) 729-4949
Attention: General Counsel

or such other address as any party may from time to time specify by written notice to the other parties hereto.

13.7 ENTIRE AGREEMENT. This Agreement, including the Schedules and Exhibits hereto, together with the letter agreement from AFCC executed in connection with the execution of this Agreement (the "AFCC Letter") and the Confidentiality Agreement and all other documents or certificates executed by the Parties in connection herewith and therewith contain the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings relating to such subject matter.

13.8 SEVERABILITY. If any provision of this Agreement (or any portion thereof) or the application of any such provision (or any portion thereof) to any Person or circumstance shall be held invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (b) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability.

13.9 SCHEDULES. The inclusion of any matter in any schedule to this Agreement shall be deemed to be an inclusion for all purposes of this Agreement, including each representation and warranty to which it may relate, but inclusion therein shall expressly not be deemed to constitute an admission by Seller or Purchaser, or otherwise imply, that any such matter is material or creates a measure for materiality for the purposes of this Agreement.

13.10 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without regard to any conflicts of laws principles.

13.11 EXPENSES. Whether or not the transactions contemplated hereby are consummated, and except as otherwise specifically provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby by Seller and the Subsidiaries shall be paid by Seller (and not the Subsidiaries) and all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby by Purchaser shall be paid by Purchaser.

13.12 REMEDIES FOR BREACH. It is possible that remedies at law may be inadequate and, therefore, the parties hereto shall be entitled to equitable relief including injunctive relief, specific performance or other equitable remedies in addition to all of the remedies provided under this Agreement or available to the parties under this Agreement at law or in equity. Subject to the provisions of Article XII, no remedy made available by this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity.

[Remainder of page intentionally left blank]

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

SPS PAYMENT SYSTEMS, INC.

By: /S/ R. L. ROBINSON

Name: R. L. Robinson
Title: President

ALLIANCE DATA SYSTEMS CORPORATION

By: /S/ MICHAEL BELTZ

Name: Michael Beltz
Title: Executive Vice President

SPS COMMERCIAL SERVICES, INC.

By: /S/ STEPHEN W. MAXWELL

Name: Stephen W. Maxwell
Title: President

ADS NETWORK SERVICES, INC.

By: /S/ STEPHEN W. MAXWELL

Name: Stephen W. Maxwell
Title: President

FIRST AMENDMENT TO STOCK PURCHASE AGREEMENT
AMONG SPS PAYMENT SYSTEMS, INC., ALLIANCE DATA SYSTEMS CORPORATION, SPS COMMERCIAL SERVICES, INC. AND ADS NETWORK SERVICES, INC.

This First Amendment to Stock Purchase Agreement, dated as of July 12, 1999 (this "Amendment"), is by and among SPS Payment Systems, Inc., a Delaware corporation ("Seller"), Alliance Data Systems Corporation, a Delaware corporation ("Purchaser"), SPS Commercial Services, Inc., a Delaware corporation ("Commercial Services"), and ADS Network Services, Inc., a Delaware corporation ("ADS Network").

WHEREAS, on June 8, 1999, the parties to this Amendment entered into a Stock Purchase Agreement (the "Original Agreement");

WHEREAS, the parties have determined to establish 12:01 a.m. July 1, 1999 as the effective time (the "Effective Time") for the transactions contemplated by the Original Agreement for purposes of allocating revenue and expenses among the parties (but not for purposes of otherwise allocating risk and responsibility for any other benefits or Liabilities relating to operation of the Business prior to the Closing, for example, for the right to indemnification against third party claims for operation of the Business), and therefore desire to amend the Original Agreement as set forth below;

NOW THEREFORE, for and in consideration of the mutual covenants contained in this Amendment, the parties agree to the following amendments to the Original Agreement:

1. Defined terms used in this Amendment shall have the meanings set forth for such terms in the Original Agreement, except where the context herein requires otherwise.

2. Section 1.2 of the Original Agreement shall be deleted and the following shall replace Section 1.2 in its entirety: "1.2 PAYMENT OF PURCHASE PRICE Section 1.2 of the Original Agreement shall be deleted and the following shall replace Section 1.2 in its entirety:

   1.2 PAYMENT OF PURCHASE PRICE. On July 13, 1999, Purchaser shall deliver to Seller by electronic wire transfer to a bank account designated in writing by Seller at least two business days prior to the Closing Date, in immediately available funds, the sum of $169,000,000, together with interest thereon at an annual rate of 5.8% from July 1, 1999 through July 13, 1999, subject to adjustment as specified in Section 1.3 below (as adjusted, the "Purchase Price"). The parties acknowledge that the Purchase Price specified has been reduced by $1,000,000 to pay an intercompany debt owed by Seller to Commercial Services as required by Section 8.3(d)."

3. Section 1.3(a) of the Original Agreement shall be revised by deleting the phrase "Closing Date" in the first and third sentences and substituting the phrase "Effective Time" so that Section 1.3(a) shall read in its entirety as follows:

"(a) PREPARATION OF CLOSING BALANCE SHEET. As soon as practicable following the Closing Date, but in no event later than 30 days after the Closing, Seller shall deliver to Purchaser a balance sheet of the Business as of the Effective Time (the "Closing Balance Sheet") prepared in accordance with generally accepted accounting principles ("GAAP") consistently applied without giving effect to the transfer of assets to the Subsidiaries or the sale of Stock contemplated by this Agreement. The Closing Balance Sheet or explanatory notes shall identify as separate items the following: (i) the value of the Inventory (as hereinafter defined) and (ii) the value of the FleetShare Accounts Receivable (as hereinafter defined) and all allowances for doubtful accounts relating thereto. The Closing Balance Sheet shall be accompanied by a certificate signed by an officer of Seller certifying (i) that as of December 31, 1998, $3,919,487 was the amount of the FleetShare Accounts Receivable net of all reserves, (ii) the reserves for the FleetShare Accounts Receivable as of that date represented 1.047% of the FleetShare Accounts Receivable, (iii) that as of December 31, 1998, $844,648 was the amount of the Inventory of the Business, and (iv) that the Closing Balance Sheet and the certification of the FleetShare Accounts Receivable and the Inventory described in (i) and (iii) of this sentence: (x) were prepared in accordance with GAAP consistently applied, subject to normal recurring year end adjustments (which will not individually or in the aggregate have a Material Adverse Effect (as hereinafter defined)) and the absence of notes and (y) fairly reflects the assets and liabilities of the Business as of December 31, 1998 or the Effective Time, respectively. In the event that Purchaser shall disagree with amounts specified on the Closing Balance Sheet for the FleetShare Accounts Receivable, reserves related thereto or the Inventory, Purchaser shall notify Seller of the matters with which it disagrees within 15 days of Purchaser's receipt of the Closing Balance Sheet and the parties shall use their best efforts to promptly resolve any differences. If the parties are unable to resolve any disagreements that they may have within 30 days following Purchaser's giving of notice of its disagreement to Seller, then Seller and Purchaser shall use the dispute resolution mechanism established in Article XII."

4. Section 1.4 of the Original Agreement shall be deleted and the following shall replace Section in its entirety:

"1.4 CLOSING. Upon the terms and subject to the conditions hereof, the closing of the transactions contemplated hereby (the "Closing") shall take place at Dallas, Texas on July 12, 1999, unless the parties receive a second request under the terms of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), in which case the Closing shall be at such other place and/or time as Seller and Purchaser may agree (the "Closing Date")."

5. The first sentence of Section 2.30 of the Original Agreement shall be revised by deleting the phrase "Closing Date" and substituting the phrase "Effective Time" so that Section 2.30 shall read in its entirety as follows:

"Schedule 2.30 (which, upon the agreement of the parties, may be delivered in commonly readable electronic format) contains a complete and accurate list of all accounts receivable of Seller and each Subsidiary relating to the FleetShare Business (collectively, the "FleetShare Accounts Receivable") as of April 30, 1999 and as of the Effective Time, the later of which shall be delivered as of a date that is no more than two days prior to

the Closing Date, which list sets forth the aging of such FleetShare Accounts Receivable."

6. Sections 4.3 through 4.5 of the Original Agreement shall be deleted and the following shall replace such Sections in their entirety:

"4.3 ASSETS OF ADS NETWORK. On the Closing Date, but effective as of the Effective Time, Seller shall transfer to ADS Network all of Seller's rights, title and interest in each of assets listed in Schedule 4.3; provided, however, Purchaser may direct Seller to transfer all or part of the assets listed in Schedule 4.3 to Commercial Services, and Seller shall comply with such directions unless Seller has previously transferred the relevant assets to ADS Network or the transfer of the assets as directed will have a material adverse effect on Seller.

"4.4 ASSETS OF COMMERCIAL SERVICES. On or before the Closing Date, but effective as of the Effective Time, each of the assets listed in Schedule 4.4 will be among the assets of Commercial Services, and after the Closing Date, but effective as of the Effective Time, Seller shall have no further right, title or interest in such assets; provided, however, if any such assets are not owned by Commercial Services at the time this Agreement is executed, Purchaser may direct Seller to transfer all or part of such assets to ADS Network, unless Seller has previously transferred the relevant assets to Commercial Services or the transfer of the assets as directed will have a material adverse effect on Seller.

"4.5 ASSUMED LIABILITIES. On or before the Closing Date, but effective as of the Effective Time, ADS Network shall assume the obligations of Seller relating to the Network Services Business to the extent, and only to the extent, (a) listed on Schedule 4.5(a) (collectively, the "ADS Network Assumed Obligations") or (b) provided in the Tax Cooperation and Indemnification Agreement. On or before the Closing Date, but effective as of the Effective Time, pursuant to an assumption agreement substantially in the form attached hereto as Exhibit E (the "Assumption Agreement"), Commercial Services shall assign to Seller and Seller shall assume all obligations and liabilities, known or unknown, of Commercial Services other than the obligations of Commercial Services listed on Schedule 4.5(b) (the obligations retained by Commercial Services, the "Commercial Services Retained Obligations"; and the ADS Network Assumed Obligations and the Commercial Services Retained Obligations collectively, the "Assumed Liabilities"). Neither Seller nor either Subsidiary shall cause or permit either Subsidiary to assume or incur any obligation or liability other than the ADS Network Assumed Obligations and the Commercial Services Retained Obligations. On or before the Closing Date, but effective as of the Effective Time, Seller shall retain or assume all obligations and liabilities associated with the Business other than the Assumed Liabilities (collectively, the "SPS Retained Liabilities")."

7. Section 7.8 of the Original Agreement shall be deleted and the following shall replace Section 7.8 in its entirety:

"7.8 REVENUES AND EXPENSES. The parties intend and agree that effective after the Closing (a) all revenue of the Business prior to the Effective Time shall belong to Seller, (b) all revenue of the Business on or after the Closing Date shall belong to the Subsidiaries, (c)

all revenues of the Business that are the result of Interim Operations, as hereinafter defined, reduced by any Interim Period Tax Burden, as hereinafter defined, and increased by any Interim Period Tax Benefit, as hereinafter defined, will be deemed to belong to and shall be paid over to the Subsidiaries, (d) all expenses of the Business that occurred prior to the Effective Time (other than Taxes, which shall be allocated based upon the Closing Date and governed by the Tax Cooperation and Indemnification Agreement) shall be the liability of and shall be timely paid by Seller, including all expenses of the Subsidiaries that occurred prior to the Effective Time, (e) all expenses of the Business that occurred on or after the Effective Time (other than Taxes, which shall be allocated based upon the Closing Date and governed by the Tax Cooperation and Indemnification Agreement), shall be the liability of and shall be timely paid by the Subsidiaries unless any such expense shall not constitute an Assumed Liability, provided that the Subsidiaries shall not be responsible for and shall not pay costs and expenses incurred during the Interim Period, as hereinafter defined, outside of the ordinary course of the conduct of the Business, including without limitation any costs and expenses related to the transactions contemplated by this Agreement, and (f) Seller shall be liable for and shall timely pay all SPS Retained Liabilities. For the limited purpose of determining the Interim Period Tax Burden and any Interim Period Tax Benefit, the taxable income or loss of the Business for the Interim Period that are the result of Interim Operations ("Interim Period Results") and the Taxes for the Interim Period that are the result of Interim Operations shall be determined by application of the principles set forth in Section 2.2(c) of the Tax Cooperation and Indemnification Agreement, as reasonably interpreted and applied by the parties; provided that any income taxes included in calculating the Interim Period Tax Burden and any Interim Period Tax Benefit shall be determined by multiplying the Interim Period Results by the highest marginal corporate income Tax rate in effect for such Interim Period. Except for the limited purpose of determining the Interim Period Tax Burden and any Interim Period Tax Benefit, the allocation of Taxes between Seller and Purchaser shall be governed by the provisions of the Tax Cooperation and Indemnification Agreement. For purposes of this Section 7.8, "Interim Operations" means the ordinary and necessary operations of the Business during the Interim Period and shall not include any transactions or occurrences outside of the ordinary course of the conduct of the Business; "Interim Period" means the period commencing with the Effective Time and ending on the Closing Date; "Interim Period Tax Burden" means any Taxes allocated to the Interim Period pursuant to this Section 7.8; and "Interim Period Tax Benefit" means any reduction in Taxes realized by Seller or any of its Affiliates as a result of net losses incurred from Interim Operations. For purposes of allocating revenues and expenses for the Interim Period, the parties intend that (a) any expenses for such period that are described as services to be provided by Seller to the Subsidiaries after the Closing under the terms of the Interim Services Agreement shall be calculated using the pricing for such services under the Interim Services Agreement; for example, notwithstanding that the Riverwoods Lease, the Sublease and the Interim Services Agreement are entered into effective as of the Closing Date, expenses for use of the premises under the Riverwoods Lease and the Sublease shall be for the account of the Subsidiaries from the Effective Time and such expenses shall be calculated using the amounts set forth for such services in the Interim Services Agreement, and (b) notwithstanding that the Subsidiaries are, under the terms of Article V, not hiring the Active Employees and are not responsible for certain benefits with respect to Hired Employees until the Closing Date, employee and employee benefit expenses, such as payroll and other costs of employee benefits, of Seller from the Effective Time for Employees who become Hired Employees shall be for the account of the Subsidiaries. In the event either party shall receive revenues of the other, such revenues shall promptly be paid to the other party. In the event one party shall receive invoices for expenses or

demands relating to obligations of the other party, such party shall promptly forward such invoices or demands to the other party."

8. The third sentence of Section 7.9(a) of the Original Agreement shall be revised by deleting the phrase "Closing Date" and substituting the phrase "Effective Time" so that the third sentence of Section 7.9(a) reads in its entirety as follows:

"Seller agrees to reimburse Purchaser or the Subsidiaries for all Post-Closing Testing Costs to the extent conducted by Purchaser on or before December 31, 1999 up to $200,000; provided, however, that such reimbursement obligation shall be reduced by any unexpended amount as of the Effective Time of the $550,000 currently budgeted under the Plan for 1999."

9. Section 8.1(d) of the Original Agreement shall be deleted and the following shall replace Section 8.1(d) in its entirety:

"(f) IBM CONTRACT. Seller shall have extended the term of the IBM Contract (as defined in the Interim Services Agreement) to June 30, 2000, and all other conditions precedent to such extension of such term and to the entering into of the Master Agreement shall have been satisfied."

10. Section 8.3(d) of the Original Agreement shall be deleted and the following shall replace Section 8.3(d) in its entirety:

"(d) INTERCOMPANY DEBTS. At or immediately prior to the Closing, but effective prior to the Effective Time, each Subsidiary shall have discharged in full any and all amounts due from such Subsidiary to any member of the AFCC Group and each member of the AFCC Group (other than the Subsidiaries) shall have discharged in full any and all amounts due to each Subsidiary, in each case that are outstanding at the Closing Date. The parties acknowledge that the $1,000,000 intercompany debt owed by Seller to Commercial Services has been satisfied by the reduction of the Purchase Price referred to in Section 1.2 as amended hereby."

11. Section 11.2 of the Original Agreement shall be amended by deleting the word "or" in front of subpart "(e)" and inserting the following phrase at the end of the sentence "or (f) any failure to obtain the consent of IBM to the terms of the Master Agreement."

12. Exhibit E shall be amended to make the Assumption Agreement effective as of the Effective Time as shown on the attached revised Exhibit E.

13. In all other respects, the Original Agreement shall remain in full force and effect.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed on their respective behalf, by their respective officers, thereunto duly authorized, as of the day and year first above written.

SPS PAYMENT SYSTEMS, INC.

By: /S/ Richard L. Robinson

Name: Richard L. Robinson
Title: President

ALLIANCE DATA SYSTEMS CORPORATION

By: /S/ Michael Beltz

Name: Michael Beltz
Title: Executive Vice President

SPS COMMERCIAL SERVICES, INC.

By: /S/ Steve Maxwell

Name: Steve Maxwell
Title: President

ADS NETWORK SERVICES, INC.

By: /S/ Steve Maxwell

Name: Steve Maxwell
Title: President

ASSUMPTION AGREEMENT

This Assumption Agreement (the "Agreement") is entered into as of July 12, 1999, by and between SPS Payment Systems, Inc., a Delaware corporation ("SPS"), and SPS Commercial Services Inc., a Delaware corporation and a wholly-owned subsidiary of SPS ("Commercial Services").

WHEREAS, SPS and Commercial Services are parties to that certain Stock Purchase Agreement, dated June 8, 1999, by and among SPS, Commercial Services, ADS Network Services, Inc. and Alliance Data Systems Corporation (the "Stock Purchase Agreement");

WHEREAS, the Stock Purchase Agreement requires that Commercial Services and SPS execute and deliver this Agreement at the Closing of the Stock Purchase Agreement;

NOW, THEREFORE, in consideration of the mutual representations, warranties, and agreements contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto intending to be legally bound hereby, agree as follows:

1. DEFINITIONS. Capitalized terms not otherwise defined in this Agreement will have the respective definitions set forth in the Stock Purchase Agreement.

2. ASSIGNMENT. Commercial Services hereby assigns to SPS effective as of 12:01 a.m. July 1, 1999 (the "Effective Time") all of Commercial Services' right, title and interest in and to all obligations and liabilities of Commercial Services, except for those listed in the attached Exhibit A (such assigned obligations and liabilities, the "SPS Assumed Liabilities").

3. ACCEPTANCE OF ASSIGNMENT BY SPS; PERFORMANCE. SPS hereby accepts the assignment from Commercial Services of the SPS Assumed Liabilities. Effective as of the Effective Time, SPS hereby agrees to perform and discharge all such obligations and liabilities, when and as the same become due.

4. AMENDMENT . No amendment, modification or waiver in respect to this Agreement shall be effective unless it shall be in writing and signed by the parties hereto.

5. ENTIRE AGREEMENT; NO THIRD-PARTY BENEFICIARIES . This Agreement, including the documents referred to herein, (a) constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings relating to such subject matter, and (b) is not intended to confer upon any Person other than the parties hereto (and their permitted assigns) any rights or remedies.

6. ASSIGNMENT . Neither this Agreement nor any of the rights, interests or obligations under this Agreement shall be assigned, in whole or in part, by operation of law or otherwise, by any of the parties without the prior written consent of the other party hereto; provided, however, that Commercial Services may assign its rights hereunder, in whole or in part, to ADS Alliance Data Systems, Inc. or any of its Affiliates without the prior written consent of SPS. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by, the parties and their respective successors and assigns.

7. GOVERNING LAW . This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware, without regard to any conflicts of law principles.

8. IN WITNESS WHEREOF, SPS and Commercial Services have caused this Agreement to be duly executed by their respective officers, thereunto duly authorized, as of the date first written above.

SPS PAYMENT SYSTEMS, INC.

By:

Name:
Title:

SPS COMMERCIAL SERVICES, INC.

By:

Name:
Title:

EXHIBIT A
to the Assignment and Assumption Agreement
between SPS and Commercial Services

EXCEPTION TO THE SPS ASSUMED LIABILITIES

The SPS Assumed Liabilities consist of all obligations and liabilities of SPS Commercial Services, Inc., EXCEPT the following:

(a) the obligations and liabilities of SPS Commercial Services, Inc. for the period after July 12, 1999 (the "Closing Date") to perform under the following contracts:

Alliance Energy Corp. FleetShare Agreement
A. T. Williams FleetShare Agreement
East Coast Oil Corp. FleetShare Agreement
Farm Stores, Inc. FleetShare Agreement
Fas Mart Convenience Stores, Inc. FleetShare Agreement
Gate Petroleum Company FleetShare Agreement
Junior Food Stores, Inc. FleetShare Agreement
Lil Champ Food Stores, Inc. FleetShare Agreement
Murphy Oil USA, Inc. FleetShare Agreement
Summit Oil FleetShare Agreement
Volta Oil Co. FleetShare Agreement
Phillips 66 Company FleetShare Agreement
Thornton Oil Corporation FleetShare Agreement

; provided, however, that the FleetShare Receivables and revenues and expenses relating to such contracts shall be for the account of SPS Commercial Services, Inc. as of 12:01 a.m. July 1, 1999.

(b) all other liabilities and obligations for the period after the Closing Date with respect to the operation of the FleetShare Business except for the FleetShare Employees.

LEASE SCHEDULE

1. Date of Lease: July 30, 1999.

2. Landlord: Deerfield & Weiland Office Building, L.L.C., an Illinois limited liability company

3. Tenant: ADS Alliance Data Systems, Inc.

4. Guarantor: Alliance Data Systems Corporation

5. Property Address: 975 Weiland Road, Buffalo Grove, Illinois.

6. Premises: second floor, described on Appendix "A" attached hereto.

7. Purpose: General offices, provided same is in compliance with all zoning and land use regulations and covenants and restrictions of record.

8. Lease Term: Ten (10) years and four (4) months, beginning November 1, 1999 ("Commencement Date") and ending February 29, 2010. Renewal Options: 2 - 5 year options to renew.

9. Area of Premises: in rentable square feet ("r.s.f."): Approximately 24,136; in useable square feet: Approximately 22,165

10. Jurisdiction in which the Property is located: Village of Buffalo Grove, County of Lake, State of Illinois.

11. Tenant's Share: 49.9%

12. Annual Base Rent in U.S. Dollars:

Years 1 - 5	$ 424,793.60
Years 6 - 10	$ 485,616.32

13. Monthly Base Rent in U.S. Dollars:

Years 1 - 5	$ 35,399.47
Years 6 - 10	$ 40,468.03

14. Rent Commencement Date: March 1, 2000, provided however said date shall be extended on a daily basis to the extent that the date by which Landlord substantially completes the Work as hereinafter defined, is delayed beyond November 1, 1999 as a result of the acts or omissions of Landlord, its agents, employees, and contractors, or delay in the issuance of permits by the Village of Buffalo Grove except as a result of the acts or omissions of Tenant or Tenant's consultants.

15. Addresses for Purpose of Notice:

Landlord: Lawrence M. Freedman, Ash, Anos, Freedman & Logan, L.L.C., 77 West Washington Street, Suite 1211, Chicago, IL 60602, Fax No: (312) 346-7847.

Tenant: 17655 Waterview Parkway, Dallas, TX 75252, Attention: Jim Anderson.

With a copy to: Gregg Eakins, 17655 Waterview Parkway, Dallas, TX 75252.

16. Brokers: Podolsky Northstar Realty Partners, L.L.C., and Peterson Realty Group.

LEASE

THIS LEASE MADE and entered into as of the date set forth on the Lease Schedule as Date of Lease, which Lease Schedule is appended to this Lease and is specifically incorporated by reference herein, by and between the Landlord and Tenant as set forth in the Lease Schedule.

WITNESSETH:

DEMISE

A. Landlord does hereby lease to Tenant and Tenant hereby lets from Landlord, the Premises set forth in the Lease Schedule, which are situated in that certain building (the "Building") located as denoted as the Property Address in the Lease Schedule. The Building and the real estate on which it is located are hereinafter referred to as the "Property". Tenant acknowledges that the sole purpose of the attached Appendix A" is to identify the location of the Premises in the Building. Landlord makes no representations or warranties in said Appendix "A" as to the useable or rentable square footage of the Premises.

B. Such letting and hiring is upon and subject to the terms, covenants and conditions herein set forth and Tenant and Landlord covenant as a material part of the consideration for this Lease to keep and perform each and all of said terms, covenants and conditions by them to be kept and performed and that this Lease is made upon the condition of such performance.

1.

PURPOSE

The Premises are to be used for the Purpose set forth in the Lease Schedule and for no other purpose without the prior written consent of the Landlord.

2.

TERM

The Lease Term shall be as set forth in the Lease Schedule except as otherwise expressly provided in this Lease.

3.

POSSESSION

A. If Landlord, for any reason whatsoever, cannot deliver possession of the

Premises to the Tenant on the intended date of the commencement of the Term, this Lease shall not be void or voidable, nor shall the Landlord be liable to Tenant for any loss or damage resulting therefrom. Under such circumstances, the rent provided for herein shall not commence until possession of the Premises is made available to Tenant and no such failure to give possession on the date of commencement of the Term shall affect the validity of this Lease or the obligations of the Tenant hereunder, and the Term shall be extended accordingly.

B. Subject to the provisions of Appendix "C" hereto, Landlord, at its sole cost and expense, shall provide and furnish, free and clear of any and all liens and claims of laborers, artisans, materialmen, suppliers and subcontractors, the following (collectively, the "Work"): all labor, materials, supplies, apparatus, equipment, fixtures, tools and implements required to fully construct, perform and completely finish in a good and workmanlike manner, in accordance with all applicable laws, ordinances, rules and regulations (including, without limitation, all zoning, building, flood plain and control and health, safety and environmental protection laws, rules and regulations), and in accordance with the approved TI Budget (as defined below), which TI Budget shall provide for a maximum ten (10%) percent construction fee, (inclusive of profit, g&a and general conditions): (a) Base Building substantial completion of shell and core, and all common areas of the Building sufficient to permit Tenant's access to and use of the Premises for the purpose of installation by Tenant of its furniture, and partitions, as well as telephones and data systems; and (b) the construction of the Premises in accordance with the TI Plans and Specifications (as hereinafter defined in Appendix "C"). Subject to Section 27 hereof, Landlord shall substantially complete the Work ("Substantial Completion") on or prior to November 1, 1999, and if for any reason other than the default or delay of Tenant hereunder or delay resulting from the following improvements which may require longer delivery times than normal: specialty or decorative light fixtures; VAV and fan powered boxes; Herculite doors; custom receptionist desk, or any approved Change Order which causes delay beyond November 1, 1999 (and to the extent any such Change Order is approved, such November 1, 1999 date shall be extended for the period of time reflected in the Change Order to complete same), Substantial Completion shall not occur on November 1, 1999 (or such later date as set forth in such Change Order), then Tenant shall be entitled to one day's rent abatement for each day after November 1, 1999 until Substantial Completion shall have occurred, and in all events if Substantial Completion shall not have occurred on or prior to February 1, 2000, (the "Election Date"), Tenant, at its election by written notice to Landlord (the "Election Notice") shall have the right to either: (x) terminate the Lease effective as of the date of such Election Notice, in which event Tenant shall receive an immediate refund of all amounts theretofore paid by Tenant under the Lease (including, without limitation, all amounts expended by Tenant in respect of the Work within or for the benefit of the Premises in excess of Landlord's Construction Allowance (as defined below); or (y) complete that portion of the Work attributable to the Premises provided that: (1) said portion of the Work shall be limited to the Premises only, except for Work required to those portions of the Building necessary for Tenant to complete the Work in the Premises sufficient for Tenant to occupy and use the Premises as herein provided; (2) Landlord's failure to substantially complete the Work on or before the Election Date results from the failure of the General Contractor to perform the Work in a timely manner; (3) all Work affecting Building systems or common elements shall be subject to review and approved by Landlord's Architect; and (4) Tenant's exercise of the foregoing election in this subsection (y) shall not act to release Landlord of its obligations hereunder; the provisions of Section 27 hereof shall not however, notwithstanding anything to the contrary herein contained, act in any manner to delay the Election Date and limit the rights of Tenant to deliver the Election Notice if Substantial Completion has not occurred on or prior to the Election Date, provided however, delays or defaults on the part of Tenant shall delay the Election Date and the right of the Tenant to give the Election Notice.

C. The Premises shall be deemed to be ready for Tenant's occupancy if only minor or insubstantial details of construction, decoration or mechanical adjustments remain to be done in the Premises or any part thereof, or if the delay in the availability of the Premises or any part thereof for occupancy shall be due to special work, changes, alterations, or additions required or made by Tenant in the layout or finishing of the Premises. Whether or not the Premises are ready for occupancy shall be determined by; (i) the Jurisdiction in which the

Property is located as set forth in the Lease Schedule, which shall evidence same by authorizing Tenant's occupancy thereof, which authorization may be in the form of oral or written permission to occupy which if in the form of written permission, may be in the form of a temporary or permanent certificate of occupancy; and (ii) a certification by Landlord's architect ("Landlord's Architect") of such Substantial Completion, provided however, in the event a licensed architect appointed by Tenant ("Tenant's Architect"), disagrees with Landlord's Architect that Substantial Completion has occurred, then such two architects shall jointly select a third architect, who shall be independent of Tenant and Landlord, and such independent architect's determination shall be final and binding upon the parties hereto. The cost of Tenant's and Landlord's architects shall be borne by Tenant and Landlord, respectively, and if a third architect is required as aforesaid, the cost of such third architect shall be split equally between Tenant and Landlord. It is further understood that within 48 hours of initial occupancy, the parties shall jointly inspect the Premises and prepare a "punch list" of incomplete items to be completed by Landlord within a reasonable time after occupancy. Tenant agrees to provide a supplemental "punch list" within thirty (30) days after occupancy encompassing all items not then completed except for latent defects. Landlord agrees to the extent reasonably possible to complete all "punch list items" within thirty (30) days of receipt thereof.

4.

DEFINITIONS AS USED IN THIS LEASE

A. The term "Commencement Date" is the date of the beginning of the Lease as set forth in the Lease Schedule.

B. The term "Tenant's Share" shall mean that amount set forth as such in the Lease Schedule being the ratio which the rentable area of the Premises bears to the entire rentable area in the Building. The Tenant's Share allocated to the Premises as it relates to the Building as a whole, is not meant, nor shall it be construed, as a representation by Landlord as to the rentable or useable square footage of the Premises. The parties recognize that this ratio as well as the area measurements are reasonable approximations that may not be exactly precise, but both Landlord and Tenant accept such ratio and measurements as final and binding for all purposes of this Lease.

C. The Term "Taxes" means any and all taxes of every kind and nature whatsoever which Landlord shall pay or become obligated to pay during a calendar year (regardless of whether such taxes were assessed or became a lien during, prior or subsequent to the calendar year of payment) because of or in connection with the ownership, leasing and operation of the Property including without limitation, real estate taxes, personal property taxes, sewer rents, water rents, special assessments, transit taxes, legal fees and court costs charged for the protest or reduction of property taxes and/or assessments or an increase therein in connection with the Premises including the Building, any tax or excise on rent or any other tax (however described) on account of rental received for use and occupancy of any or all of the Building and/or the Premises, whether any such taxes are imposed by the United States, the state or other local governmental municipality, authority or agency or any political subdivision of any thereof in the Jurisdiction in which the Property is located. Taxes shall not include any income, capital stock, estate or inheritance taxes.

D. (i) The term "Operating Costs" means to the extent the same are normal and customary for properties substantially similar to the Property within the five (5) mile radius thereof, and as the same are limited by this Section D, any and all actual expenses, costs and disbursements (other than Taxes as defined in Section 4(C)) of every kind and nature whatsoever incurred by Landlord in connection with the ownership, management, maintenance, operation and repair of the Property including, without limitation, interior and/or exterior energy costs (including but not limited to the cost of electricity, steam, water, gas, fuel, heating, lighting and air conditioning), easement maintenance expenses, any and all common area expenses in the development in which the Property is located, including but not limited to landscaping and other maintenance of properties which benefit the Property, usual and customary property management fees (not to exceed five (5%) percent of gross

rental receipts) and on-site management costs (including but not limited to on-site management office rent, equipment costs, and other typical related office expenses but only to the extent same relate to operations of the Property and no other property), insurance costs (including but not limited to fire, extended coverage, liability, workers' compensation and elevator insurance, as well as all reasonable and customary deductibles paid by Landlord for damages and injuries covered by policies of insurance maintenance for the Property, and all sums paid to satisfy judgments rendered affecting the Landlord or the Property to the extent not covered by Landlord's insurance and to the extent not the result of the actions or inactions of Landlord) and routine repairs, maintenance and interior and/or exterior decorating, wages, salaries, and benefits of employees working at the Property on a full or part-time basis (but only to the extent allocable to the operations of the Property and excluding those above the level of property or building manager), uniforms, supplies, sundries, sales or use taxes on supplies or services (but only to the extent same relate solely to the Property), snow removal, parking lot repairs, legal and accounting costs and expenses, (but only to the extent same relate solely to the Property and in no event relating to the governance or other operation or financial matters of Landlord) janitorial expenses, roof repairs, exterminating, elevator maintenance, HVAC system maintenance, which Landlord shall be or become obligated to pay in respect of a calendar year regardless of when such Operating Costs were incurred which in accordance with generally accepted accounting or management principles respecting first class buildings in the Jurisdiction in which the Property is located would be considered as an expense of owning, managing, operating, maintaining or repairing the Property.

(ii) Operating Costs shall not include:

(a) The cost of alterations, capital improvements, equipment replacements, and other items which under generally accepted accounting principles are properly classified as capital expenditures.

(b) Expenses incurred for business interruption or rental value insurance.

(c) Leasing commissions and/or expenses and advertising and promotional expenses.

(d) Legal fees or other professional or consulting fees in connection with the negotiation of tenant leases or compliance with applicable law for owning, operation or management of the Building to the extent said compliance relates to the failure of Landlord to perform its respective agreements, covenants, and liabilities hereunder.

(e) Repairs required to cure violations of laws enacted prior to the date of the Lease and repairs required to cure violations of laws enacted after the date of the Lease, provided same relate to the failure of Landlord to perform its respective agreements, covenants and liabilities hereunder.

(f) The cost of repairs or replacements incurred by reason of fire or other casualty or condemnation to the extent that either (1) Landlord is compensated therefor through proceeds of insurance or condemnation awards; (2) Landlord failed to obtain insurance against such fire or casualty, if insurance was available at a commercially reasonable rate, against a risk of such nature at the time of same; or (3) Landlord is not fully compensated therefor due to the coinsurance provisions of its insurance policies on account of Landlord's failure to obtain a sufficient amount of coverage against such risk. Notwithstanding the foregoing, Landlord's reasonable insurance deductibles shall be deemed as Operating Costs.

(g) Damage and repairs necessitated by the negligence or willful

misconduct of Landlord, Landlord's employees, or agents.

(h) Compensation paid to officers or executives of the Landlord above the level of building or property manager.

(i) That portion of salaries of service personnel to the extent such salaries are applicable and relate to performance of services by such personnel other than in connection with the management, operation, repair, or maintenance of the Building.

(j) The cost of incremental expense to Landlord incurred by Landlord in curing its defaults.

(k) Legal fees, accounting fees, and other expenses incurred specifically in connection with disputes with tenants or occupants of the Building or associated with the enforcement of the terms of any leases with tenants or the defense of Landlord's title or interest in the Building or any part thereof.

(l) Costs (including permits, licensing, and inspection fees) incurred in renovations or otherwise improving, decorating, painting, or altering space for tenants or other occupants of vacant space (excluding common areas) in the Building.

(m) Any cash or other consideration paid by Landlord on account of, with respect to, or in lieu of the tenant work or alterations described in subsection (1) above.

(n) Cost of any service provided to tenants or other occupants of the Building for which Landlord is entitled to be reimbursed.

(o) Interest and principal payments on mortgages.

(p) Depreciation.

(q) Landlord shall not collect in excess of one hundred (100%) percent of Operating Costs and shall not recover any items of cost more than once.

(iii) Provided however:

(a) The cost of any capital improvements to the Building made after the date of this Lease which are (1) intended to reduce Operating Costs or (2) required to cause the Building to comply with the Americans with Disabilities Act or (3) which are required under any governmental laws, regulations, or ordinances which were not applicable to the Building as of the date hereof, amortized on a level pay debt service basis over fifteen (15) years, with interest at ten (10%) percent per annum shall be included in Operating Costs.

(b) If the Building is not at least ninety-five (95%) percent occupied by tenants during all or a portion of any calendar year, then Landlord may elect to make an appropriate adjustment for such year of components of Operating Costs and the amounts thereof which may vary depending upon the occupancy level of the Building or with the number of tenants using the service, such that tenants then occupying space in the Building will pay their respective proportionate shares of the amount of such variable components of Operating Costs which would have been incurred if the Building had been ninety-five (95%) percent occupied during the entire

calendar year and Landlord had paid or incurred such costs and expenses for the calendar year. Any such adjustments shall be deemed costs and expenses paid or incurred by Landlord and included in Operating Costs for such calendar year.

5.

BASE RENT

A. Except as otherwise provided herein, Tenant shall pay as initial Base Rent to Landlord the Annual Base Rent as set forth in the Lease Schedule in equal monthly installments as set forth as the Monthly Base Rent in the Lease Schedule in advance on the first day of the first full calendar month and on the first day of each calendar month thereafter during the Term, and at the same rate for fractions of a month if the Term shall begin on any day except the first day or shall end on any day except the last day of a calendar month, provided however so long as Tenant is not in default, Base Rent shall be abated until March 1, 2000.

B. Any rent (whether Base Rent or additional rent) or other amount due from Tenant to Landlord under this Lease not paid when due shall incur a late fee equal to interest from the receipt of notice from Landlord until the date paid at the annual rate of Four (4%) Percent above the prime rate as set forth as the Base Rate on Corporate Loans published by the Wall Street Journal from time to time, but the payment of such interest shall not excuse or cure any default by Tenant under this Lease. The covenants herein to pay rent (both Base Rent and additional rent) shall be independent of any other covenant set forth in this Lease.

C. Base Rent and all of the rent provided herein shall be paid without deduction or off-set in lawful money of the United States of America to c/o Lawrence M. Freedman, Ash, Anos, Freedman & Logan, L.L.C., 77 West Washington Street, Suite 1211, Chicago, IL 60602 or as designated from time to time by written notice from Landlord, provided Tenant shall have the right to pay by wire transfer and Landlord agrees to provide account information on request for such purpose.

6.

ADDITIONAL RENT

TAXES

A. It is further agreed between the parties hereto that in addition to the rental provided for herein that Tenant will also pay during the term of this Lease, as additional rent, an amount equal to Tenant's Share of the Taxes, provided however so long as Tenant is not in default Tenant shall not be responsible for any Taxes until the Rent Commencement Date.

OPERATING COSTS

B. It is further agreed between the parties hereto that in addition to the rental provided for herein that Tenant shall also pay during the term of this Lease, as additional rent, an amount equal to Tenant's Share of the Operating Costs, provided however: (i) so long as Tenant is not in default, Tenant shall not be responsible for any Operating Costs until the Rent Commencement Date; and (ii) for the first five (5) years of the Term those components of Operating Costs which are subject to Landlord's reasonable control shall not exceed one hundred five (105%) percent of such components for the immediately preceding year. It is understood that snow removal, utility costs, and wages of union personnel shall not be deemed to be components the cost of which are within Landlord's reasonable control.

RENT ADJUSTMENT PAYMENT

A. Sixty (60) days prior to the commencement of the Term, Landlord shall deliver to Tenant a written statement setting forth Landlord's good faith estimate of Tenant's Share of Taxes and Operating Costs (a "Taxes and Operating Cost Statement") for the remainder of the calendar year in which the Term commences. Thereafter, prior to January 1 of each subsequent calendar year, or from time to time during each subsequent calendar year, Landlord shall deliver an estimated Taxes and Operating Cost Statement pertaining to each such forthcoming calendar year. Commencing on the first full calendar month of the Term and on the first day of each calendar month thereafter during the Term, Tenant shall pay one-twelfth (1/12th) of Tenant's Share of Taxes and Operating Costs as estimated by Landlord. Not less than once in each calendar year after the initial year of the Term, Landlord shall furnish to Tenant a written statement showing in reasonable detail actual Operating Costs and Taxes for the preceding year for which such statement is furnished and showing the amount, if any, of rental adjustment due for such year. Landlord shall use its best efforts to deliver such statement on or before March 31 of each year, but in no event later than June 1.

B. Subject to paragraph 6.D hereof, on the monthly rental payment date (the "adjustment date") next following Tenant's receipt of each such annual statement, Tenant shall pay to Landlord as additional rent an amount equal to the sum of the net aggregate rental adjustment shown on each such annual statement less the amount, if any, of the total estimated additional rent paid by Tenant during the preceding calendar year.

C. In the event that any such settlement required above indicates that the total additional rent paid by Tenant during the preceding calendar year exceeds the aggregate rental payable by Tenant for such calendar year, Landlord shall apply such excess on any amounts of additional rent next falling due under this Lease as long as Tenant is not then in default of any of the terms and provisions of this Lease, or upon expiration of the Lease pay any such amount to Tenant.

D. The annual determination of Taxes and Operating Cost Statement shall be prepared in accordance with generally acceptable cash basis accounting principles. Tenant using either its own employee(s) or its certified public accountant shall have the right to inspect at reasonable times and in a reasonable manner, at the Landlord's office, such of the Landlord's books of account and records as pertain to or contain information concerning the items included in Operating Costs and Taxes for that year in order to verify the amounts thereof. Any and all information obtained through the Tenant's inspection with respect to financial matters (including, without limitation, costs, expenses, income) and any and all other matters pertaining to the Landlord and/or the Property as well as any compromise, settlement, or adjustment reached between Landlord and Tenant relative to the results of any such inspection shall be held in strict confidence by the Tenant and its officers, agents, and employees; and Tenant shall cause its certified public accountant and any of its officers, agents, and employees to be similarly bound. If Tenant shall dispute any item or items included in the Operating Costs or Taxes for such year, and such dispute is not resolved by the parties within ninety (90) days after such statement is delivered to Tenant, then either party may at its sole expense, within thirty (30) days thereafter, request that a firm of independent certified public accountants mutually selected by Landlord and Tenant ("Independent Review") render to the parties an opinion as to whether or not the disputed item or items should have been included in the Operating Costs and/or Taxes for such year; and the opinion of such firm on such matter shall be conclusive and binding upon both parties, provided however, it shall be a further condition of Tenant's right to conduct an Independent Review that the firm conducting the Independent Review shall not be retained upon the basis of all or a portion of its fees being contingent based upon the results of the Independent Review. Landlord and Tenant agree that the firm's opinion shall be confidential and shall not be disclosed to any other party whatsoever. In the event such Independent Review discloses that the amount due from Tenant was overstated in excess of five (5%)

percent on an annualized basis, Landlord shall bear the reasonable cost of such Independent Review. In all other cases, Tenant shall bear the cost of such Independent Review. Tenant employee(s) or certified public accountants may examine the records of Landlord supporting the Taxes and Operating Cost Statement at Landlord's or the Management Agent's office during normal business hours within forty-five (45) days after the Taxes and Operating Statement is furnished. Unless Tenant takes written exception to any item within ninety (90) days after the furnishing of the Taxes and Operating Statement (which shall be noted on the item as "paid under protest"), such Statement shall be considered as final and accepted by Tenant. Tenant shall promptly tender payment for any undisputed items and shall tender payment for any disputed items within ten (10) days after the resolution of any such dispute.

E. In no event shall any rent adjustment result in a decrease of the Base Rent as set forth in the Lease Schedule.

F. In the event of the termination of this Lease by expiration of the stated term or for any other cause or reason whatsoever prior to the determination of rental adjustment as hereinabove set forth, Tenant's agreement to pay additional rental accrued up to the time of termination, and Landlord's obligation to pay any sums to Tenant shall survive the expiration or termination of the Lease.

8.

HOLDING OVER

Should Tenant hold over after the termination of this Lease, by lapse of time or otherwise, Tenant shall become a tenant from month to month only upon each and all of the terms herein provided as may be applicable to such month to month tenancy and any such holding over shall not constitute an extension of this Lease; provided, however, during such holding over, Tenant shall pay Base Rent and all Additional Rent (as heretofore adjusted, or as estimated by Landlord) for the first thirty (30) days of such holdover at One Hundred Twenty-Five (125%) Percent of the rate payable for Base Rent and all Additional Rent for the month immediately preceding said holding over, and thereafter at One Hundred Seventy-Five (175%) Percent of such rate, and in addition, Tenant shall pay Landlord all direct damages, sustained by reason of Tenant's holding over. The provisions of this paragraph do not exclude the Landlord's rights of re-entry or any other right hereunder.

9.

BUILDING SERVICES

A. Landlord agrees to furnish to the Premises and the common areas during reasonable hours (8:00 A.M. to 6:00 P.M. Mondays through Fridays and 8:00 A.M. to 1:00 P.M. on Saturdays) except for the following legal holidays: Memorial Day, July 4th, Labor Day, Thanksgiving, Christmas and New Years Day, and subject to the rules and regulations of the Building, passenger and elevator service to the extent applicable, heat and air conditioning in accordance with the design for such systems and as required in Landlord's reasonable judgment for the comfortable use and occupancy of the Premises and common areas, subject to scheduling by Landlord. Landlord shall also furnish janitorial and cleaning services in and about the Premises, Saturdays, Sundays excepted, comparable to the standard janitor services furnished by other first class office buildings in the Jurisdiction which the property is located and further agrees to maintain and operate the Building in the manner and to the standard of other first class office buildings in the Jurisdiction which the property is located. Landlord further agrees, except for the interior of the Premises (other than Building systems, equipment or components), to maintain the Property in good condition and repair, including but not limited to snow removal, landscaping, and parking lot, provided that the cost of same may be included in Operating Costs.

B. Except to the extent same are caused by the failure of Landlord to perform its respective agreements, covenants, and obligations hereunder, neither Landlord nor any company, firm or individual, operating, maintaining, managing or supervising the plant or

facilities furnishing the services included in Landlord's energy costs nor any of their respective agents, beneficiaries, or employees, shall be liable to Tenant, or any of Tenant's employees, agents, customers or invitees or anyone claiming through or under Tenant, for any damages, injuries, losses, expenses, claims or causes of action, because of any interruption or discontinuance at any time for any reason in the furnishing of any of such services, or any other service to be furnished by Landlord as set forth herein; nor shall any such interruption or discontinuance relieve Tenant from full performance of Tenant's obligations under this lease. Provided however to the extent that the Premises are rendered untenantable for seventy-two (72) consecutive hours or more as a result of the act or omission of Landlord, rent shall abate until tenantability is restored.

C. Electricity shall not be furnished by Landlord, but except as otherwise hereinafter provided, shall be furnished by the approved electric utility company serving the area ("Electric Service Provider"). Landlord shall permit the Tenant to receive such service direct from such public utility company at Tenant's cost, and shall permit Landlord's wire and conduits, to the extent available, suitable and safely capable, to be used for such purposes. Tenant shall make all necessary arrangements with the local utility company for metering and paying for electric current furnished by it to Tenant and Tenant shall pay for all charges for electric current consumed on the Premises during Tenant's occupancy thereof. The electricity used during the performance of janitorial service, the making of alterations or repairs in the Premises, and for the operation of the Premises' air conditioning system at times other than as provided herein; or the operation of any special air conditioning systems which may be required for data processing equipment or for other special equipment or machinery installed by Tenant, shall be paid for by Tenant. Tenant shall make no alterations or additions to the Building's electric equipment and/or appliances without the prior written consent of the Landlord in each instance, which consent shall not be unreasonably withheld. Tenant also agrees to purchase from the Landlord or its agent all lamps, bulbs after the initial installation thereof, ballasts and starters used in the Premises, provided however that the availability, quality, and cost of any such items shall be comparable to that available to Tenant from other suppliers. Tenant covenants and agrees that at all times its use of electric current shall never exceed the capacity of the feeders to the Building or the risers or wiring installed thereon. If Tenant shall require water or electric current in excess of that which is respectively obtainable from existing water pipes or electrical outlets and normal for use of the Premises as general office space, Tenant shall first procure the consent of Landlord, which Landlord may not unreasonably refuse. If Landlord consents to such excess water or electric requirements, Tenant shall pay all costs including but not limited to meter service and installation of facilities necessary to furnishing such excess capacity.

D. (1) Landlord has advised Tenant that presently Electric Service Provider is the utility company selected by Landlord to provide electricity service for the Building. Notwithstanding the foregoing, to the extent permitted by law, Landlord shall have the right at any time and from time to time during the Term to either contract for service from a different company or companies providing electricity service (each such company hereinafter described as an "Alternate Service Provider") or continued to contract for service from the Electric Service Provider, provided that any portion of the cost of such service to Tenant shall be based upon the cost thereof as changed by said Alternate Provider with no additional fee to Landlord.

(2) Tenant shall cooperate with Landlord, the Electric Service Provider, and any Alternate Service Provider at all times, and as reasonably necessary, shall allow Landlord, Electric Service Provider and any alternate Service Provider reasonable access to the Building's electric lines, feeders, risers, writing, and any other machinery within the Premises.

10.

CONDITION OF THE PREMISES

A. Subject to latent defects and "punch lists" heretofore referred to by taking

possession of the Premises, Tenant shall be deemed to have agreed that the Premises were as of the date of taking possession, in good order, repair and condition. No promises of the Landlord to alter, remodel, decorate, clean or improve the Premises or the Building and no representation or warranty expressed or implied, respecting the condition of the Premises or the Building has been made by the Landlord to Tenant, unless the same is contained herein or made a part hereof.

B. Tenant shall, at its own expense, keep the Premises in good repair and tenantable condition, and shall promptly and adequately repair all damages to the Premises under the supervision and with the approval of Landlord and within a reasonable period of time as specified by Landlord, loss by ordinary wear and tear, fire and other casualty excepted. If Tenant does not do so promptly and adequately, Landlord may, but need not, make such repairs and Tenant shall pay Landlord immediately upon request by Landlord.

C. The parties acknowledge that the Americans With Disabilities Act of 1990 (42 U.S.C. 12101 et seq.) and regulations and guidelines promulgated thereunder, as all of the same may be amended and supplemented from time to time (collectively referred to herein as the "ADA") establish requirements under Title III of the ADA ("Title III") pertaining to business operations, accessibility and barrier removal, and that such requirements may be unclear and may or may not apply to the Premises and the Building depending on, among other things: (1) whether Tenant's business operations are deemed a "place of public accommodation" or a "commercial facility," (2) whether compliance with such requirements is "readily achievable" or "technically infeasible," and (3) whether a given alteration affects a "primary function area" or triggers so-called "path of travel" requirements. Landlord represents that the Building, as of the date of commencement hereof complies with Title III. Tenant shall be responsible for all Title III compliance and costs in connection with the Premises (including structural work, if any, and including leasehold improvements or other work to be performed in the Premises under or in connection with this Lease) to the extent that same arises out of matters specific to Tenant's activities or operations or resulting from alterations to the Premises made by Tenant.

11.

USES PROHIBITED

Tenant shall not use, or permit the Premises or any part thereof to be used, for any purpose or purposes other than as specified the Lease Schedule. No use shall be made or permitted to be made of the Premises, nor acts done, which will increase the existing rate of insurance upon the Building, or cause a cancellation of any insurance policy covering the Building, or any part thereof, nor shall Tenant sell, or permit to be kept, used or sold, in or about the Premises, any article which may be prohibited by Landlord's insurance policies. Tenant shall not commit or suffer to be committed, any waste upon the Premises, or any public or private nuisance or other act or thing which may disturb the quiet enjoyment of any other Tenant in the Building, nor, without limiting the generality of the foregoing, shall Tenant allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose. Tenant agrees at all times to cause the Premises to be operated in compliance with all federal, state, local or municipal laws, statutes, ordinances, and rules and regulations, including but not limited to those relating to zoning, environmental protection, health, and safety. Tenant further agrees to promptly cure any such violation at its own expense, and shall furthermore defend and indemnify Landlord, beneficiaries, mortgagees, and officers, agents, and employees thereof respectively, for any and all liability, loss, costs (including attorneys' fees and expenses), damages, responsibilities or obligations incurred as a result of any violation of any of the foregoing. Tenant shall upon request of Landlord certify in writing that it has not received any notice of non-compliance with applicable local, state and federal environmental rules, regulations, statutes and laws for the preceding year. At the request of the Landlord, Tenant shall submit to the Landlord, or shall make available for inspection and copying upon reasonable notice and at reasonable times, any or all of the documents and materials prepared by or for Tenant pursuant to any environmental law or regulation or submitted to any governmental regulatory agency in conjunction therewith. Upon reasonable

notice except in cases of emergency, Landlord shall have reasonable access to the Premises to inspect the same to confirm that the Tenant is using the Premises in accordance with local, state and federal environmental rules, regulations, statutes and laws. Tenant shall, at the request of the Landlord and at the Tenant's expense, conduct such testing and analysis as is necessary to ascertain whether the Tenant is using the Premises in compliance with all local, state and federal environmental rules, regulations, statutes and laws, provided however, Landlord shall not request that Tenant conduct such tests unless Landlord has a reasonable basis for belief that Tenant may be in violation of the foregoing rules, regulations, statutes, or laws. Said tests shall be conducted by qualified independent experts chosen by the Tenant and subject to Landlord's reasonable approval. Copies of reports of any such tests shall be provided to the Landlord. The provisions within this paragraph shall survive termination of this Lease and shall be binding upon and shall inure to the benefit of the parties hereto, their respective successors and assigns, and mortgagees thereof

12.

COMPLIANCE WITH LAW

Tenant shall not use the Premises or permit anything to be done in or about the Premises which in any way conflict with any law, statute, ordinance or governmental rule or regulation now in force or which may hereafter be enacted or promulgated. Tenant shall, at its sole cost and expense, promptly comply with all laws, statutes, ordinances and governmental rules, regulations or requirements now in force or which may hereafter be in force and with the requirements of any board of fire underwriters or other similar body now or hereafter constituted relating to or affecting the condition, use or occupancy of the premises, excluding structural changes not related to or affected by Tenant's improvements or acts. The judgment of any court of competent Jurisdiction or the admission of Tenant in an action against Tenant whether Landlord be a party thereto or not, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement shall be conclusive of that fact as between Landlord and Tenant.

13.

ALTERATIONS AND REPAIRS

A. Tenant shall keep the Premises in good condition and repair ordinary wear and tear and loss by fire and other casualty excepted, and shall not do any painting or decorating, or erect any partitions, make any alterations in or additions, changes or repairs to the Premises without the Landlord's prior written approval in each and every instance, such consent not to be unreasonably withheld, provided however, Landlord's consent shall not be required so long as: (i) Landlord is given prior notice thereof; (ii) Landlord is given as-built plans upon completion for alterations and repairs which are affixed to the Premises; (iii) structure, roof, and building systems are not affected; (iv) the aggregate cost does not exceed FIFTY THOUSAND ($50,000.00) DOLLARS; and (v) Tenant obtains all necessary permits. It shall not be unreasonable for Landlord to withhold approval of any alteration or addition which impacts structure or any Building system, or which would otherwise result in requiring additional improvements to the Premises and/or the Property, or result in a labor dispute. Unless otherwise agreed by Landlord and Tenant in writing, all such work shall be performed either by or under the direction of Landlord, but at the cost of Tenant. During the term of this Lease, no work shall be performed by or under the direction of Tenant without the express written consent of Landlord. Unless otherwise provided by written agreement, all alterations, improvements, and changes shall remain upon and be surrendered with the Premises, excepting however that at Landlord's option, Tenant shall, at its expense, when surrendering the Premises, remove from the Premises and the Building all alterations, improvements, and changes (other than initial Work) and further provided that Tenant shall, on the election of Landlord, remove any trade fixtures provided the Premises are restored to a condition reasonably satisfactory to Landlord. If Tenant does not remove said additions, decorations, fixtures, hardware, non-trade fixtures and improvements after request to do so

by Landlord, Landlord may remove the same and Tenant shall pay the cost of such removal to Landlord upon demand. Except to the extent of Landlord's negligent or willful act or omission, Tenant hereby agrees to hold Landlord and Landlord's beneficiaries, their agents and employees harmless from any and all liabilities of every kind and description which may arise out of or be connected in any way with said alterations or additions. Any mechanic's lien filed against Premises, or the Building or the Property, for work claimed to have been furnished to Tenant shall be discharged of record by Tenant within ten (10) days thereafter, at Tenant's expense, provided however Tenant shall have the right to contest any such lien on the posting of reasonably sufficient security.

B. Tenant shall, at the termination of this Lease, surrender the Premises to Landlord in as good condition and repair as reasonable and proper use thereof will permit, loss by ordinary wear and tear, fire or other casualty excepted.

14.

ABANDONMENT OF PERSONAL PROPERTY

During the term, if Tenant shall abandon, vacate or surrender (whether at the end of the stated term or otherwise) the Premises, or be dispossessed by process of law, or otherwise, any personal property belonging to Tenant and left on the Premises shall be deemed abandoned, at the option of the Landlord.

15.

ASSIGNMENT AND SUBLETTING

A. Tenant shall not assign this Lease, or any interest therein and shall not sublet the Premises or any part thereof, or any right or privilege appurtenant thereto, or suffer any other person to occupy or use the Premises, or any portion thereof, without the written consent of Landlord first had and obtained, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Landlord's consent shall not be required for assignments or subleases of all or a major portion of the Premises, so long as: (i) the use of the Premises does not change and the proposed assignee or sublessee is not a governmental agency, school, or medical office; (ii) Landlord is given prior notice thereof; and (iii) the net worth of such assignee or sublessee is not less than THIRTY-FIVE MILLION ($35,000,000.00) DOLLARS as evidenced by an audited financial statement prepared in accordance with generally accepted amounting principles by a nationally recognized public accounting firm. In the event of an assignment or sublease which meets the foregoing criteria in sections (i)-(iii) of this Section 15.A, Tenant and Guarantor shall be released from further liability. Otherwise no such assignment or sublease shall release Tenant or Guarantor of their respective obligations under this Lease.

B. Except for assignments and subleases to affiliates or subsidiaries (for which no consent of Landlord shall be required under A above if Guarantor shall remain liable under its Guaranty), Tenant shall, by notice in writing, advise Landlord of its intention from on and after a stated date (which shall not be less than sixty (60) days after the date of Tenant's notice) to assign or to sublet any such part of all of the Premises for the balance or any part of the Term, and, in such event Landlord shall have the right, to be exercised by giving written notice to Tenant thirty (30) days after receipt of Tenant's notice, to recapture the space described in Tenant's notice and such recapture notice shall, if given, cancel and terminate this Lease with respect to the space therein described as of the date stated in Tenant's notice. Tenant's said notice shall state the name and address of the proposed subtenant or assignee, the proposed subtenant's or assignee's intended use of the Premises, and shall include the potential subtenant's or assignee's most current certified financial statement, and a true and complete copy of the proposed assignment or sublease or form of assignment shall be delivered to Landlord with said notice. If Tenant's notice shall cover all of the space hereby demised and if Landlord shall give the aforesaid recapture notice with respect thereto, the

Term of this Lease shall expire and end on the date stated in Tenant's notice as fully and completely as if that date had been herein definitely fixed for the expiration of the Term. If, however, this Lease be canceled pursuant to the foregoing with respect to less than the entire Premises, the rental and the escalation percentages herein reserved shall be adjusted on the basis of the number of square feet retained by Tenant in proportion to the rent and escalation percentages reserved in this Lease, and this Lease as so amended shall continue thereafter in full force and effect. If Landlord, upon receiving Tenant's said notice with respect to any such space, shall not exercise its right to cancel as aforesaid, Landlord will not unreasonably withhold its consent to Tenant's assigning or subletting the space covered by its notice, provided; (i) at the time thereof Tenant is not in default under this Lease, (ii) Landlord, in its sole discretion reasonably exercised, determines that the reputation, business, proposed use of the Premises and financial responsibility of the proposed sublessee or occupant, as the case may be, of the Premises are satisfactory to Landlord, (iii) any assignee or subtenant shall expressly assume all the obligations of this Lease on Tenant's part to be performed; (iv) such consent if given shall not release Tenant of any of its obligations (including, without limitation, its obligation to pay rent) under this Lease, (v) Tenant agrees specifically to pay over to Landlord, as additional rent, all sums received by Tenant under the terms and conditions to such assignment or sublease, which are in excess of the amounts otherwise required to be paid pursuant to the Lease; (vi) a consent to one assignment, subletting occupation or use shall be limited to such particular assignment, sublease or occupation and shall not be deemed to constitute Landlord's consent to an assignment or sublease to or occupation by another person. Any such assignment or subletting without such consent shall be void and shall, at the option of Landlord, constitute a default under this Lease. Tenant will pay all of Landlord's costs associated with any such assignment or subletting including but not limited to reasonable legal fees; and (vii) the person or entity to whom Tenant wishes to assign or sublet is not (nor, immediately prior to such assignment or sublease, was) a tenant or occupant in the Buildings; or any other building owned or operated by Landlord or any affiliate thereof, in the same complex as the Building.

16.

SIGNS

Tenant shall not place or affix any exterior or interior signs visible from the outside of the Premises. For purposes of this Lease, "signs" shall include all signs, designs, monuments, logos, banners, projected images, pennants, decals, advertisements, pictures, notices, lettering, numerals, graphics, or decorations. Notwithstanding the foregoing, Landlord agrees to provide, at Landlord's cost which shall not be included in Tenant's allowance for the Work, a monument sign upon which Tenant may, at Tenant's expense, including installation of Tenant's letters, have identification on approximately fifty (50%) percent thereof, which sign shall be subject to the reasonable approval of Landlord and the approval of the Jurisdiction in which the Property is located. Landlord further agrees that unless provided to Tenant, no other tenant will be entitled to a sign on the Building, nor shall any other tenant have more prominent signage than Tenant.

17.

DAMAGE TO PROPERTY - INJURY TO PERSONS

A. Tenant, as a material part of the consideration to be rendered to Landlord under this Lease, to the extent permitted by law, hereby waives all claims except claims caused by or resulting from the non-performance of the Landlord, willful or negligent act or omission of Landlord, its agents, servants or employees which Tenant or Tenant's successor or assigns may have against Landlord, its agents, servants, or employees for loss, theft or damage to the property and for injuries to persons in, upon or about the Premises or the Building from any cause whatsoever. Tenant will hold Landlord, its agents, servants, and employees exempt and harmless from and on account of any damage or injury to any person, or to the goods, wares, and merchandise of any person, arising from the uses of the Premises by Tenant or arising

from the failure of Tenant to keep the Premises in good condition as herein provided if non-performance by the Landlord or negligence of the Landlord, its agents, servants or employees does not contribute hereto. Neither Landlord nor its agents, servants, employees shall be liable to Tenant for any damage by or from any act or negligence of any co-tenant or other occupant of the same Building, or by any owner or occupant of adjoining or contiguous property, provided however, that the provisions of this paragraph shall not apply to negligent or willful act or omission of Landlord or misconduct of any such individuals or entities. Tenant agrees to pay for all damage to the Building or the Premises, as well as all damage to tenants or occupants thereof caused by Tenant's misuse or neglect of the Premises, its apparatus or appurtenances or caused by any licensee, contractor, agent or employees of Tenant.

B. Particularly, but not in limitation of the foregoing paragraph, all property belonging to Tenant or any occupant of the Premises that is in the Building or the Premises shall be there at the risk of Tenant or other person only, and Landlord or its agent, servants, or employees (except in case of non-performance by the Landlord or negligent or willful act or omission of Landlord or its agents, servants, employees) shall not be liable for: damage to or theft of or misappropriation of such property; nor for any damage to property entrusted to Landlord, its agents, servants, or employees, if any; nor for the loss of or damage to any property by theft or otherwise, by any means whatsoever, nor for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, snow, water or rain which may leak from any part of the Building or from the pipes, appliances or plumbing works therein or from the roof, street or subsurface or from any other place or resulting from dampness or any other cause whatsoever; nor for interference with the light or other incorporeal hereditaments, nor for any latent defect in the Premises or in the Building. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Building or of defects therein or in the fixtures or equipment.

C. In case any action or proceeding be brought against Landlord by reason of any obligation on Tenant's part to be performed under the term of this Lease, or arising from any act or negligence of the Tenant, or of its agents or employees, Tenant, upon notice from Landlord shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord.

D. Tenant shall maintain in full force and effect during the term of this Lease (including any period prior to the beginning of the term during which Tenant has taken possession and including also any period of extension of the Term in which Tenant obtains possession), in responsible companies approved by Landlord (i) special causes of loss coverage insurance covering all Tenant's property in, on or about the Premises, with full waiver of subrogation rights against Landlord in an amount equal to the full replacement cost of such Property, and (ii) commercial general liability insurance including products and completed operations insuring Tenant against all claims, demands or action for bodily injury and property damage with limits of not less than TWO MILLION ($2,000,000.00) DOLLARS or THREE MILLION ($3,000,000.00) DOLLARS each occurrence and in the aggregate. A separate limit of TWO MILLION ($2,000,000.00) DOLLARS or THREE MILLION ($3,000,000.00) DOLLARS each occurrence and in the aggregate shall be provided for products and completed operations or such other amounts as Landlord may reasonably require from time to time and (iii) rental insurance equal to one year's rent insurance naming Landlord as loss payee. All liability policies shall cover the entire demised premises. Landlord shall maintain in full force and effect during the term of this Lease special causes of loss coverage insurance for the full replacement cost of the Building, the premium for which shall be included in the Operating Costs.

E. All such policies shall name Landlord, any mortgagees of Landlord, and all other parties designated by Landlord as additional parties insured. All insurance policies shall indicate that at least thirty (30) days prior written notice shall be delivered to all additional parties insured by the insurer prior to modification, termination, or cancellation of such insurance and Tenant shall provide Certificates of Insurance, not less than ten (10) days prior to the Commencement Date, evidencing the aforesaid coverage to all insured parties. Failure of Tenant to provide the insurance coverage set forth in subparagraphs (ii) and (iii) in the

immediately preceding paragraph shall entitle Landlord to either (a) treat said failure as a default and/or (b) obtain such insurance and charge Tenant the premiums therefor plus interest thereon as additional rent. Tenant shall not violate or permit a violation of any of the conditions or terms of any such insurance policies and shall perform and satisfy all reasonable requirements of the insurance company issuing such policies. With respect to any insurance policy procured to comply with any financial assurance requirement imposed by any state or federal law or regulation, or to any other casualty, property, or environmental impairment insurance purchased by Tenant, such policy or policies shall name Landlord and any mortgagees of Landlord as additional parties insured.

18.

DAMAGE OR DESTRUCTION

In the event the Premises or the Building are damaged by fire or other insured casualty and the insurance proceeds have been made available therefor by the holder or holders of any mortgages or deeds of trust covering the Building, the damage shall be repaired by and at the expense of Landlord to the extent of such insurance proceeds available therefor, provided such repairs can, in Landlord's reasonable opinion, be made within one hundred eighty (180) days after the occurrence of such damage without the payment of overtime or other premiums. Until such repairs are completed, the rent shall continue to be paid by Tenant's rental insurance and shall otherwise be abated to the extent the Premises are rendered untenantable. If repairs cannot, in Landlord's reasonable opinion be made within one hundred eighty (180) days, Landlord shall notify Tenant within thirty (30) days the occurrence of such damage of its determination, in which event, or in the event such repairs are commenced but are not substantially completed within one hundred eighty (180) days of the date of such occurrence, either party may, by written notice to the other, cancel this Lease as of the date of the occurrence of such damage. In the event Landlord commences repairs, and same are not substantially completed within one hundred eighty (180) days after occurrence of such damage, Tenant may elect to terminate the Lease. Except as provided in this Section, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business or property arising from any such fire or other casualty or from the making or not making of any repairs, alterations or improvements in or to any portion of the Building or the Premises or in or to fixtures, appurtenances and equipment therein. Tenant understands that Landlord will not carry insurance of any kind on Tenant's furniture or furnishings or on any fixtures or equipment removable by Tenant under the provisions of this Lease and that Landlord shall not be obliged to repair any damage thereto or replace the same. Landlord shall not be required to repair any injury or damage caused by fire or other cause, or to make any repairs or replacements to or of improvements installed in the Premises by or for Tenant.

19.

ENTRY BY LANDLORD

Landlord and its agents shall have the right to enter the Premises at all reasonable times (upon reasonable notice except in cases of emergency) for the purpose of examining or inspecting the same, to supply janitorial services and any other service to be provided by Landlord to Tenant hereunder or any other tenants, to show the same to prospective purchasers or tenants of the Building, and make such alterations, repairs, improvements, or additions, whether structural or otherwise, to the Premises or to the Building as Landlord may deem necessary or desirable. Landlord may enter by means of a master key without liability to Tenant except for any failure to exercise due care for Tenant's property and without affecting this Lease. Landlord shall use reasonable efforts on any such entry not to unreasonably interrupt or interfere with Tenant's use and occupancy of the Premises. Landlord agrees not to enter the Premises to show same to prospective tenants prior to ten (10) months before scheduled expiration of the Lease, which time shall be extended to twelve (12) months in the event Tenant has not elected to renew this Lease for any subsequent

period.

20.

INSOLVENCY OR BANKRUPTCY

A. In the event that Tenant shall become a debtor under Chapter 7, 11 or 13 of the Bankruptcy Code ("Debtor") and the trustee ("Trustee") or Tenant shall elect to assume this Lease for the purpose of assigning the same or otherwise, such election and assignment may only be made if all of the terms and conditions of Sections 20.B and 20.D hereof are satisfied. The Tenant acknowledges that it is essential to the ability of Landlord to continue servicing the mortgage on the Building that a decision on whether to assume or reject this Lease be made promptly. Under these circumstances, Tenant agrees that should Tenant, as debtor-in-possession ("Debtor-in-Possession") or any Trustee appointed for Tenant, fail to elect to assume this Lease within sixty (60) days after the filing of the petition under the Bankruptcy Code ("Tenant's Petition"), this Lease shall be deemed to have been rejected. Tenant further knowingly and voluntarily waives any right to seek additional time to affirm or reject the Lease and acknowledges that there is no cause to seek such extension. If Tenant, as Debtor-in-Possession, or the Trustee abandons the Premises, the same shall be deemed a rejection of the Lease. Landlord shall be entitled to at least thirty (30) days prior written notice from Tenant, as Debtor-in-Possession, or its Trustee of any intention to abandon the Premises. Landlord shall thereupon be immediately entitled to possession of the Premises without further obligation to Tenant or the Trustee, and this Lease shall be cancelled, but Landlord's right to be compensated for damages in such liquidation proceeding shall survive.

B. No election by the Trustee or Debtor-in-Possession to assume this Lease, whether under Chapter 7, 11 or 13, shall be effective unless each of the following conditions, which Landlord and Tenant acknowledge are commercially reasonable in the context of a bankruptcy proceeding of Tenant, have been satisfied, and Landlord has so acknowledged in writing:

(1) The Trustee or the Debtor-in-Possession has cured, or has provided Landlord adequate assurance (as defined below) that:

(a) Within ten (10) days from the date of such assumption the Trustee will cure all monetary defaults under this Lease; and

(b) Within thirty (30) days from the date of such assumption the Trustee will cure all non-monetary defaults under this Lease.

(2) The Trustee or the Debtor-in-Possession has compensated, or has provided to Landlord adequate assurance that within ten (10) days from the date of assumption Landlord will be compensated, for any pecuniary loss incurred by Landlord arising from the default of Tenant, the Trustee, or the Debtor-in-Possession as recited in Landlord's written statement of pecuniary loss sent to the Trustee or Debtor-in-Possession.

(3) The Trustee or the Debtor-in-Possession has provided Landlord with adequate assurance of the future performance (as defined below) of each of Tenant's the Trustee's or Debtor-in-Possession's obligations under this Lease, provided, however, that:

(a) The Trustee or Debtor-in-Possession shall also deposit with Landlord, as security for the timely payment of rent, an amount equal to three (3) months Base Rent (as adjusted pursuant to Section 20.B.(3)(c) below) and other monetary charges accruing under this Lease; and

(b) If not otherwise required by the terms of this Lease, the Trustee or Debtor-in-Possession shall also pay in advance one-twelfth (1/12th) of Tenant's annual obligations under this Lease for Operating Costs, Taxes, insurance and similar charges.

(c) From and after the date of the assumption of this Lease, the Trustee or Debtor-in-Possession shall pay as minimum rent an amount equal to the sum of the minimum rent otherwise payable hereunder, within the five (5) year period prior to the date of Tenant's Petition, which amount shall be payable in advance in equal monthly installments.

(d) The obligations imposed upon the Trustee or Debtor-in-Possession shall continue with respect to Tenant or any assignee of this Lease after the completion of bankruptcy proceedings.

(4) The assumption of the Lease will not breach any provision in any other lease, mortgage, financing agreement or other agreement by which Landlord is bound relating to the Property.

(5) The Tenant as Debtor-in-Possession or its Trustee shall provide the Landlord at least forty-five (45) days' prior written notice of any proceeding concerning the assumption of this Lease.

(6) For purposes of this Section 20.B, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding of Tenant, at a minimum "adequate assurance" shall mean:

(1) The Trustee or the Debtor-in-Possession has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Debtor-in-Possession will have sufficient funds to fulfill the obligations of Tenant under this Lease.

(2) The Bankruptcy Court shall have entered an order segregating sufficient cash payable to Landlord, and/or the Trustee or Debtor-in-Possession shall have granted a valid and perfected first lien and security interest and/or mortgage in property of Tenant, the Trustee or Debtor-in-Possession, acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Debtor-in-Possession, to cure the monetary and/or non-monetary defaults under this Lease within the time periods set forth above.

C. In the event that this Lease is assumed by a Trustee appointed for Tenant or by Tenant as Debtor-in-Possession, under the provisions of Section 20.B hereof, and thereafter Tenant is liquidated or files a subsequent Tenant's Petition for reorganization or adjustment of debts under Chapter 11 or 13 of the Bankruptcy Code, then, and in either of such events, Landlord may, at its option, terminate this Lease and all rights of Tenant hereunder, by giving Tenant written notice of its election to so terminate, within thirty (30) days after the occurrence of either of such events.

D. If the Trustee or Debtor-in-Possession has assumed this Lease pursuant to the terms and provisions of 20.A and 20.B hereof, for the purpose of assigning (or elects to assign) Tenant's interest under this Lease or the estate created thereby, to any other person, such interest or estate may be so assigned only if Landlord shall acknowledge in writing that the intended assignee has provided adequate assurance as defined in this Section 20.D of future performance of all of the terms, covenants and conditions of this Lease to be performed by Tenant.

For purposes of this Section 20.D, Landlord and Tenant acknowledge that, in the contest of a bankruptcy proceeding of Tenant, at a minimum "adequate assurance of future performance" shall mean that each of the following conditions have been satisfied, and Landlord has so acknowledged in writing:

(a) The assignee has submitted a current financial statement audited by a certified public accountant which shows a net worth and working capital in amounts determined to be sufficient by Landlord to assure the future performance by such assignee of Tenant's obligations under this Lease;

(b) The assignee, if requested by Landlord, shall have obtained guarantees in form and substance satisfactory to Landlord from one or more persons who satisfy Landlord's standards of creditworthiness; and

(c) The Landlord has obtained all consents or waivers from any third party required under any lease, mortgage, financing arrangement or other agreement by which Landlord is bound to permit Landlord to consent to such assignment.

E. When, pursuant to the Bankruptcy Code, the Trustee or Debtor-in-Possession shall be obligated to pay reasonable use and occupancy charges for the use of the Premises or any portion thereof, such charges shall not be less than the minimum rent as defined in this Lease and other monetary obligations of Tenant for the payment of Operating Costs, Taxes, insurance and similar charges.

F. Neither Tenant's interest in this Lease, nor any lesser interest of Tenant herein, nor any estate of Tenant hereby created, shall pass to any trustee, receiver, assignee for the benefit of creditors, or any other person or entity, or otherwise by operation of law, unless Landlord shall consent to such transfer in writing. No acceptance by Landlord of rent or any other payments from any such trustee, receiver, assignee, person or other entity shall be deemed to have waived, nor shall it waive the need to obtain Landlord's consent, or Landlord's right to terminate this Lease for any transfer of Tenant's interest under this Lease without such consent.

G. In the event the estate of Tenant created hereby shall be taken in execution or by the process of law, or if Tenant or any guarantor of Tenant's obligations shall be adjudicated insolvent pursuant to the provisions of any present or future insolvency law under state law, or if any proceedings are filed by or against such guarantor under the Bankruptcy Code, or any similar provisions of any future federal bankruptcy law, or if a custodian receiver or Trustee of the property of Tenant or such guarantor shall be appointed under state law by reason of Tenant's or such guarantor's insolvency or inability to pay its debts as they become due or otherwise, or if any assignment shall be made of Tenant's or such guarantor's property for the benefit of creditors under state law; then and in any such event Landlord may, at its option, terminate this Lease and all rights of Tenant hereunder by giving Tenant written notice of the election to so terminate within thirty (30) days after the occurrence of such event.

21.

DEFAULT

A. If any of the following events of default shall occur, to wit;

(i) Tenant defaults for more than five (5) days after written notice of default after the due date therefor in the payment of rent (whether Base Rent or additional rent) or any other sum required to be paid hereunder, or any part thereof, or

(ii) Tenant defaults in the prompt and full performance of any other (i.e.

other than payment of rent or any other sum) covenant, agreement or condition of this Lease and such other default shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant (unless such other default involves a hazardous condition, in which event it shall be cured forthwith), provided however in the event such default cannot be cured within a period of thirty (30) days and Tenant is diligently attempting to cure such default, the time period to cure same shall be reasonably extended, or

(iii) The leasehold interest of Tenant be levied upon under execution or be attached by process of law, or if Tenant abandons the Premises, or

(iv) Adjudication of Bankruptcy or insolvency of Tenant, then in any such event, Landlord, besides other rights or remedies, it may have, shall have the immediate right of re-entry and may remove all persons and property from the Premises; such Property may be removed and stored in any other place in the Building in which the Premises are situated, or in any other place, for the account of and at the expense and at the risk of Tenant.

B. Tenant hereby waives all claims for damages which may be caused by the re-entry of Landlord and taking possession of the Premises or removing or storing the furniture and property as herein provided, and will save Landlord harmless from any loss, costs, or damages occasioned Landlord thereby, and no such re-entry shall be considered or construed to be a forcible entry.

C. Should Landlord elect to re-enter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notice provided for by law; it may either terminate this Lease or it may from time to time, without terminating this Lease, re-let the Premises or any part thereof for such terms and at such rental or rentals and upon such other terms and conditions as Landlord in its sole discretion may deem advisable, with the right to make alterations and repairs to the Premises.

D. Landlord may elect to apply rentals received by it (i) to the payment of any indebtedness, other than rent, due hereunder from Tenant to Landlord; (ii) to the payment of any reasonable cost of such re-letting including but not limited to any broker's commissions or fees in connection therewith; (iii) to the payment of the cost of any reasonable alterations and repairs to the Premises; (iv) to the payment of rent due and unpaid hereunder; and the residue, if any, shall be held by Landlord and applied in payment of future rent as the same may become due and payable hereunder. Should such rentals received from such re-letting after application by Landlord to the payments described in foregoing clauses (i) through (iv) during any month be less than that agreed to be paid during that month by Tenant hereunder, then Tenant shall pay such deficiency to Landlord. Such deficiency shall be calculated and paid monthly on demand by Landlord.

E. In lieu of electing to receive and apply rentals as provided in the immediately preceding paragraph, Landlord may elect to receive from Tenant as and for Landlord's liquidated damages for Tenant's default, an amount equal to the present value of the entire amount of Base Rent provided for in this Lease for the remainder of the Term, less fair market rental value thereof, which amount shall be forthwith due and payable by Tenant upon its being advised of such election by Landlord.

F. No such re-entry or taking possession of the Premises by Landlord shall be construed as an election on its part to terminate this Lease unless a written notice of same is given to Tenant or unless the termination thereof be decreed by a court of competent Jurisdiction. Notwithstanding any such re-letting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous breach.

G. Nothing herein contained shall limit or prejudice the right of Landlord to provide for and obtain as damages by reason of any such termination of this Lease or of

possession an amount equal to the maximum allowed by any statute or rule of law in effect at the time when such termination takes place (other than consequential or special damages), whether or not such amount be greater, equal to or less than the amounts of damages which Landlord may elect to receive as set forth above. Notwithstanding anything to the contrary herein contained or any other rights exercised by Landlord hereunder, upon the occurrence of an event of a monetary or material default by Tenant under the terms of this Lease, rent which otherwise would be due or would have been due except for any abatement provided for in this Lease shall be immediately due and payable. Landlord agrees to use reasonable efforts to mitigate its damages in the event of any default by Tenant.

22.

RULES AND REGULATIONS

The rules and regulations attached hereto and marked Appendix "B", as well as such reasonable rules and regulations as may be hereafter adopted by Landlord for the safety, care and cleanliness of the Premises and the preservation of good order thereon, are hereby expressly made a part hereof, and Tenant agrees to obey all such rules and regulations. The violation of any such rules and regulations by Tenant shall be deemed a default under this Lease by Tenant, affording Landlord all those remedies set out in the Lease. Landlord shall not be responsible to Tenant for the non-performance by any other tenant or occupant of the Building or any of said rules and regulations. Landlord agrees all rules and regulations shall be uniformly enforced.

23.

NON REAL ESTATE TAXES

During the term hereof, Tenant shall pay prior to delinquency all taxes assessed against and levied upon fixtures, furnishings, equipment and all other personal property of Tenant contained in the Premises, and Tenant shall cause said fixtures, furnishing, equipment and other personal property to be assessed and billed separately from the real property of Landlord. In the event any or all of the Tenant's fixtures, furnishings, equipment and other personal property shall be assessed and taxed with the Landlord's real property, the Tenant shall pay to Landlord its share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of such taxes applicable to the Tenant's property.

24.

EMINENT DOMAIN

If the Building, or a substantial part thereof or a substantial part of the Premises, shall be lawfully taken or condemned or conveyed in lieu thereof, (or conveyed under threat of such taking or condemnation), for any public or quasi-public use or purpose, the term of this Lease shall end upon and not before the date of the taking of possession by the condemning authority and without apportionment of the award. Tenant hereby assigns to Landlord Tenant's interest, if any, in such award and specifically agrees that any such award shall be the entire property of Landlord in which Tenant shall not be entitled to share. Tenant further waives any right to challenge the right of the condemning authority to proceed with such taking. Current rent shall be apportioned as of the date of such termination. If any part of the Building other than the Premises or not constituting a substantial part of the Premises, shall be so taken or condemned (or conveyed under threat of such taking or condemnation), or if the grade of any street adjacent to the Building is changed by any competent authority and such taking or change of grade makes it necessary or desirable to substantially remodel or restore the Building, Landlord shall have the right to cancel this Lease upon not less than ninety (90) days notice prior to the date of cancellation designated in the notice. No money or

other consideration shall be payable by Landlord to Tenant for the right of cancellation, and Tenant shall have no right to share in any condemnation award or in any judgment for damages or in any proceeds of any sale made under any threat of condemnation or taking. Tenant shall have the right to separately pursue its own award for relocation expenses in the event of such condemnation proceedings.

25.

SUBORDINATION

A. Landlord has heretofore and may hereafter from time to time execute and deliver mortgages or trust deeds in the nature of a mortgage, both referred to herein as "Mortgages" against the Land and Building, or any interest therein. If requested by the mortgagee or trustee under any Mortgage, Tenant will either (a) subordinate its interest in this Lease to said Mortgages, and to any and all advances made thereunder and to the interest thereon, and to all renewals, replacements, modifications and extensions thereof, or (b) make Tenant's interest in this Lease inferior thereto; and Tenant will promptly execute and deliver such agreement or agreements as may be reasonably required by such mortgage or trustee under any Mortgage, provided however that any such subordination shall provide that so long as Tenant is not in default hereunder, its tenancy shall not be disturbed. Landlord further agrees to obtain written assurance of such non-disturbance from any present mortgagee.

B. It is further agreed that (i) if any Mortgage shall be foreclosed (a) the liability of the mortgagee or trustee thereunder or purchaser at such foreclosure sale or the liability of a subsequent owner designated as Landlord under this Lease shall exist only so long as such trustee, mortgagee, purchaser or owner is the owner of the Building and such liability shall not continue or survive after further transfer of ownership; and (b) upon request of the mortgagee or trustee, Tenant will attorn, as Tenant under this Lease, to the purchaser at any foreclosure sale under any Mortgage, and Tenant will execute such instruments as may be necessary or appropriate to evidence such attornment; and (ii) this Lease may not be modified or amended so as to reduce the rent or shorten the term provided hereunder, or so as to adversely affect in any other respect to any material extent the rights of the Landlord, nor shall this Lease be canceled or surrendered without the prior written consent, in each instance of the mortgagee or trustee under any Mortgage. It is understood that Tenant's tenancy shall not be disturbed so long as Tenant is not in default under this Lease.

C. No mortgagee and no person acquiring title to the premises by reason of foreclosure of any Mortgage or by conveyance in lieu of foreclosure shall have any obligation or liability to Tenant on account of any security deposit unless such mortgagee or title holder shall receive such security deposit in cash.

26.

WAIVER

The waiver of Landlord of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or any subsequent breach of the same or any other term, covenant, or condition herein contained. The acceptance of rent hereunder shall not be construed to be a waiver of any breach by Tenant of any term, covenant or condition of this Lease. It is understood and agreed that the remedies herein given to Landlord shall be cumulative, and the exercise of any one remedy by Landlord shall not be to the exclusion of any other remedy. It is also agreed that after the service of notice or the commencement of a suit or judgment for possession of the Premises, Landlord may collect and receive any monies due, and the payment of said monies shall not waive or affect said notice, suit or judgment.

27.

INABILITY TO PERFORM

This Lease and the obligation of Tenant to pay rent hereunder and perform all of the covenants and agreements hereunder on part of Tenant to be performed shall not be affected, impaired or excused, nor shall Landlord at any time be deemed to be in default hereunder because Landlord is unable to fulfill any of its obligations under this Lease or to supply or is delayed in supplying any service expressly or by implication to be supplied or is unable to make, or is delayed in making any Tenant improvement, repair, additions, alterations, or decorations or is unable to supply or is delayed in supplying any equipment or fixtures if Landlord is prevented or delayed from so doing by reason of acts or omissions of Tenant, strike or labor troubles or any outside cause whatsoever beyond the reasonable control of Landlord, including but not limited to riots and civil disturbances or energy shortages or governmental preemption in connection with a national emergency or by reason of any rule, order, or regulation of any department or subdivision thereof of any government agency or by reason of the conditions of supply and demand which have been or are affected by war or other emergency. Tenant shall at no time be deemed in default hereunder because Tenant is unable to fulfill any of its non-monetary obligations hereunder by reason of any outside cause whatsoever beyond the reasonable control of Tenant.

28.

SUBROGATION

The parties hereto agree to use good faith efforts to have any and all fire, extended coverage or any and all material damage insurance which may be carried endorsed with a subrogation clause substantially as follows: "This insurance shall not be invalidated should the insured waive in writing prior to a loss any or all right of recovery against any party for loss occurring to the property described herein"; and each party hereto waives all claims for recovery from the other party for any loss or damage (whether or not such loss or damage is caused by negligence of the other party and notwithstanding any provision or provisions contained in this Lease to the contrary) to any of its property insured under valid and collectible insurance policies to the extent of any recovery collectible under such insurance, subject to the limitation that this waiver shall apply only when it is permitted by the applicable policy of insurance.

29.

SALE BY LANDLORD

In the event of a sale or conveyance by Landlord of the Building containing the Premises, the same shall operate to release Landlord from any future liability upon any of the covenants or conditions, expressed or implied, herein contained in favor of Tenant, and in such event Tenant agrees to look solely to the responsibility of the successor in interest of Landlord in and to this Lease for such future obligation. If any security deposit has been made by Tenant hereunder, Landlord shall transfer such security deposit to such successor in interest of Landlord and thereupon Landlord shall be released from any further obligations hereunder. This Lease shall not be affected by any such sale, and the Tenant agrees to attorn to the purchaser or assignee.

30.

RIGHTS OF LANDLORD TO PERFORM

All covenants and agreements to be performed by Tenant under any of the terms of this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any

abatement of rent. If Tenant shall fail to pay any sum of money, other than rent, required to be paid it hereunder, or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof by Landlord, Landlord may, but shall not be obligated so to do, and without waiving or release Tenant from any obligations of Tenant, make any such payment or perform any such other act on Tenant's part to be made or performed as in this Lease provided. All sums so paid by Landlord and all necessary incidental costs together with interest thereon at the rate heretofore set forth with respect to late payments of rent, computed from the date of such payment by Landlord shall be payable to Landlord on demand and the Landlord shall have (in addition to any other right or remedy of Landlord) the same rights and remedies in the event of the non-payment thereof by Tenant as in the case of default by Tenant in the payment of rent.

31.

ATTORNEYS' FEES

In the event of any litigation between Tenant and Landlord to enforce any provision of this Lease, or any right of either party hereto, the unsuccessful party of such litigation, shall pay to the prevailing party all costs and expenses, including reasonable attorneys' fees, incurred therein. Moreover, if either party, without fault is made a party to any litigation instituted by or against the other party, the other party shall indemnify such party without fault against and save it harmless from all costs and expenses, including reasonable attorneys' fees incurred by it in connection therewith.

32.

ESTOPPEL CERTIFICATE

Either party shall at any time and from time to time upon not less than ten (10) days' prior written notice from the other and not more than twice annually, execute, acknowledge and deliver to the requesting party a statement in writing certifying that this Lease is unmodified and in full force and effect (or if modified, stating the nature of the modification and certifying that this Lease, as so modified, is in full force and effect) and the dates to which the rental and other charges are paid and acknowledging that there are not, to such certifying party's knowledge, any uncured defaults on the part of the other party hereunder or specifying such defaults if any are claimed, as well as any other reasonable information requested by Landlord. In the case of a statement made by Tenant, it is expressly understood and agreed that any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the real property of which the Premises are a part. Tenant's failure to deliver such statement within such time shall be conclusive upon Tenant that this Lease is in full force and effect, without modification except as may be represented by Landlord, that there are no uncured defaults in Landlord's performance and that not more than two (2) months' rental has been paid in advance.

33.

PREPARATION

Landlord agrees as provided in Appendix "C" to cause the Premises to be completed in accordance with the plans, specification and agreements approved by both parties on the terms, conditions, and provision as provided in the plans attached hereto in Appendix "C" which is attached hereto and made a part of this Lease.

34.

NOTICE

Any notice from Landlord to Tenant or from Tenant to Landlord may be served personally, by mail, by overnight delivery, by affixing a copy on any door leading into the Premises or by facsimile transmission. If served by mail, notice shall be deemed served on the second day after mailing by registered or certified mail, addressed to Tenant at the Premises or to Landlord at the place from time to time established for the payment of rent and a copy thereof shall until further notice, be served personally or by registered or certified mail to Landlord at the address shown for service of notice in the Lease Schedule. In the event of a release or threatened release of pollutants or contaminants to the environment resulting from Tenant's activities at the site or in the event any claim, demand, action or notice is made against the Tenant regarding Tenant's failure or alleged failure to comply with any local, state and federal environmental rules, regulations, statutes and laws, the Tenant shall immediately notify the Landlord in writing and shall give to Landlord copies of any written claims, demands or actions, or notices so made.

35.

RIGHTS RESERVED

Landlord reserves the following rights, exercisable without notice and without liability to Tenant for damage or injury to property, person or business and without effecting an eviction, constructive or actual or disturbance of Tenant's use of possession or giving rise to any claim for set-off or abatement of rent:

(a) Except as otherwise herein provided, to install, affix and maintain any and all signs on the interior or exterior of the Building;

(b) To designate and approve, prior to installation, all types of window shades, blinds, drapes, awnings, window ventilators and other similar equipment, and to control all interior or exterior lighting of the Building;

(c) To designate, restrict and control all sources from which Tenant may obtain sign painting and lettering, food and beverages or other services on the Premises, and in general to designate, limit, restrict and control any service in or to the Building and its Tenant, provided such services as are designated by Landlord are reasonably competitive as to the rates charged thereby, and further provided that such designation, restrictions, or controls do not prohibit Tenant's operations in accordance with the terms of this Lease. No vending or dispensing machines of any kind shall be placed in or about the Premises without the prior written consent of Landlord, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, it is understood that Tenant shall have the right to operate beverage machines, microwave ovens, and refrigerators for the convenience of its employees and invitees;

(d) To retain at all times, and to use in appropriate instances, keys and/or keycards, to all doors within and into the Premises. No locks or bolts shall be altered, changed or added without the prior written consent of Landlord, provided Tenant shall be entitled to access to the Premises at all times;

(e) To decorate or to make repairs, alterations, additions or improvements, whether structural or otherwise, in and about the Building, or any part thereof, and for such purpose to enter upon the Premises, and during the continuance of said work to temporarily close doors, entryways, and public spaces in the Building and to interrupt or temporarily suspend Building services and facilities, provided that Tenant is not prevented from access to the Premises, or are its operations materially interfered with;

(f) To prescribe the location and style of the suite number and identification sign or lettering for the Premises occupied by Tenant;

(g) Subject to any restrictions on Landlord's access provided elsewhere herein to enter the Premises at reasonable hours for reasonable purposes upon reasonable notice except in cases of emergency, including inspection and supplying janitorial or any other service or other service to be provided to Tenant hereunder;

(h) To require all persons entering or leaving the Building during such hours as Landlord may from time to time reasonably determine to identify themselves to watchmen by designation or otherwise, and to establish their right to enter or leave in accordance with the provisions of the Lease. Landlord shall not be liable except for the willful or negligent act or omission of Landlord in damages for any error with respect to admission to or eviction or exclusion from the Building of any person. In case of fire, invasion, insurrection, mob, riot, civil disorder, public excitement or other commotion, or threat thereof, Landlord reserves the right to limit or prevent access to the Building during the continuance of the same or otherwise take such action or preventive measures deemed necessary by Landlord for the safety of the Tenants or other occupants of the Building or the protection of the Building and the property in the Building. Tenant agrees to cooperate in any reasonable safety program developed by Landlord;

(i) To control and prevent access to common areas and other non-general public areas including any loading docks, service elevators, or roof;

(j) To have and retain a paramount title to the Premises free and clear of any act of Tenant;

(k) To grant to anyone the exclusive right to conduct any business or render any services in the Building, which do not interfere with Tenant's use of the Premises;

(l) To approve the weight, size and location of safes and other heavy equipment and articles in and about the Premises and the Building, and to require all such items and furniture to be moved into and out of the Building and the Premises only at such times and in such manner as Landlord shall direct in writing. Movements of Tenant's property into or out of the Building and within the Building are entirely at the risk and responsibility of Tenant and Landlord reserves the right to require permits before allowing any such property to be moved into or out of the building.

36.

REAL ESTATE BROKER

Tenant represents that Tenant has dealt directly with and only with the brokers set forth in the Lease Schedule as brokers in connection with this Lease and agrees to indemnify and hold Landlord harmless from all claims or demands of any other broker or brokers for any commission alleged to be due such broker or brokers in connection with its participating in the negotiation with Tenant of this Lease.

37.

MISCELLANEOUS PROVISIONS

A. Time is of the essence of this Lease and each and all of its provisions.

B. Submission of this instrument for examination or signature by Tenant does not

constitute a reservation or offer or option for lease, and it is not effective as a lease or otherwise so as to incur the least inconvenience to Tenant. Tenant acknowledges and agrees with Landlord that, except as may be specifically set forth elsewhere in this Lease, neither Landlord, nor any employee of Landlord, nor other party claiming to act on Landlord's behalf, has made any representations, warranties, estimations, or promises of any kind or nature whatsoever relating to the physical condition of the Building in which the Premises are located, or the land under the Building, including by way of example only, the fitness of the Premises for Tenant's intended use or the actual dimensions of the Premises or Building; and

C. The invalidity or unenforceability of any provision hereof shall not affect or impair any other provisions.

D. This Lease shall be governed by and construed pursuant to the laws of the Jurisdiction on which the property is located.

E. Tenant agrees to provide to Landlord, upon request, a current financial statement of Tenant certified by an authorized representative of Tenant to be true and correct, and further agrees to provide any other financial information reasonably requested by Landlord.

F. All rights and remedies of Landlord under this Lease, or that may be provided by law, may be exercised by Landlord in its own name individually, or in its name by its Management Agent, and all legal proceedings for the enforcement of any such rights or remedies, including distress for rent, forcible detainer, and any other legal or equitable proceedings, may be commenced and prosecuted to final judgment and execution by Landlord in its own name individually or in its name or by its agent. Tenant conclusively agrees that Landlord has full power and authority to execute this Lease and to make and perform the agreements herein contained and Tenant expressly stipulates that any rights or remedies available to Landlord either by the provision of this Lease or otherwise may be enforced by Landlord in its own name individually or in its name by agent or principal.

G. All of the covenants and conditions of this Lease shall survive termination of the Lease.

H. The marginal headings and titles to the paragraphs of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part hereof.

I. Any and all Exhibits or Appendices attached hereto are expressly made a part of this Lease.

J. Upon termination of the Lease or upon Tenant's abandonment of the leasehold, the Tenant shall, at its sole expense, remove any equipment which may cause contamination of the property, and shall clean up any existing contamination in compliance with all applicable local, state and federal environmental rules, regulations, statutes and laws or in accordance with orders of any governmental regulatory authority.

K. This is a commercial lease and has been entered into by both parties in reliance upon the economic and legal bargains contained herein, and both parties agree and represent each to the other that they have had the opportunity to obtain counsel of their own choice to represent them in the negotiation and execution of this Lease, whether or not either or both have elected to avail themselves of such opportunity. This Lease shall be interpreted and construed in a fair and impartial manner without regard to such factors as the party which prepared the instrument, the relative bargaining powers of the parties or the domicile of

any party.

L. WAIVER OF RIGHT TO TRIAL BY JURY. Landlord and Tenant hereby waive any right to a trial by jury in any action or proceeding based upon, or related to, the subject matter of this Lease. This waiver is knowingly, intentionally, and voluntarily made by each of parties hereto and each party acknowledges to the other that neither the other party nor any person acting on its respective behalf has made any representations to induce this waiver of trial by jury or in any way to modify or nullify its effect. The parties acknowledge that they have read and understand the meaning and ramifications of this waiver provision and have elected same of their own free will.

M. Landlord hereby covenants that so long as Tenant is not in default under the terms and provisions of this Lease, Tenant shall be entitled to quiet enjoyment of the Premises.

N. This Lease does not grant any rights to light or air over or about the real property of Landlord. Except to the extent specifically otherwise herein provided, Landlord specifically excepts and reserves to itself the use of any roofs, the exterior portions of the Building, all rights to and the land and improvements below the improved floor level of the Building, to the improvements and air rights above the Building and to the improvements and air rights located outside the demising walls of the Building and to such areas within the Building required for installation of utility lines and other installations required to serve any occupants of the Building and to maintain and repair same, and no rights with respect thereto are conferred upon Tenant, unless otherwise specifically provided herein.

O. In accordance with applicable codes, Landlord shall provide 4.4 parking spaces per 1,000 square feet of rentable area of the Building, which Tenant shall be entitled to use on a non-exclusive basis.

38.

AUTHORITY

Tenant represents and warrants that this Lease has been duly authorized, executed and delivered by and on behalf of the Tenant and constitutes the valid and binding agreement of the Tenant in accordance with the terms hereof.

39.

SUCCESSORS AND ASSIGNS

The covenants and conditions herein contained shall apply to and bind the respective heirs, successors, Executors, administrators, and assigns of the parties hereto. The terms "Landlord" and "Tenant" shall include the successors and assigns of either such party, whether immediate or remote.

40.

TERMINATION OPTIONS

So long as Tenant is not in default, Tenant shall have the right to elect to terminate the Lease effective February 28, 2005, or effective February 28, 2007, upon not less than twelve (12) months prior written notice of such election, provided that said notice shall be accompanied by a termination fee equal to SEVEN HUNDRED EIGHTY-TWO THOUSAND THREE HUNDRED THIRTY-EIGHT DOLLARS and 02/100 ($782,338.02) (for a termination effective February 28, 2005) or equal to FIVE HUNDRED SEVENTY-THREE THOUSAND FOUR HUNDRED EIGHTY-SEVEN DOLLARS and 99/100 ($573,487.99) (for a termination

effective February 23, 2007).

41.

RENEWAL OPTIONS

So long as Tenant is not in default, Tenant shall have two (2) options to extend the Term of this Lease for two (2), five (5) year periods upon the same terms and conditions contained herein except for rental. Said options shall be exercised in writing not less than twelve (12) months prior to the expiration of the initial term, or the first extended term as the case may be. In the event of exercise of either or both of said options, Base Rent for each extended period shall be equal to ninety-five (95%) percent of the then prevailing market rate and terms, including but not limited to escalations, commissions, tenant improvements, allowances and concessions ("PMR"). In the event Landlord and Tenant are unable to agree on PMR within thirty (30) days of Tenant's exercise of either option, each party shall select a Qualified Broker, as hereinafter defined, which Qualified Broker shall select a third Qualified Broker. The majority of such three Qualified Brokers shall determine the PMR within thirty (30) days of the selection of the third Qualified Broker, and Tenant shall have ten (10) days from receipt of such determination in writing to withdraw its election, or to agree to lease based upon the PMR as so determined. A Qualified Broker shall be licensed broker, with not less than ten (10) years brokerage experience in the general vicinity of the Property with comparable properties. Failure to exercise the first such option shall render the second such option null and void.

42.

RIGHT OF FIRST OFFER

So long as Tenant is not in default, Tenant shall have a right of first offer on not less than 12,000 rentable square feet of the first floor of the Building on the following terms and conditions. At such time as Landlord has either: (a) issued its initial proposal for the leasing of such space; or (b) has prepared a space plan for such space, then Landlord shall notify Tenant of the terms and conditions under which Landlord is willing to lease such space to a third party. Tenant shall have a period of ten (10) calendar days from receipt of such notice in which to advise Landlord in writing that it elects to lease all of such space on the terms and conditions set forth in Landlord's notice for a term which shall be co-terminus with the term hereunder, but shall in no event be less than a period of five (5) years. If Tenant does not so advise Landlord in writing of its exercise of such right, Landlord shall be entitled to enter into a lease of such space to third party tenants on materially the same terms and conditions contained in the notice given to Tenant. In the event Landlord does not enter into a lease on such terms and conditions with third parties within ninety (90) days from the date of said notice, then Tenant's rights hereunder shall be deemed reinstated.

43.

CELLULAR, RADIO, MICROWAVE AND OTHER ELECTRONIC TRANSMISSION

Tenant may use the Property for any lawful activity in connection with the provision of mobile communication, including without limitation, the transmission and the reception of radio, microwave, or other electronic communication signals on various frequencies of service. Landlord agrees to cooperate with Tenant in making applications for and obtaining all licenses, permits and any and all other necessary approvals that may be required for this aspect of Tenant's intended use of the Property, all of which shall be at Tenant's sole cost and expense. At all times during the term of the Lease, Tenant will be responsible for obtaining and maintaining any licenses or approvals that may be required from any governmental body of competent jurisdiction for this aspect of its intended use of the Property. Failure to obtain any such required licenses or approvals shall not invalidate any portion of the Lease other than those provision contained within this Section 43. If requested by Landlord, Tenant shall provide copies of all such licenses or approvals, including copies of any forms used in making

application for same.

After approval of Tenant's specific plans by Landlord, which approval shall not be unreasonably withheld or delayed, Tenant, at its sole cost and expense, shall have the right to erect, maintain and operate radio communications facilities, including radio transmitting and receiving antennas, towers, microwave dishes and supporting structures thereto (the Tenant's facilities). In connection therewith and after Landlord's approval of Tenant's specific plans and under Landlord's reasonable direction, Tenant shall have the right to prepare, maintain and alter the Property for Tenant's business operations and to install transmission lines connecting to Tenant's facilities to the Building. Tenant's installation, construction and ongoing maintenance shall be performed in a workman like manner and any damage to the Building, Premises or Property done by Tenant and Tenant's suppliers and/or subcontractors shall be reported to Landlord and shall be repaired by Tenant at its sole cost and expense. Any Tenant facilities installed hereunder shall meet all applicable city, county, state or other applicable ordinances and/or codes and shall not interfere with the reception of television, radio or other electronic signals or the operation of any equipment used on the Property by any other tenant or other occupants, or by owners or tenants of surrounding properties and/or building. Title to the Tenant facilities shall be held by Tenant at all times. Tenant facilities shall remain Tenant's personal property and are not fixtures. Tenant has the right to remove all Tenant facilities at is sole cost and expense on or before expiration of the term, provided that Tenant shall be responsible for repairing any damage to the Building or the Property resulting from said removal to the reasonable satisfaction of Landlord. Landlord agrees it will not allow other tenants to use the roof of the Building in such a manner as may interfere with Tenant's operations.

TENANT shall at all times operate Tenant facilities in a manner that Tenant's transmission will not cause interference with television, radio or other electronic signals to Landlord, to other tenants of the Building or Property, or to owners, tenants or occupants of surrounding properties lawful and in compliance with all regulations or requirements of Federal Communications Commission or, any other governmental agency of competent jurisdiction. Tenant shall hold Landlord and Landlord's agents harmless from any and all liabilities arising out of the installation, maintenance, or operation of the Tenant facilities whether such liabilities arise (i) from interference with radio, television and other electronic reception within the Building; (ii) from interference with the business operations of Landlord's other tenants within the Building; (iii) from interference with the business operation or radio, television or other electronic reception in buildings surrounding or adjoining the Property; (iv) from tower or equipment breakage, collapse or failure; (v) or from any other cause directly or indirectly resulting from Tenant's use, maintenance, installation and/or operation of the Tenant facilities.

IN WITNESS WHEREOF, the Landlord and Tenant have executed this Lease the day and year first above written.

Landlord:

DEERFIELD & WEILAND OFFICE BUILDING, L.L.C., an Illinois liability company,

By: /s/ [ILLEGIBLE]

Tenant:

ADS ALLIANCE DATA SYSTEMS, INC.,

By: /s/ [ILLEGIBLE]

GUARANTY

In order to induce Landlord to execute the foregoing Lease, the undersigned does hereby absolutely and unconditionally guarantee the full performance and observance of all of the covenants, conditions, and agreements provided to be performed and observed by Tenant in said Lease, including, without limitation, the prompt payment of the Base Rent and Rent Adjustments and all other amounts provided in said Lease to be paid by Tenant.

The undersigned hereby waives notice of non-payment, non-performance or non-observance and all other notices and all proof or demands.

Further, the undersigned expressly agrees that its obligations hereunder shall in no way be terminated, affected or impaired by reason of the granting by Landlord of any indulgences to Tenant or by reason of the assertion against Tenant of any of the rights or remedies reserved to Landlord pursuant to the provisions of said Tenant or by relief of the Tenant from any of the Tenant's obligations under said Lease by operation of law or otherwise, the undersigned hereby waiving all suretyship defense. The undersigned further covenants and agrees that this Guaranty shall remain and continue in full force and effect as to any renewal, modification or extension of the Lease whether or not the undersigned shall have received any notice of or consented to such renewal, modification or extension.

The undersigned further agrees that its liability hereunder shall be primary, and that in any right of action which shall accrue to the Landlord under the Lease, the Landlord may, at its option, proceed against the undersigned and the Tenant, jointly or severally, may proceed against the undersigned without having commenced any action against or having obtained any judgment against the Tenant.

It is agreed that the failure of the Landlord to insist in any one or more instances upon strict performance or observance of any of the terms, provisions or covenants of the Lease or to exercise any right therein contained shall not be construed or deemed to be a waiver or relinquishment for the future of such term, provision, covenant or right but the same shall continue and remain in full force and effect. Receipt by the Landlord of rent or other payments with knowledge of the breach of any provision of the Lease shall not be deemed a waiver of such breach.

No assignment or other transfer of the Lease or any interest therein by any party shall operate to extinguish or diminish the liability of the undersigned hereunder except as otherwise provided in Section 15.A of the Lease.

To the extent that Landlord is required to remit any amount previously paid to Landlord by Tenant, including but not limited to those remitted pursuant to the order of any bankruptcy court, Guarantor shall be obligated to reimburse Landlord for the amount of such repayment.

IN WITNESS WHEREOF, this Guaranty is executed this 30TH day of July, 1999.

ALLIANCE DATA SYSTEMS CORPORATION,

By: /s/ [ILLEGIBLE]

APPENDIX "A"

Appendix A - Premises
24,136 Rentable Square Feet

[FLOOR PLAN]

Buffalo Grove Office Building Second Floor Plan
- ---
Busch & Welland Partnership

APPENDIX "B"

RULES AND REGULATIONS ATTACHED TO
AND MADE PART OF THIS LEASE

1. Tenant shall not place anything or allow anything to be placed near the glass of any window, door, partition or wall which may in Landlord's judgment appear unsightly from outside the premises or the Building. Landlord shall furnish and install building standard window blinds at all exterior windows.

2. The sidewalks, passages, exits, loading docks and entrances shall not be obstructed by Tenant or used by Tenant for any purpose other than for ingress to and egress from the Premises. The passages, exits, entrances and roof are not for the use of the general public and the Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence in the judgment of Landlord, reasonably exercised, shall be prejudicial to the safety, character, reputation and interests of the Building. Neither Tenant nor any employees or invitees of any Tenant shall go upon the roof of the building.

3. The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and to the extent caused by Tenant or its employees or invitees, the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by Tenant.

4. Tenant shall not cause any unnecessary janitorial labor or services by reason of Tenant's carelessness or indifference in the preservation of good order and cleanliness.

5. No cooking other than microwave warming shall be done or permitted by Tenant on the Premises, nor shall the Premises be used for lodging.

6. Tenant shall not bring upon, use or keep in the Premises or the Building any kerosene gasoline or inflammable or combustible fluid or material, or use any method of heating or air conditioning other than that supplied by Landlord.

7. Landlord shall have sole power to direct electricians as to where and how telephone and other wires are to be introduced. No boring or cutting for wires will be allowed without the consent of Landlord. The location of telephone, call boxes and other office equipment affixed to the Premises shall be subject to the approval of Landlord.

8. Upon the termination of the tenancy, Tenant shall deliver to the Landlord all keys or electronic key cards and passes for offices, rooms, parking lot and toilet rooms which shall have been furnished Tenant. In the event of loss of any keys or electronic key cards so furnished, Tenant shall pay the Landlord therefor. Tenant shall not make or cause to be made any such keys or electronic key cards and shall order all such keys or electronic key cards solely from Landlord and shall pay Landlord for any additional such keys or electronic key cards over and above the keys furnished by Landlord at occupancy.

9. Tenant shall not install linoleum, tile, carpet or other floor coverings so that the same shall be affixed to the floor of the Premises in any manner except as approved by the Landlord.

10. Tenant shall cause all doors to the Premises to be closed and securely locked before leaving the Building at the end of the day.

11. Without the prior written consent of Landlord not to be unreasonably withheld or delayed, Tenant shall not use the name of the Building or any picture of the Building in connection with or in promoting or advertising the business of Tenant except Tenant may use the address of the Building as the address of its business.

12. Tenant shall refrain from attempting to adjust any heat or air conditioning controls other than room or system thermostats installed within the Premises for Tenant's use.

13. Tenant assumes full responsibility for protecting the Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to Premises closed and secured.

14. Peddlers, solicitors and beggars shall be reported to the office of the Building or as Landlord otherwise requests.

15. Tenant shall not advertise the business, profession or activities of Tenant conducted in the Building in any manner which violates the letter or spirit of any code of ethics adopted by any recognized association or organization pertaining to such business, profession or activities.

16. Tenant shall allow no animals or pets other than guide dogs for disabled persons to be brought or to remain in the Building or any part thereof.

17. Tenant acknowledges that Building security problems may occur which may require the employment of extreme security measures in the day-to-day operation of the Building. Accordingly:

(a) Landlord may at any time, or from time to time, or for regularly scheduled time periods, as deemed advisable by Landlord and/or its agents, in their sole discretion, require that persons entering or leaving the Building identify themselves to watchmen or other employees designated by Landlord by registration, identification or otherwise.

(b) Landlord may at any time, or from time to time or for regularly scheduled time periods, as deemed advisable by Landlord and/or its agents, in their sole discretion, employ such other security measures as but not limited to the search of all persons, parcels, packages, etc., entering and leaving the Building, the evacuation of the Building and the denial of access of any person to the Building.

(c) Tenant hereby assents to the exercise of the above discretion of Landlord and its agents, whether done acting under reasonable belief of cause or for drills, regardless of whether or not such action shall in fact be warranted and regardless of whether any such action is applied uniformly or as aimed at specific persons whose conduct is deemed suspicious.

(d) The exercise of such security measures and the resulting interruption of service and cessation or loss of Tenant's business, if any, shall never be deemed an eviction or disturbance of Tenant's use and possession of the Premises, or any part thereof, or render Landlord liable to Tenant for damages or relieve Tenant from Tenant's obligations under this Lease.

(e) Tenant agrees that it and its employees will cooperate fully with Building employees in the implementation of any and all security procedures.

18. In the event carpeting is furnished by Landlord, Tenant will be fully responsible for and upon Landlord's request will pay for any damage to carpeting caused by lack of protective mats under desk chairs or equipment or any other abnormal puncture and wearing of carpet.

19. Tenant shall comply with all applicable laws, ordinances, governmental orders or regulations and applicable orders or directions from any public office or body having Jurisdiction, with respect to the Premises and the use or occupancy thereof. Tenant shall not

make or permit any use of the Premises which directly or indirectly is forbidden by law, ordinances, governmental regulations or order or direction of applicable public authority, or which may be dangerous to person or property.

20. Tenant shall not use or permit to be brought into the Premises or the Building any flammable oils or fluids, or any explosive or other articles deemed hazardous to persons or property, or do or permit to be done any act or thing which will invalidate or which if brought in would be in conflict with any insurance policy covering the Building or its operation, or the Premises, or any part of either, and will not do or permit to be done anything in or upon the Premises, or bring or keep anything therein, which shall not comply with all rules, orders, regulations or requirements of any organization, bureau, department or body having Jurisdiction with respect thereto (and Tenant shall at all times comply with all such rules, orders, regulations or requirements), or which shall increase the rate of insurance on the Building, its appurtenances, contents or operation. The foregoing prohibitions shall include but not be limited to the discharge of any toxic wastes, or other hazardous materials in violation of any law, ordinance, statute, rule or insurance regulation.

21. If Tenant desires signal, communication, alarm or other utility or similar service connections installed or changed, Tenant shall not install or change the same without the approval of Landlord and then only under direction of Landlord and at Tenant's expense. Tenant shall not install in the Premises any equipment which requires a substantial amount of electrical current without the advance written consent of the Landlord and Tenant shall ascertain from the Landlord the maximum amount of load or demand for or use of electrical current which can safely be permitted in the Premises, taking into account the capacity of the electric wiring in the Building and the Premises and the needs of other Tenants of the Building, and shall not in any event connect a greater load than such safe capacity.

22. Service requirements of Tenant will be attended to only upon application to Management Agent of the Building. Employees of Landlord shall not perform any work or do anything outside of their regular duties unless under special instruction from Landlord.

23. Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord is intoxicated or under the influence of liquor or drugs or who shall in any manner do any act in violation of any of the rules and regulations of the building.

24. No vending machines of any description shall be installed, maintained or operated in the Premises without the written consent of Landlord.

25. Tenant shall not (i) install or operate any internal combustion engine, boiler, machinery, refrigerating, heating or air-conditioning apparatus in or about the Premises, (ii) carry on any mechanical business in or about the Premises without the written permission of Landlord, (iii) exhibit, sell or offer for sale, use, rent or exchange in the Premises or Building any article, thing or service except those ordinarily embraced within the permitted use of the Premises specified in this Lease, (iv) use the Premises for housing, lodging or sleeping purposes, (v) permit preparation or warming of food in the Premises or permit food to be brought into the Premises for consumption therein (warming of coffee and individual lunches of employees and invitees excepted) except by express permission of Landlord, (vi) except as provided in the Lease, place any radio, television antennae, or microwave dish on the roof or on or in any part of the inside or outside of the Building other than the inside of the Premises, (vii) operate or permit to be operated any musical or sound producing instrument or device inside or outside the Premises which may be heard outside the Premises, (viii) use any illumination or power for the operation of any equipment or device other than electricity, (ix) operate any electrical device from which may emanate electrical waves which may interfere with or impair radio or television broadcasting or reception from or in the Building or elsewhere, (x) bring or permit to be in the Building any bicycle or other vehicle, or dog (except in the company of a disabled person) or other animal or bird, (xi) make or permit any objectionable noise or odor to emanate from the Premises, (xii) disturb, solicit or canvas any occupant of the Building, (xiii) do anything in or about the Premises tending to create or maintain a nuisance or do any act tending to injure the reputation of the Building, or (xiv)

throw or permit to be thrown or dropped any article from any window or other opening in the Building.

26. From time to time Landlord reserves the right to amend and modify these rules and regulations in a manner not inconsistent with the terms of the Lease and further provided that any such amendment shall not restrict the use and enjoyment of the Premises as contemplated by the Lease as of the date of execution thereof, nor restrict access of the Premises, and any such amendment shall be consistent with rules and regulations for comparable buildings in the vicinity of the Property.

APPENDIX "C"

Landlord and Tenant agree as follows:

1. Tenant agrees to cause its architect to provide plans and specifications in form and substance sufficient to allow Landlord to approve same and obtain all required governmental permits for all of the Work on or before August 15, 1999, for Landlord's review and approval in order to enable Landlord to complete prior to the Commencement Date the Premises in accordance therewith. Notwithstanding the date by which such plans and specifications are finalized or approved, Tenant's obligation to pay rent shall commence on Rent Commencement Date.

2. All such plans and specifications shall be subject to Landlord's reasonable approval and upon approval shall constitute the "TI Plans and Specifications". Upon agreement as to such plans and specifications, Landlord agrees to cause its general contractor ("the General Contractor") to bid same, which bids shall be reviewed by the General Contractor and Tenant, who shall mutually agree on which bids to accept. Upon reaching agreement as to which bids are to be accepted, Landlord shall provide Tenant with a budget for the cost of the Work which shall be subject to Tenant's reasonable approval ("TI Budget"). The TI Budget may be amended by a change order in writing signed by Landlord and Tenant setting forth any change in the Work, any increase or decrease in cost resulting therefrom, and any change in time for performance of the Work resulting therefrom ("Change Order").

3. Landlord agrees to provide an allowance for all tenant improvement work in an amount of EIGHT HUNDRED FORTY-FOUR THOUSAND SEVEN HUNDRED SIXTY ($844,760.00) DOLLARS, up to TWO HUNDRED FORTY-ONE THOUSAND THREE HUNDRED SIXTY ($241,360.00) DOLLARS of which may be used for Tenant's telephone, data and other cabling, and for architects' and engineers' fees. It is understood that Tenant shall pay for all Work to the extent that the cost of same exceeds the foregoing allowance, but Tenant shall not be responsible to the extent such costs exceed the amount of the TI Budget (as may be increased by Change Order), and Landlord shall pay same. To the extent any portion of the aforesaid allowance is not used, an amount, not to exceed TWO HUNDRED FORTY-ONE THOUSAND THREE HUNDRED SIXTY ($241,360.00) DOLLARS, may be applied toward a reduction in Base Rent amortized over the term of the Lease at an amortization rate of ten (10%) percent.

4. Landlord agrees that the General Contractor shall not be entitled to any construction management fee, general contractor's fee, overhead, profit or general conditions, which exceed in the aggregate more than ten (10%) percent of the cost of the Work.

5. The provisions of this Work Letter Agreement supplement are specifically subject to all provisions of the Lease.

Landlord:

DEERFIELD & WEILAND OFFICE
BUILDING, L.L.C., an Illinois
liability company,

BY: /s/ [ILLEGIBLE]

Tenant:

ADS ALLIANCE DATA SYSTEMS, INC.

BY: /s/ [ILLEGIBLE]

Premises at: Nacogdoches at El Charro Road
San Antonio, Texas

J. C. PENNEY COMPANY, INC.,
Landlord,

TO

BSI BUSINESS SERVICES, INC.,

Tenant.

SUBLEASE

INDEX

THIS INDENTURE OF SUBLEASE, dated as of JANUARY 11, 1996, by and between J. C. PENNEY COMPANY, INC. a Delaware corporation, with a mailing address of P. O. Box 10001, Dallas, Texas 75301-2105 ("Landlord"), and BSI BUSINESS SERVICES, INC., a Delaware corporation with offices at 5001 Spring Valley Road, Farmers Branch, Texas 75244-3910 ("Tenant").

THE PARTIES HERETO DO HEREBY MUTUALLY COVENANT AND AGREE AS FOLLOWS:

DEFINITIONS

The following terms for purposes of this lease shall have the meanings hereinafter specified:

(a) "COMMENCEMENT DATE" - the date upon which this lease is fully executed and delivered.

(b) "DEMISED PREMISES" - that portion of the Penney Premises comprising the Office Building, as such Office Building is shown on Exhibit B attached hereto.

(c) "EVENT OF DEFAULT" - as defined in the "DEFAULT AND LANDLORD'S REMEDIES" article.

(d) "FIXED RENT" - the rent payable under paragraph A. of the Rent Rider.

(e) "FLOOR AREA" - the number of square feet of floor area at each level or story of the Office Building lying within the exterior faces of exterior walls (except party walls as to which the center line, not the exterior faces shall be used for measurement purposes).

(f) "LEASE YEAR" - in the case of the first Lease Year, the period commencing on the commencement of the term hereof and expiring on the 31st day of December, 1996; thereafter each Lease Year hereunder shall comprise the next following 12 month period, except that in the event of the expiration or termination of this lease, the last Lease Year hereunder shall end on the date of such expiration or termination.

(g) "LEGAL REQUIREMENTS" - Federal, state, county and municipal laws, ordinances, rules, regulations and orders, and the rules, regulations

and orders of all duly constituted governmental agencies, authorities and subdivisions.

(h) "PENNEY PREMISES" - the Office Building and the land demised under the Office Lease, including the Demised Premises.

(i) "OFFICE BUILDING" - the building located on the land described on Exhibit A.

(j) "OFFICE LEASE" - that certain lease dated as of June 9, 1981, by and between Hines Industrial, Ltd., as lessor and Landlord, as lessee, covering the Penney Premises, as amended.

(k) "OVERLANDLORD" - the landlord under the Office Lease.

(l) "THIRD PARTY" - any party other than Landlord or a corporation which controls, is controlled by or is otherwise affiliated with Landlord.

(m) "UTILITY FACILITIES" - all water, electric, gas, sanitary and storm sewer lines, other utility lines, and appurtenant equipment providing utility service for the Office Building.

INTERPRETATION

For purposes of interpreting the provisions of this lease the following shall apply:

(a) The words "term of this lease", "the term hereof", or words of like import shall be deemed to refer to the initial term of this lease together with any extension or renewal thereof.

(b) Words and phrases used in the singular shall be deemed to include the plural and vice versa, and nouns and pronouns used in any particular gender shall be deemed to include any other gender.

(c) Captions throughout this lease and the index are inserted only as a matter of convenience and are not to be given any effect whatsoever in construing this lease.

(d) All charges and sums, in addition to Fixed Rent, payable by Tenant to Landlord hereunder shall be deemed additional rent.

(e) Whenever in this lease it is provided that a party shall or may perform any act, in the absence of any provision to the contrary, such act (i) may be performed by an agent of, or independent contractor for, such party, and (ii) shall be performed at the sole cost and expense of such party.

(f) Notwithstanding anything to the contrary herein contained, whenever pursuant to the Office Lease, Overlandlord or a Third Party is responsible to Landlord for the performance of any obligations which are also obligations of Landlord under this lease, Landlord shall be deemed to have complied with its obligation if it shall take steps as are reasonable to cause Overlandlord or such Third Party to comply with such obligations, and Landlord shall have no other or further obligation or liability to Tenant.

(g) All words with capital initial letters are defined terms, and shall have the meanings ascribed thereto in the "DEFINITIONS" article or as elsewhere defined in this lease.

OFFICE LEASE

Landlord represents and warrants that Exhibit C contains a true and correct listing of the documents comprising the Office Lease. Tenant acknowledges that it has received a copy of each document comprising the Office Lease. It is understood and agreed that Landlord is not the owner of the Demised Premises, but that this lease is a sublease under the Office Lease, hereinbefore more fully described. Tenant represents and acknowledges that it is familiar with all of the terms, covenants, provisions and conditions of the Office Lease and agrees that this lease is made subject to all of such terms, covenants, provisions and conditions of the Office Lease.

RENT RIDER AND EXHIBITS TO LEASE

Attached to this lease and hereby made a part hereof are the following, which for the purpose of identification have been initialed by the parties hereto or their attorneys:

RENT RIDER - a statement of the Fixed Rent payable hereunder, together with provisions pertaining to the payment thereof.

EXHIBIT A - a description of land on which the Office Building is located.

EXHIBIT B - a site plan showing the location of the Office Building.

EXHIBIT C - a listing of the documents comprising the Office Lease.

DEMISE OF PREMISES

Landlord hereby demises and leases to Tenant and Tenant hereby leases from Landlord, the Demised Premises to have and to hold for the term hereinafter set forth.

Tenant acknowledges that it has inspected the Demised Premises and accepts same "as is", and acknowledges that Landlord has made no representations or warranties in respect of the Demised Premises, the condition thereof or the use to which the Demised Premises may be devoted, except to the extent, if any, expressly set forth herein. Tenant further acknowledges that Landlord shall not be liable to Tenant for any damage to Tenant's personal property or leasehold improvements occasioned by the condition of the Office Building, including the roof, or otherwise, or by breakage or stoppage of mains or pipes therein or on other parts of the Office Building.

TERM

The term of this lease shall commence on the date Landlord tenders delivery of possession of the Demised Premises to Tenant, and shall expire on January 31, 2002, unless extended or terminated as provided herein.

OPTIONS TO EXTEND

Tenant shall have the right and option to extend the term of this lease as hereinafter set forth, provided that all of the following express conditions have been fully satisfied:

1. During the term of this lease, no Event of Default has occurred.

2. At the time Tenant exercises its option(s) to extend the term of this lease, Tenant is not in default under this lease.

3. Under those certain Indentures of Sublease by and between Landlord and Tenant covering premises located at (a) Four Echelon Plaza, Laurel Road and Britton Place, Vorhees, New Jersey, (b) Park Central IV, Dallas, Texas, (c) Providence Towers, Farmers Branch, Texas, or (d) 5665 Foxridge, Mission, Kansas, Tenant

is not in default and no Event of Default (as defined, respectively, therein) has occurred.

4. At the time Tenant exercises its option(s) to extend the term of this lease, Tenant's minimum net worth as determined in accordance with generally accepted accounting principles is not less than Twenty Three Million Dollars ($23,000,000.00), and Tenant's working capital as determined in accordance with generally accepted accounting principles is not less than Eleven Million Dollars ($11,000,000.00), and Tenant so certifies in an affidavit signed by an independent certified public accountant.

5. At the time Tenant exercises its option(s) to extend the term of this lease, Tenant's current ratio (i.e., the ratio of current assets to current liabilities) is not less than 1.62 to 1, and Tenant so certifies in an affidavit signed by an independent certified public accountant.

Provided Tenant has fully complied with conditions 1 through 5 above each time that Tenant exercises an option to extend, then Tenant shall have two (2) successive options to extend the term of the Lease each for a separate additional period of five (5) years, from the date upon which the term would otherwise expire. Each such extension shall be upon and subject to the same terms, covenants and conditions, other than rent, as those specified in this lease, except that Tenant may not exercise again any option previously exercised. If Tenant elects to exercise any of said options, it shall do so by giving Landlord notice of such election at least eighteen (18) months before the beginning of the additional period for which the term of this lease is to be extended by the exercise of such option. If Tenant gives such notice, the term of this lease shall be automatically extended for the additional period of years covered by the option so exercised without execution of an extension or renewal lease. If Tenant shall exercise any of said options, then in lieu of the rental specified in this lease, Tenant shall pay Landlord the rent during the option periods as provided for in the Rent Rider attached hereto.

RENT

Effective as of the Commencement Date and throughout the term hereof, Tenant shall pay to Landlord, without offset or deduction, the rent provided for in the Rent Rider without notice or demand therefor.

COVENANT OF TITLE, AUTHORITY AND QUIET POSSESSION

Landlord represents and warrants that Landlord has a good leasehold estate in the Demised Premises under and by virtue of the Office Lease and has full right and lawful authority to enter into and perform Landlord's obligations under this lease, subject to the Office Lease, and subject to all documents and matters to which this lease and the Office Lease are subject and subordinate. If Tenant shall perform its covenants and discharge its obligations hereunder, Tenant shall have and enjoy, during the term hereof, the quiet and undisturbed possession of the Demised Premises without hindrance or ejection by Overlandlord, Landlord or any party claiming by, through or under Overlandlord, Landlord, except as otherwise provided herein, and Landlord will defend Tenant in the peaceful and quiet possession of the Demised Premises.

Anything herein to the contrary notwithstanding, Tenant acknowledges that this lease is a sublease, subject and subordinate to the Office Lease, and the aforesaid documents and matters. Tenant further acknowledges that no right, power or privilege granted to Tenant hereunder may be exercised or enjoyed by Tenant, and no term, covenant or condition of this lease benefiting Tenant or binding Landlord shall be operative if, and to the extent, that such exercise, enjoyment or operation would not be permitted by or would violate or be in conflict with any term, covenant or condition of the Office Lease, and that in the event of the expiration or termination of the estate of the tenant under the Office Lease for any reason whatsoever, including but not limited to, the exercise by landlord or tenant thereunder of an option to terminate said estate, or the nonexercise by the tenant thereunder of an option to extend the term of the Office Lease, or the partial termination of the tenant's estate under the Office Lease by reason of such tenant's election to exclude the Demised Premises from the premises demised thereunder, this lease shall automatically terminate on the day preceding the date of expiration or termination of the estate of the tenant under the Office Lease, and Landlord and Tenant shall thereupon be relieved of all liability hereunder, except that Tenant shall remain liable for the performance of all obligations under this lease, actual or contingent, which shall have arisen on or prior to the date of the termination of this lease.

USE AND OPERATION OF DEMISED PREMISES

Tenant shall not use or occupy the Demised Premises or permit the Demised Premises to be used or occupied in violation of any Legal Requirements or in any manner which would violate the certificate of occupancy for the Demised Premises. The Demised Premises may be only occupied for general office purposes. As an inducement to Landlord to enter into this lease, Tenant covenants to continuously operate the Demised Premises for the aforementioned specific uses during normal business hours Monday through Friday.

Tenant will operate the Demised Premises so as not to jeopardize or harm the reputation and goodwill of Landlord or of the Office Building, and shall at all times conduct its business in a reputable and dignified manner and not in a disreputable manner.

TENANT'S WORK

If during the term of this lease, Tenant desires to make any alterations or improvements to the Demised Premises ("Tenant's Work"), Tenant shall obtain Landlord's written approval before commencing such work.

In performing Tenant's Work, Tenant shall comply with all reasonable requirements of Landlord including the following specific requirements:

(a) Tenant's general contractor and all subcontractors shall be approved by Landlord, which approval shall not be unreasonably withheld or delayed.

(b) At Landlord's request, Tenant will cause its general contractor to furnish Landlord prior to the commencement of Tenant's Work with a completion and payment bond, naming both Landlord and Tenant as beneficiaries.

(c) Tenant's plans and specifications shall show any modifications to the existing utility facilities and sprinkler system.

(d) The installation of all electrical facilities shall conform to the National Electric Code and meet the requirements of Landlord's fire

underwriter (presently Factory Mutual Engineering Association).

(e) All electrical equipment and fixtures shall carry a UL label.

(f) Tenant's plans shall show all proposed roof penetrations for vents and equipment as well as reinforcing curb work and flashing incident thereto.

(g) Landlord shall have the right to enter upon the Demised Premises at all reasonable times for the purpose of inspecting Tenant's Work; provided, however, that such right shall not be deemed to impose any duty on Landlord or in any way affect Tenant's obligation under the "INDEMNIFICATION" article.

(h) The approval by Landlord of any feature of Tenant's plans and specifications shall not be deemed an acknowledgment by Landlord as to the correctness or adequacy of any such feature.

(i) Tenant shall not store any materials outside of the Demised Premises.

(j) Tenant's contract with its general contractor and each subcontract shall include a guarantee that the work covered by such contract will be free from defects in workmanship and materials for a period of at least one year after substantial completion of the work, which guarantee shall inure to the benefit of Landlord as well as Tenant.

(k) Tenant shall secure all necessary alteration permits as well as whatever certificates of occupancy may be required in connection with Tenant's use and occupancy of the Demised Premises.

(l) No such work shall violate any of the provisions of the Office Lease.

UTILITIES

Beginning with the commencement of the term, Tenant will pay for all utility services directly to the utility company furnishing such service.

Landlord or Overlandlord shall have the right upon reasonable notice to Tenant to cut off and discontinue any utility service to the Demised Premises for the purpose of effecting repairs to Utility Facilities or in the case of an emergency, and no such action by Landlord or Overlandlord or any interruption of utility service shall be deemed an eviction or disturbance of possession of Tenant. Nothing contained in this paragraph shall be deemed to modify Tenant's repair obligations as otherwise provided for in this lease.

REPAIRS

Tenant shall be responsible for all repairs to the Demised Premises.

ALTERATIONS AND IMPROVEMENTS

Tenant shall not make any alterations or improvements to the Demised Premises, without the Landlord's written consent to each and every such alteration or improvement.

LEGAL REQUIREMENTS

Tenant will comply with all Legal Requirements respecting the use and occupancy of the Demised Premises.

TENANT'S FIXTURES AND PERSONALTY

Upon the expiration or prior termination of the term hereof Tenant shall remove all of its fixtures and other personal property from the Demised Premises, and shall repair any damage to the Demised Premises caused by such removal. To the extent that the same shall not be so removed, Landlord may at its option (i) treat same as abandoned and dispose of same in whatsoever manner it shall see fit without being liable to Tenant in any way for such disposition, or (ii) remove and store same on behalf of and at the expense of Tenant, without liability to Tenant for loss thereof or damage thereto.

SIGNS

Tenant shall not erect or maintain any signs on the exterior of the Demised Premises except such signs which comply with the Office Lease and which have been approved in writing by Landlord (and the Overlandlord, if necessary).

PARKING AND ACCESS

Tenant shall have the right during the term of this lease to use the parking areas and access drives located on the Penney Premises.

REAL ESTATE TAXES AND OTHER TAXES

Tenant shall pay to Landlord within 10 days after demand therefor all real estate taxes and special assessments due or which may become due in respect of the Penney Premises for each Lease Year of the term hereof. In the event Tenant pays to Landlord estimated tax payments for a Lease Year in excess of the actual taxes paid by Landlord for such Lease Year, then Landlord shall credit such excess towards Tenant's tax liability for the next succeeding year. Such payments by Tenant to Landlord shall be apportioned between Landlord and Tenant at the commencement and then again at the expiration of the term of this lease to the end that Tenant shall pay all such sums only in respect of such periods of time which fall within the term of this lease.

Tenant shall pay as and when due all personal property taxes, inventory taxes, business license fees and other taxes incident to the operation of Tenant's business, which if not paid would become a lien on the Penney Premises or any part thereof.

INSURANCE

Throughout the term hereof, Tenant shall keep the Office Building insured against loss or damage by fire and the perils commonly covered under the extended coverage endorsement to the extent of at least that percentage of the full replacement cost thereof (exclusive of the cost of foundations, excavations and footings below the lowest basement floor, without any deduction being made for depreciation) necessary to keep Tenant from being deemed a coinsurer as to the risks covered.

Throughout the term hereof, Tenant shall maintain in full force and effect, a policy of comprehensive public liability insurance covering the Demised Premises and the business of Tenant with limits of liability per occurrence of not less than: $3,000,000.00 for injury to or death of any one person, $3,000,000.00 for injury to or death in any one accident and $1,000,000.00 for loss of or damage to property (including property of Landlord) or $4,000,000.00 combined single limit for injury to or death of persons and loss of or damage to property, which insurance shall provide contractual coverage of Tenant's liability to Landlord assumed under the "INDEMNIFICATION" article.

Throughout the term hereof, Tenant shall keep in full force and effect workers' compensation

insurance and employer's liability insurance affording (i) protection under the workers' compensation law of the State in which the Penney Premises are located and (ii) employer's liability protection with limits of not less than $1,000,000.00.

At all times during the performance of any Tenant's Work, Tenant shall maintain in full force and effect "all risk" builder's risk insurance for the full replacement value of such Tenant's Work.

All insurance required to be maintained by Tenant pursuant to this article shall be written by companies licensed to do business in the State in which the Penney Premises are located, and shall name as insureds Tenant, Landlord, the Overlandlord, and any other parties required to be so named under the Office Lease. All such insurance may be maintained in whole or in part under blanket policies covering other locations of Tenant. Prior to the commencement of the term hereof, Tenant shall furnish Landlord with certificates evidencing the existence of the insurance required to be carried by Tenant pursuant to this article, which certificates shall specify that the insurance evidenced thereby will not be canceled or materially changed unless the insurer has given Landlord at least 30 days' prior written notice, and the certificate evidencing the public liability notice shall also state that such insurance covers the liability of Tenant assumed under the "INDEMNIFICATION" article.

Anything in this lease to the contrary notwithstanding, Landlord shall not be liable to Tenant or to any insurance company insuring Tenant for any loss or damage to any property of Tenant located on the Demised Premises which was or could have been covered by fire and extended coverage or water damage insurance even though such loss or damage may have been occasioned by the negligence of Landlord, its agents or employees, nor shall Tenant be so liable to Landlord for any loss or damage to the Demised Premises, but only to the extent that the tenant under the Office Lease is relieved under the Office Lease of such liability to Overlandlord.

INDEMNIFICATION

Tenant shall defend, indemnify and hold harmless Landlord and its employees and agents, and any other parties required to be indemnified by Landlord pursuant to the Office Lease and their employees and agents, from and against any and all costs, losses and expenses, liability, damages, settlements and claims for damages (including

reasonable attorney's fees and the costs of defending any action) suffered, incurred, or arising from or as a result of (a) injury to or death of persons, or damage to or destruction of property, occurring on the Demised Premises, (b) the actual or alleged negligence or willful acts or omissions of Tenant or any subtenant of Tenant, and their respective employees or agents, regardless of where such negligence, acts or omissions occurred, (c) Tenant's use or occupancy of the Demised Premises or its operations therein, and (d) the breach by Tenant of any of the terms of this lease or Tenant's failure to perform any of its obligations hereunder. The foregoing indemnity agreement shall in no way be deemed released, waived, modified or limited in any respect by reason of any insurance, or surety bond furnished by any contractor of Tenant or any allegation or judicial determination that the claim in question arose as a result of or was based upon the acts, omissions or negligence of Landlord.

LIENS

Tenant will not permit any mechanic's, materialman's or like statutory lien to be placed upon the Demised Premises or any part thereof. If any such lien shall be filed as the result of work done on or materials furnished to the Demised Premises by or for Tenant, Tenant shall cause same to be discharged of record within 20 days, failing which Landlord may pay same, without inquiring as to the validity of same, and Tenant shall forthwith reimburse Landlord for the amount so paid. Nothing in this lease shall be construed as constituting the consent or request of Landlord, expressed or implied by inference or otherwise, to any contractor, subcontractor, laborer or materialman for the performance of any labor or services or the furnishing of any materials for any improvement, alteration, addition or repair of or to the Demised Premises or any part thereof.

Tenant shall give Landlord at least 10 days' prior notice of Tenant's intention to commence any Tenant's Work to the Demised Premises such work and shall take such steps as are permitted under the mechanic's lien law of the State where the Demised Premises are located to avoid or limit the filing of mechanic's, materialmen or like liens against the Demised Premises.

CONDEMNATION

If 50% or more of the Floor Area of the Demised Premises shall be taken by condemnation, and this lease shall not terminate because neither Landlord nor Overlandlord shall have elected to terminate the term of the Office Lease or exclude the Demised Premises from the Office Lease as a

result of such taking, then Tenant shall have the option of terminating the term of this lease by giving Landlord notice to such effect within 60 days after the taking of title by the condemning authority, and upon such notice being given the term of this lease shall terminate. If less than 50% of the Floor Area of the Demised Premises shall be so taken, or if 50% or more of such Floor Area shall be so taken and Tenant does not elect to terminate the term of this lease, Landlord shall restore the building on the Demised Premises to anarchitectural whole, but only to the extent that the net proceeds of the condemnation award designated for or fairly attributable to the Demised Premises received by Landlord will defray the cost of such restoration.

If the term of this lease terminates as the result of any condemnation, any unearned rent and other charges shall be refunded by Landlord to Tenant; if the term of this lease does not so terminate, the Fixed Rent and any additional rent shall be reduced proportionally with the Floor Area taken by such condemnation. During the course of any restoration work being performed by Landlord, the Fixed Rent fairly allocable to the space which is being restored shall abate until such restoration work shall have been completed.

Any award to which Landlord or Tenant may be entitled by reason of any condemnation of all or any part of the Penney Premises, including the Demised Premises, and any award or payment in respect of Tenant's leasehold estate, shall belong to and be the property of Landlord, and Tenant hereby assigns to Landlord all rights which it may have in and to any such award or payment. Notwithstanding the foregoing, Tenant shall be entitled, to the extent permitted by the condemning authority, to make a separate claim for its damages in respect of its moving expenses and any of its trade fixtures taken by the condemning authority and for any other award specifically payable by law to tenants; provided, however, that any claim or award for such damages shall not reduce or adversely affect any award or payment to which Landlord, or Overlandlord as landlord under the Office Lease, would otherwise be entitled but for this sentence.

DAMAGE AND DESTRUCTION

If the Demised Premises shall be damaged or destroyed in whole or in part, by fire or other casualty required to be insured against by Tenant hereunder Tenant shall at Landlord's option, either (i) restore the Demised Premises in accordance with as-built plans and specifications for the damaged or destroyed improvements provided

to Tenant by Landlord, or (ii) deliver the insurance proceeds to Landlord.

During the course of restoration of the Demised Premises there shall be no abatement of rent unless the Demised Premises shall have been rendered untenantable by reason of such damage or partial destruction, in which case the Fixed Rent and the additional charges (other than utilities) shall abate until the Demised Premises shall once again become tenantable.

ASSIGNMENT AND SUBLETTING

Except as provided in the immediately succeeding sentence, Tenant shall not assign this lease, sublet the Demised Premises in whole or in part, grant any license or concession or other right of occupancy in respect of the Demised Premises, or encumber its rights under this lease without the prior consent of Landlord in each instance first had and obtained, and any attempted assignment, subletting, grant of license or concession, or encumbrance made without such consent shall be absolutely void. Tenant may assign this lease to any successor that acquires all or substantially all of the assets or business of Tenant, whether by asset sale, merger or otherwise, provided that at the time of such assignment all of the following express conditions have been fully satisfied:

1. During the term of this lease, no Event of Default has occurred;

2. At the time of such assignment, Tenant is not in default under this lease;

3. Under those certain Indentures of Sublease by and between Landlord and Tenant covering premises located (a) Four Echelon Plaza, Laurel Road and Britton Place, Vorhees, New Jersey, (b) Park Central IV, Dallas, Texas, (c) Providence Towers, Farmers Branch, Texas, or (d) 5665 Foxridge, Mission, Kansas, Tenant is not in default and no Event of Default (as defined, respectively, therein) has occurred;

4. At the time of such assignment, Tenant's minimum net worth as determined in accordance with generally accepted accounting principles is not less than Twenty Three Million Dollars ($23,000,000.00) and Tenant's working capital as determined in accordance with generally accepted accounting principles is not less than Eleven Million Dollars ($11,000,000.00), and Tenant so certifies in an affidavit signed by an independent certified public accountant; and

5. At the time of such assignment, Tenant's current ratio (i.e., the ratio of current assets to current liabilities) is not less than 1.62 to 1, and Tenant so certifies in an affidavit signed by an independent certified public accountant.

If this lease shall be assigned or the Demised Premises or any part thereof be sublet, as above provided, Landlord may, after an Event of Default, collect rent from the assignee or subtenant, as the case may be, and apply the net amount received against the rent reserved hereunder. No such assignment, subletting or grant shall be deemed to release Tenant, or any guarantor of Tenant's obligations hereunder, from any of Tenant's obligations under this lease, and Tenant shall remain primarily liable for such obligations.

SURRENDER OF PREMISES

On the expiration or earlier termination of the term hereof Tenant shall surrender possession of the Demised Premises to Landlord, together with the keys thereto, in the same condition as at the commencement of the term, normal wear and tear excepted. No act or thing done by Landlord or its agents during the term hereof shall be deemed an acceptance of a surrender of the Demised Premises, and no agreement to accept a surrender of the Demised Premises shall be valid unless the same be made in writing and subscribed by the Landlord.

For the period of 180 days prior to the expiration of the term hereof, Landlord shall have the right to display on the exterior of the building on the Demised Premises (but not in any window or doorway thereof) a sign advertising that the Demised Premises is for rent, and during such period Landlord may show the Demised Premises to prospective tenants during normal business hours.

HOLDING OVER

Should Tenant, or any of its successors in interest, hold over the Demised Premises, or any part thereof, after the expiration of the term of this lease, unless otherwise agreed in writing, such holding over shall constitute and be construed as a tenancy from month-to-month only, at a Fixed Rent rental equal to the Fixed Rent payable for the last month of the term of this lease. The foregoing shall not, however, be construed as Landlord's consent for Tenant to hold over.

RENT TAX

Tenant shall pay any tax which may hereafter be imposed upon the rent payable hereunder, and if any such tax shall be imposed upon Landlord, Tenant shall reimburse Landlord for the amount

thereof within 30 days after payment thereof by Landlord; provided, however Landlord shall pay any federal, state or local income taxes imposed on Landlord's income from this lease.

DEFAULT AND LANDLORD'S REMEDIES

Each of the following events ("Event of Default") shall be deemed to be a default by Tenant under this lease:

(a) Tenant shall fail to pay any installment of the rent hereby reserved or pay any additional rent, and such failure shall continue for (i) a period of 10 days after notice thereof from Landlord, or (ii) for a period of 10 days after the due date if Landlord shall have previously given Tenant 3 or more notices for prior defaults in the payment of rent.

(b) Tenant shall fail to comply with any term, provision, or covenant of this lease, other than the payment of rent, and such failure shall persist for 20 days after notice thereof to Tenant.

(c) Tenant shall make an assignment for the benefit of creditors.

(d) Tenant shall file a petition under any section or chapter of the National Bankruptcy Code, as amended, or under any similar law or statute of the United States or any State thereof; or Tenant shall be adjudged bankrupt or insolvent in proceedings filed against Tenant thereunder, and such adjudication shall not be vacated or set aside or stayed within 120 days.

(e) A receiver or trustee shall be appointed for all or substantially all of the assets of Tenant and such receivership shall not be terminated or stayed within 120 days.

If Tenant fails (a) to perform any of its obligations hereunder and such failure (i) if it relates to a matter which is not of an emergency nature, shall persist for a period of 10 days after Landlord shall have given Tenant notice of such failure (or if such failure cannot with due diligence be cured within such 10 day period, if Tenant shall fail to proceed to cure such failure within such 10 day period and thereafter prosecute the curing of such failure with due diligence), or (ii) if it relates to a matter which in Landlord's

judgment reasonably exercised is of an emergency nature, shall remain uncured for a period of 24 hours after Landlord shall have given Tenant notice of such failure, or (b) to make any payment which Tenant agrees to make, then Landlord shall have the right to perform such obligation, or make such payment, as Tenant's agent, and in Landlord's sole discretion as to the necessity therefor, and the full amount of the cost and expense entailed in performing such obligation, or of the payment so made, together with interest thereon at the maximum legal rate from the date of payment, shall immediately be owing by Tenant to Landlord as additional rent.

This lease and the term and estate hereby granted are subject to the limitation that whenever an Event of Default shall have happened and be continuing, Landlord shall have the right at its election, then or at any time thereafter while any such Event of Default shall continue, and notwithstanding the fact that Landlord may have some other remedy hereunder or at law, to give Tenant notice of its intention to terminate the term of this lease on a day specified in such notice, which date shall not be less than 5 days after the date of giving of such notice, and on the date specified in any such notice, all right, title and interest of Tenant hereunder shall thereupon expire, and Tenant shall then quit the Demised Premises and surrender the same to Landlord but shall remain liable as hereinafter provided. In the event any such notice is given, Landlord shall have the immediate right of re-entry and possession of the Demised Premises and the right to remove all persons and property therefrom. Should Landlord elect to re-enter as herein provided or should Landlord take possession pursuant to legal proceedings or pursuant to any notice provided for by law, Landlord may from time to time re-let the Demised Premises or any part thereof for such term or terms and at such rental or rentals and upon such terms and conditions as Landlord may deem advisable with the right to make alterations in and repairs to the Demised Premises.

If the term of this lease shall have been terminated as above provided or as otherwise permitted by law, Landlord may enter upon the Demised Premises, and again have, repossess and enjoy the same as if this lease had not been made, and in any such event, neither Tenant nor any person claiming through or under Tenant shall be entitled to possession or to remain in possession of the Demised Premises but shall forthwith quit and surrender the Demised Premises.

If Landlord shall re-enter and obtain possession of the Demised Premises by reason of or following an Event of Default, whether or not the term of this lease shall have terminated, (i) Landlord shall have the right, without notice, to repair or alter the Demised Premises in such manner as to Landlord may seem necessary or advisable so as to put the Demised Premises in good order and to make the same rentable, and shall have the right, at its option, to re-let the Demised Premises or any part thereof, and Tenant shall pay on demand all expenses incurred by Landlord in obtaining possession, and in altering, repairing and putting the Demised Premises in good order and condition, and in re-letting the same, including fees of attorneys, architects, and other experts, and also any other legitimate expenses or commissions, and (ii) Tenant shall pay Landlord upon the rent payment dates specified herein, in each year following such re-entry until the end of the term of this lease, the sums of money which would have been payable by Tenant as rent and additional rent hereunder upon said payment dates if Landlord had not re-entered and resumed possession of the Demised Premises, deducting only the net amount of rent, if any, which Landlord shall actually receive in the meantime from and by any re-letting of the Demised Premises, and Tenant shall remain liable for all sums, aforesaid, as well as for any deficiency. Landlord shall have the right from time to time to begin and maintain successive actions or other legal proceedings against Tenant for the recovery of such deficiency or damages or for a sum equal to any installment or installments of rent and any other sums payable hereunder, and to recover the same upon the liability of Tenant herein provided, which liability shall survive the institution of any action to secure possession of the Demised Premises.

Nothing herein contained shall be deemed to require Landlord to wait to begin such action or other legal proceedings until the date when this lease would have expired by limitation had there been no such default by Tenant.

In lieu of all other claims for damages on account of such termination, Landlord shall be entitled to recover from Tenant as liquidated damages an amount equal to the excess of all Fixed Rent reserved hereunder for the unexpired portion of term hereof over the fair rental value of the Demised Premises at the time of termination for such unexpired portion discounted at the rate of 6% per annum from the date such rents would have

become due under this lease to the date of such termination.

NOTICES

All notices, demands, requests, designations and consents by either party hereto to the other party shall be in writing and shall be sent by Registered or Certified Mail (Return Receipt Requested) addressed to:

Landlord - J. C. Penney Company, Inc.
Attn: Real Estate Counsel
P. O. Box 10001
Dallas, Texas 75301-2105

Tenant - at the address of Tenant set forth at the head of this lease.

All such communications shall be deemed given on the date of mailing. The foregoing addresses may be changed from time to time by either party by notice given to the other party, as aforesaid.

ACCESS TO DEMISED PREMISES

Tenant shall permit Landlord and Overlandlord and authorized representatives of each to enter the Demised Premises at all reasonable times for the purpose of: serving or posting thereon notices required by Legal Requirements; conducting periodic inspections; and performing any work thereon required to be performed by Landlord pursuant to this lease or that Landlord or Overlandlord in the reasonable exercise of its judgment may deem necessary to prevent waste, loss, damage or deterioration to or in connection with the Demised Premises.

LANDLORD'S PROPERTY REPRESENTATIVE

Landlord hereby designates Ray Emma as its representative ("Property Representative") to handle Tenant's property management and maintenance concerns and requests regarding the Demised Premises. Landlord shall cause the Property Representative (i) to respond promptly and diligently to all questions, inquiries and concerns of Tenant regarding the condition of the Demised Premises, and (ii) to perform or cause to be performed all of Landlord's management obligations hereunder. Until such time as Landlord notifies Tenant in writing of a different Property Representative or address, Tenant shall contact the Property Representative at the following address:

Mr. Ray Emma
J. C. Penney Company, Inc.
P. O. Box 10001
Dallas, Texas 75301-2104
(214) 431-1621

WAIVER OF PERFORMANCE BY EITHER PARTY

One or more waivers of any covenant, term or condition of this lease by either party shall not be construed as a waiver of a subsequent breach of the same or any other covenant, term or condition; nor shall any delay or omission by either party to seek a remedy for any breach of this lease or to exercise a right accruing to such party by reason of such breach be deemed a waiver by such party of its remedies or rights with respect to such breach. The consent or approval by either party to or of any act by the other party requiring such consent or approval shall not be deemed to waive or render unnecessary consent to or approval of any similar act.

SUCCESSORS AND ASSIGNS; MODIFICATIONS

All covenants, agreements, provisions and conditions of this lease shall be binding upon and inure to the benefit of the parties hereto and their heirs, devisees, executors, administrators, successors in interest and assigns, and shall be deemed to run with the land.

No modification of this lease shall be binding unless evidenced by an agreement in writing signed by Tenant and signed in Landlord's name by one of Landlord's duly authorized officers.

REMEDIES CUMULATIVE

Except to the extent expressly otherwise provided herein, all rights, privileges and remedies afforded either of the parties hereto by this lease or by law shall be deemed cumulative, and the exercise of any one of such rights, privileges and remedies shall not be deemed to be a waiver of any other right, privilege or remedy provided for herein or granted by law.

PARTIAL INVALIDITY

If any covenant, term or condition of this lease or any application thereof shall be invalid or unenforceable, the remainder of this lease and any other application of such covenant, term or condition shall not be affected thereby.

APPLICABLE LAW

This lease shall be construed according to, and be governed by, the law of the State in which the Office Building is situated.

WAIVER OF JURY TRIAL

The parties hereto waive trial by jury, to the extent permitted by law, in any action, proceeding or counterclaim brought by either of them against the other on any matter whatsoever arising out of or in any way connected with this lease, the relationship of Landlord and Tenant,

Tenant's use or occupancy of the Demised Premises, and any emergency statute or any other statutory remedy.

ATTORNEYS' FEES

If any rent or additional rent or other charges owing from Tenant to Landlord under this lease are collected by or through an attorney-at-law, Tenant shall pay the fees of Landlord's attorneys not to exceed 15% of the greater of the amount collected or the judgment, if any, rendered in Landlord's favor.

HAZARDOUS MATERIALS

Tenant agrees and acknowledges that in accordance with the article hereof captioned "DEMISE OF PREMISES" Tenant is accepting the Demised Premises in an "as is" condition.

Except (i) as necessary in accordance with Tenant's normal course of business as described in the article hereof captioned "USE AND OPERATION OF DEMISED PREMISES", and (ii) in strict compliance with all applicable environmental laws, Tenant shall not, by way of Tenant's use of or by way of Tenant's installation of Tenant's improvements in the Demised Premises, or otherwise, use, cause or permit any hazardous material to be located, discharged or disposed in, on or about the Demised Premises or any part of the Penney Premises.

Tenant shall defend, indemnify and hold Landlord harmless from any and all claims, losses, damages, suits, penalties, costs, liabilities and expenses (including without limitation any clean up costs and reasonable investigation expenses, and attorney's fees) arising directly or indirectly out of or brought on account of any claim for loss or damages to the Demised Premises or the Penney Premises, any injury to any person or persons or property, or loss of life, any contamination of or adverse effect on the environment, or any violation of any environmental laws, rules, regulations or codes of any governmental authority, entity or agency, caused by or resulting from any hazardous or toxic material which Tenant may release, spill, emit, discharge, use, keep, bring upon, or transport through, in or upon the Demised Premises or the Penney Premises.

Landlord agrees to comply with all environmental laws affecting the Demised Premises with respect to the acts or omissions of Landlord which accrued prior to the delivery of possession of the Demised Premises to Tenant, except for compliance required or resulting from the acts or omissions

of Tenant, its agents, employees, contractors and all other third parties. Notwithstanding anything to the contrary in this lease, with respect to the Demised Premises, nothing shall be deemed to limit Tenant's recourse, rights and remedies against Landlord under environmental laws and Landlord's recourse, rights and remedies against Tenant under environmental laws.

ENTIRE AGREEMENT

This lease constitutes the entire agreement between Landlord and Tenant, and each party acknowledges to the other that it is not relying on any representations or agreements other than those specifically set forth in this lease.

IN WITNESS WHEREOF, Landlord and Tenant have caused this lease to be duly executed and sealed as of the day and year first above written.

LANDLORD:

ATTEST:

/s/ [ILLEGIBLE]

Assistant Secretary

APPROVED

S.W.

ATTORNEY

J. C. PENNEY COMPANY, INC.

By: /s/ [ILLEGIBLE]

Senior Vice President

TENANT:

ATTEST:

Secretary

BSI BUSINESS SERVICES, INC.

By: /s/ [ILLEGIBLE]

Senior Vice President

STATE OF TEXAS)
)SS.:
COUNTY OF COLLIN)

This instrument was acknowledged before me on the 11th day of January, 1996, by Ted L. Spurlock, a Vice President of J. C. PENNEY COMPANY, INC., a Delaware corporation, on behalf of said corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:

ELAINE R. LESHER
MY COMMISSION EXPIRES
April 15, 1996

/s/ Elaine R. Lesher
Notary Public, State of Texas

STATE OF Texas)
) SS.:
COUNTY OF Collin)

On this the 11th day of January, 1996, before me, a Notary Public duly authorized in and for the said County in the State aforesaid to take acknowledgments, personally appeared Lawrence A. [ILLEGIBLE] to me known and known to me to be Senior President of BSI BUSINESS SERVICES, INC., one of the corporations described in the foregoing instrument, and acknowledged that as such officer, being authorized so to do, he executed the foregoing instrument on behalf of said corporation by subscribing the name of such corporation by himself as such officer and caused the corporate seal of said corporation to be affixed thereto, as his free and voluntary act, and as the free and voluntary act of said corporation, for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:

ELAINE R. LESHER
MY COMMISSION EXPIRES
April 15, 1996

/s/ Elaine R. Lesher
Notary Public

RENT RIDER

A. Effective as of the Commencement Date, Tenant shall pay Landlord the following Fixed Rent for the Demised Premises at the following annual rates for the following periods, payable in equal monthly installments in advance on or before the first day of each calendar month; however, if the Commencement Date occurs on a day other than the first day of the month, Tenant shall pay on the Commencement Date a pro rata share of a full monthly installment of Fixed Rent:

TERM	COMMENCING ON	ENDING ON	ANNUAL RATE	MONTHLY INSTALLMENTS
Initial Term	Commencement Date	1-31-1997	$493,660.00	$41,138.33
Initial Term	2-1-1997	1-31-2002	$572,300.00	$47,691.67
1st Option Period	2-1-2002	1-31-2007	$663.467.00	$55,288.92
2nd Option Period	2-1-2007	1-31-2012	$769,156.00	$64,096.33

B. Until it receives other instructions in writing from Landlord, Tenant shall pay all Fixed Rent and other charges and payments due under this lease by check to the order of

J. C. Penney Company, Inc.
Salt Lake City Accounting
P.O. Box 27704
Salt Lake City, Utah 94127-0704
Unit No. #6210

****

Attached to and forming part of lease dated as of January 11, 1996, by and between J. C. PENNEY COMPANY, INC., as Landlord, and BSI BUSINESS SERVICES, INC., as Tenant, covering certain premises situated at Nacogdoches at El Charro Road, San Antonio, Texas.

Initialed for identification for Landlord:

By /s/ S.W.
Attorney

Initialed for identification for Tenant:

By /s/ [ILLEGIBLE]

EXHIBIT A

DESCRIPTION OF THE LAND ON WHICH THE OFFICE BUILDING IS LOCATED:

Lot 26, Block 2, New City Block 16673, VALENCIA UNIT 7a, in the City of San Antonio, Bexar County, Texas, according to plat thereof, recorded in Volume 9000, Page 235, Deed and Plat Records of Bexar County, Texas.

****

Attached to and forming part of lease dated as of January 11, 1996, by and between J. C. PENNEY COMPANY, INC., as Landlord, and BSI BUSINESS SERVICES, INC., as Tenant, covering certain premises situated at Nacogdoches at El Charro Road, San Antonio, Texas.

Initialed for identification for Landlord:	Initialed for identification for Tenant:
By /s/ S.W.	By /s/ [ILLEGIBLE]
Attorney	

EXHIBIT B

Site Plan of Office Building

Attached

****

Attached to and forming part of lease dated as of January 11, 1996, by and between J.C. PENNEY COMPANY, INC., as Landlord, and BSI BUSINESS SERVICES, INC., as Tenant, covering certain premises situated at Nacogdoches at El Charro Road, San Antonio, Texas.

Initialed for identification for Landlord:	Initialed for identification for Tenant:
By /s/ S.W.	By /s/ [ILLEGIBLE]
Attorney	

BUILD-TO-SUIT NET LEASE

BETWEEN

OPUS SOUTH CORPORATION

AS LANDLORD

AND

ADS ALLIANCE DATA SYSTEMS, INC.,

AS TENANT

JANUARY ___, 1998

BUILD-TO-SUIT NET LEASE

THIS BUILD-TO-SUIT NET LEASE ("LEASE") is entered into as of January __, 1998 by and between the Landlord and Tenant identified in SECTION 1.1.

1. DEFINITIONS AND EXHIBITS

1.1 DEFINITIONS. In this Lease, the following defined terms have the meanings set forth for them below or in the section of this Lease indicated below:

"ADA" means the Americans with Disabilities Act, as amended from time to time.

"ADDITIONAL RENT" means all amounts required to be paid by Tenant under this Lease in addition to Basic Rent including, without limitation, Taxes and insurance premiums.

"AFFILIATES" means, with respect to any party, any entities or individuals that control, are controlled by or are under common control with such party, together with its and their respective partners, venturers, directors, officers, shareholders, trustees, trustors, beneficiaries, agents, employees and spouses.

"ALLOWANCE" has the meaning set forth in SECTION 3.10.

"APPROVED EXPANSION BASE BUILDING PLANS" has the meaning set forth in SECTION 18(b).

"APPROVED EXPANSION COSTS" has the meaning set forth in SECTION 18(d).

"APPROVED EXPANSION LEASEHOLD IMPROVEMENTS PLANS" has the meaning set forth in SECTION 18(c).

"APPROVED EXPANSION RENTABLE SQUARE FEET" has the meaning set forth in SECTION 18(f).

"APPROVED ORIGINAL BASE BUILDING PLANS" has the meaning set forth in SECTION 3.2.

"APPROVED ORIGINAL LEASEHOLD IMPROVEMENTS PLANS" has the meaning set forth in SECTION 3.3.

"APPROVED ORIGINAL RENTABLE SQUARE FEET" has the meaning set forth in SECTION 3.6.

"APPROVED TENANT'S COSTS" has the meaning set forth in SECTION 3.4.

"BASIC RENT" means the Original Basic Rent and, if applicable, the Expansion Basic Rent.

"BUILDING" means the Original Building and the Expansion Building.

"CORE BUILDING SYSTEMS" means the items delineated on EXHIBIT K.

"DEADLINE EXTENSION" has the meaning set forth in SECTION 3.2.

"ENVIRONMENTAL LAWS" means the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 ET SEQ., the Comprehensive Environmental Response, Compensation and Liability Act, U.S.C. Section 9601 ET SEQ. (including the so-called "Superfund" amendments thereto), any other applicable Laws governing or pertaining to any hazardous substances, hazardous wastes, chemicals or other materials, including, without limitation, asbestos, polychlorinated biphenyls, radon, petroleum and any derivative thereof or any common law theory based on nuisance or strict liability.

"EVENT OF DEFAULT" has the meaning set forth in SECTION 15.2.

"EXPANSION BASE BUILDING" has the meaning set forth in SECTION 18(a).

"EXPANSION BASE BUILDING PLANS" has the meaning set forth in SECTION 18(b).

"EXPANSION BASIC RENT" has the meaning set forth in SECTION 18(j)(II)(B).

"EXPANSION BUILDING" has the meaning set forth in SECTION 18(a).

"EXPANSION CHANGE ORDER" has the meaning set forth in SECTION 18(e).

"EXPANSION COMMENCEMENT DATE" has the meaning set forth in SECTION 18(j)(I).

"EXPANSION COSTS" means the actual amount of those costs described on EXHIBIT J which Landlord incurs in connection with the construction of the Expansion Building. Expansion Costs specifically do not include any acquisition or carrying costs for any portion of the Land, it being understood that those costs are included in the Original Basic Rent for the Original Premises. Landlord and Tenant further agree that Expansion Costs will include (a) the cost of general conditions and insurance, not to exceed three percent (3%) of the cost of the construction work, excluding soft costs, (b) overhead, not to exceed three percent (3%) of the cost of the construction work, excluding soft costs and the general conditions and insurance and (c) a general contractor's fee payable to Landlord in an amount equal to five percent (5%) of the construction work, excluding soft costs and overhead.

"EXPANSION LEASEHOLD IMPROVEMENTS" has the meaning set forth in SECTION 18(a).

"EXPANSION LEASEHOLD IMPROVEMENTS PLANS" has the meaning set forth in SECTION 18(c).

"EXPANSION PUNCH LIST" has the meaning set forth in SECTION 18(h).

"FAIR MARKET RENT" has the meaning set forth in SECTION 2.5.

"FINAL COMPLETION" means that all Landlord's Original Work or Landlord's Expansion Work, as the case may be, has been fully and finally completed.

"FINANCED AMOUNT" has the meaning set forth in SECTION 3.10.

"FIRST RENEWAL TERM" has the meaning set forth in SECTION 2.5.

"FIRST STAGE COMPLETION" means that Landlord's Original Work on the first floor of the Original Building has been Substantially Completed and the first floor of the Original Building is ready for and can be occupied by Tenant.

"FORCE MAJEURE" means any delays due to strikes, riots, acts of God, war, or any other causes of any kind whatsoever which are beyond the control of Landlord or Tenant at any time during the term of this Lease, it being agreed that the inability to perform financial obligations (including, without limitation, paying the Basic Rent and other charges due under this Lease), shortages of labor or materials, and governmental laws, rules or restrictions shall not constitute events beyond the reasonable control of Landlord or Tenant.

"GUARANTOR" means Alliance Data Systems Corporation, a Delaware corporation, but the term "GUARANTOR" means any then-existing guarantor of Tenant's obligations under this Lease pursuant to a guaranty agreement substantially similar to the form attached to this Lease as EXHIBIT G or another form reasonably acceptable to Landlord.

"HAZARDOUS SUBSTANCE" means any substance, chemical or material declared to be, or regulated as, hazardous or toxic under any Environmental Law or the presence of which may give rise to liability under any Environmental Law.

"IMPROVEMENTS" means the Building, the Leasehold Improvements, and any other structures, pavement, landscaping, lighting fixtures or other improvements now or later constructed or installed upon the Land.

"INTEREST RATE" means the prime interest rate (as published from time to time by THE WALL STREET JOURNAL, and with any changes in such rate to be effective on the date such change is published) plus 5% per annum, but if such rate exceeds the maximum interest rate permitted by law, such rate will be reduced to the highest rate allowed by law under the circumstances.

"LAND" means the real property located on Waterview Parkway in the City of Dallas, Collin County, Texas (including all of its appurtenant rights and easements) and legally described on EXHIBIT A.

"LANDLORD" means Opus South Corporation, a Florida corporation.

"LANDLORD'S EXPANSION WORK" has the meaning set forth in SECTION 18(a).

"LANDLORD'S NOTICE ADDRESS" means:

12225 Greenville Avenue
Suite 900
Dallas, Texas 75243-9363
Telecopy: (972) 669-2216

with a copy to:

700 Opus Center
9900 Bren Road East

Minnetonka, Minnesota 55343
Attention: Legal Department
Telecopy: (612) 936-9808

"LANDLORD'S ORIGINAL WORK" means the construction and installation of the Original Base Building and the Original Leasehold Improvements.

"LANDLORD'S RENT ADDRESS" means:

5401 Corporate Woods Drive
Suite 100
Pensacola, Florida 32504

"LANDLORD'S REPRESENTATIVE" means Lamar Lawson.

"LAWS" means any and all present or future federal, state or local laws, statutes, ordinances, rules, regulations or orders of any and all governmental or quasi-governmental authorities having jurisdiction.

"LEASEHOLD IMPROVEMENTS" means the Original Leasehold Improvements and the Expansion Leasehold Improvements.

"ORIGINAL BASE BUILDING" means those portions of the Original Building and the associated site Improvements on the Land (such as driveways, parking areas, landscaping and exterior lighting) that are specified on EXHIBIT B and are identified with an asterisk (*) on EXHIBIT C under the column "Base Building Core & Shell".

"ORIGINAL BASE BUILDING PLANS" has the meaning set forth in SECTION 3.2.

"ORIGINAL BASIC RENT" means the rent payable according to SECTION 4.1.

"ORIGINAL BUILDING" means the building containing approximately 114,419 rentable square feet to be constructed by Landlord for Tenant upon the Land according to SECTION 3 and includes both the Original Base Building and the Original Leasehold Improvements.

"ORIGINAL CHANGE ORDER" has the meaning set forth in SECTION 3.5.

"ORIGINAL COMMENCEMENT DATE" means the first day of the Term, which will be the Third Stage Completion Date, unless the Original Commencement Date is extended according to SECTION 3.6.

"ORIGINAL LEASEHOLD IMPROVEMENTS" means all leasehold improvements and installations, in addition to the Original Base Building, that are to be constructed or installed by Landlord for Tenant according to SECTION 3, and which are identified with an asterisk (*) on EXHIBIT C under the column "Tenant Improvement".

"ORIGINAL LEASEHOLD IMPROVEMENTS PLANS" means construction plans and specifications for the Original Leasehold Improvements.

"ORIGINAL PREMISES" means the Land and the Original Building.

"ORIGINAL PUNCH LIST" has the meaning set forth in SECTION 3.8.

"ORIGINAL TERM" means the period between the Original Commencement Date and the Expiration Date.

"PERMITTED EXPANSION FORCE MAJEURE DELAYS" has the meaning set forth in SECTION 18(g).

" PERMITTED ORIGINAL FORCE MAJEURE DELAYS" has the meaning set forth in SECTION 3.7.

"PLAN APPROVAL DELAY" has the meaning set forth in SECTION 3.2 AND SECTION 3.3.

"PREMISES" means the Land and all then-existing Improvements.

"PROJECTED EXPANSION COMPLETION DATE" has the meaning set forth in SECTION 18(f).

"RELEASE CONDITIONS" means all of the following conditions have been met: (a) the assignee of this Lease or sublessee of all of the Premises has a net worth (excluding goodwill) of at least $75 million, (b) if such assignee or sublessee is a subsidiary of any entity, Tenant has obtained and delivered to Landlord a guaranty by such parent entity of the assignee or sublessee's obligations under this Lease, and (c) in the event Tenant subleases the entire Premises (it being understood and agreed that this condition does not apply in the case of an assignment), Tenant has obtained and delivered to Landlord a written agreement from such sublessee assuming the obligations of Tenant under this Lease from and after the effective date of such sublease.

"RENEWAL NOTICE" has the meaning set forth in SECTION 2.5.

"RENEWAL NOTICE DATE" has the meaning set forth in SECTION 2.5.

"RENEWAL TERM" has the meaning set forth in SECTION 2.5.

"RENT" means Basic Rent, Expansion Basic Rent (if applicable), and all Additional Rent.

"RENTABLE SQUARE FEET" means the standard for "Rentable Area" as promulgated by the Building Owners and Managers Association International and approved by the American National Standards Institute, Inc. on June 7, 1996 (reference number ANSI/BOMA Z65.1-1996).

"REPORT" has the meaning set forth in SECTION 6.3(c).

"SECOND RENEWAL TERM" has the meaning set forth in SECTION 2.5.

"SECOND STAGE COMPLETION" means that the Landlord's Original Work on the first floor and the second floor of the Original Building has been Substantially Completed and the first floor and second floor of the Original Building are ready for occupancy and can be occupied by Tenant.

"SUBSTANTIALLY COMPLETED" or "SUBSTANTIAL COMPLETION" or "SUBSTANTIALLY COMPLETE" means that the applicable portion of the Premises is broom clean, free of construction tools and materials, and Landlord's Original Work has been completed according to the Approved Original Base Building Plans and the Approved Original Leasehold Improvements Plans or Landlord's Expansion Work has been completed according to the Approved Expansion Base Building Plans and the Approved Expansion Leasehold Improvements Plans, as the case may be, with only minor punch list items that will not interfere to more than a minor extent with Tenant's use and enjoyment of the Premises remaining to be completed or corrected pursuant to the terms of this Lease; that an unconditional certificate of occupancy for the applicable portion of the Premises has been issued (unless the issuance thereof is conditioned upon any work or installations the responsibility of which is not included within Landlord's Original Work or Landlord's Expansion Work, as the case may be) and not suspended or revoked or amended in a manner that would prevent Tenant from occupying the applicable portion of the Premises for the purposes for which they were designed; and that all utilities called for in the Approved Original Base Building Plans or Approved Expansion Base Building Plans, as the case may be, or the Approved Original Leasehold Improvements Plans or the Approved Expansion Leasehold Improvements Plans, as the case may be, are installed and operable with all hook-up, tap or similar fees paid.

"TAXES" means, subject to the terms of SECTION 5.3 below, all ad valorem real and personal property taxes and assessments, special or otherwise, levied upon or with respect to the Premises, the personal property used in operating the Premises, and the rents and additional charges payable by Tenant according to this Lease, and imposed by any taxing authority having jurisdiction; and all taxes, levies and charges which may be assessed, levied or imposed in replacement of, or in addition to, all or any part of ad valorem real or personal property taxes or assessments as revenue sources, and which in whole or in part are measured or calculated by or based upon the Premises, the leasehold estate of Landlord or Tenant in and to the Premises, or the rents and other charges payable by Tenant according to this Lease. Taxes will not include any net income, franchise, inheritance or similar taxes of Landlord.

"TAX YEAR" means a 12-month period for which Taxes are assessed.

"TENANT" means ADS Alliance Data Systems, Inc., a Delaware corporation.

"TENANT'S COST" means the total cost of preparing the Original Leasehold Improvements Plans, obtaining all necessary permits for, and constructing and installing, the Original Leasehold Improvements in the Original Base Building, and providing any required services during construction of the Original Leasehold Improvements (such as electricity and other utilities and refuse removal). Landlord and Tenant agree that Tenant's Cost will include (a) the cost of general conditions and insurance, not to exceed three percent (3%) of the cost of the construction work, excluding soft costs, (b) overhead, not to exceed three percent (3%) of the cost of the construction work, excluding soft costs and the general conditions and insurance and (c) a general contractor's fee payable to Landlord in an amount equal to five percent (5%) of the construction work, excluding soft costs and overhead.

"TENANT'S COST PROPOSAL" has the meaning set forth in SECTION 3.9.

"TENANT'S EXPANSION COST PROPOSAL" has the meaning set forth in SECTION 18(d).

"TENANT ORIGINAL DELAY" has the meaning set forth in SECTION 3.7.

"TENANT EXPANSION DELAY" has the meaning set forth in SECTION 18(g).

"TENANT'S NOTICE ADDRESS" means,

for notices given before the Original Commencement Date:

5001 Spring Valley Road
Dallas, Texas 75244
Attention: Mr. Robert S. Murphy
Telecopy: (972) 960-5275
with a copy at the same time to:

4590 East Broad Street
Columbus, Ohio 43213
Attention: General Counsel
Telecopy: (614) 863-5965

and

Harriet Anne Tabb
Tabb & Associates
8333 Douglas Avenue
Suite 1250
Dallas, Texas 75225

and for notices given after the Original Commencement Date:

Tenant's address at the Premises, with a copy at the same time to:

4590 East Broad Street
Columbus, Ohio 43213
Attention: General Counsel

and

Harriet Anne Tabb
Tabb & Associates
8333 Douglas Avenue
Suite 1250
Dallas, Texas 75225

"TENANT'S REPRESENTATIVE" means Robert S. Murphy.

"TERM" means the duration of this Lease, which will be approximately 11 years beginning on the Original Commencement Date and ending on the "EXPIRATION DATE" (as defined below), unless terminated earlier or extended further as provided in this Lease. The "EXPIRATION DATE" means (i) if the Original Commencement Date is the first day of a month, the 11-year anniversary of the day immediately preceding the Original Commencement

Date; or (ii) if the Original Commencement Date is not the first day of a month, the 11-year anniversary of the last day of the month in which the Original Commencement Date occurs. The Term will also include any exercised Renewal Term.

"THIRD STAGE COMPLETION" means that all of Landlord's Original Work in the Original Building is Substantially Completed and all of the Original Building is ready for and can be occupied by Tenant.

1.2 EXHIBITS. The Exhibits listed below are attached to and incorporated in this Lease. In the event of any inconsistency between such Exhibits and the terms and provisions of this Lease, the terms and provisions of the Exhibits will control, but the terms of this Lease may specifically modify the exhibits. The Exhibits to this Lease are:

Exhibit A	-	Legal Description of the Land
Exhibit B	-	Base Building Specifications (including Building Elevation, Site Plan, Floor Plan and Building Specifications)
Exhibit C	-	Base Building/Tenant Matrix
Exhibit D	-	Matters Affecting Landlord's Title
Exhibit E	-	Memorandum of Lease
Exhibit F	-	NDA
Exhibit G	-	Lease Guaranty
Exhibit H	-	2-Story Plan
Exhibit I	-	3-Story Plan
Exhibit J	-	Expansion Cost Summary
Exhibit K	-	Core Building Systems

2. GRANT OF LEASE; RENEWAL OPTIONS

2.1 DEMISE. Subject to the terms, covenants, conditions and provisions of this Lease, Landlord leases to Tenant and Tenant leases from Landlord the Premises for the Term.

2.2 QUIET ENJOYMENT. Landlord covenants that Tenant, upon paying the Basic Rent and Additional Rent and performing all other obligations of Tenant under this Lease, will have quiet and peaceful possession of the Premises during the Term, and such possession will not be disturbed by Landlord or anyone claiming by, through or under Landlord. Upon Landlord's acquisition of the Land, Landlord will own the Land in fee simple, subject only to the matters set forth on EXHIBIT D. Landlord hereby represents and warrants that the execution of this Lease, the construction of the Original Building, and the construction of the Expansion Building will not violate the terms of any of the items described on EXHIBIT D and that Landlord has received or will receive all approvals necessary for the construction of the Original Building and the Expansion Building.

2.3 LANDLORD AND TENANT COVENANTS. Landlord covenants to observe and perform all of the terms, covenants and conditions applicable to Landlord in this Lease. Tenant covenants to pay the Rent when due, and to observe and perform all of the terms, covenants and conditions applicable to Tenant in this Lease.

2.4 MEMORANDUM OF LEASE. Promptly after execution of this Lease, Landlord and Tenant will execute and acknowledge a recordable memorandum of lease on the form attached as EXHIBIT E, which memorandum must be recorded immediately after the deed into Landlord (i.e., with no intervening document). After the occurrence of the Original Commencement Date, either party will, upon the other's request, execute and acknowledge a recordable memorandum setting forth

the date on which the Original Commencement Date occurred and the date on which the Expiration Date is scheduled to occur.

2.5 TENANT'S RENEWAL OPTIONS. Subject to the terms and provisions of this SECTION 2.5, Tenant, at its option, may extend the Original Term of this Lease for one five-year period at the end of the Original Term (the "FIRST RENEWAL TERM") and, if Tenant exercises its option with respect to the First Renewal Term, for an additional five-year period at the end of the First Renewal Term (the "SECOND RENEWAL TERM"). The First Renewal Term and the Second Renewal Term are individually referred to herein as a "RENEWAL TERM." To exercise each such option, Tenant must deliver written notice of the exercise thereof (a "RENEWAL NOTICE") to Landlord no later than nine months prior to the expiration of (i) the Original Term, in the case of Tenant's option with respect to the First Renewal Term, or (ii) the First Renewal Term, in the case of Tenant's option with respect to the Second Renewal Term. The dates by which Tenant is required to deliver its Renewal Notices will each be referred to hereinafter as a "RENEWAL NOTICE DATE." If Tenant fails to give its Renewal Notice with respect to either Renewal Term by the applicable Renewal Notice Date, such Renewal Notice Date will be extended until the first to occur of (A) the 15th day after Landlord gives Tenant notice that Tenant has failed to exercise its option with respect to the subject Renewal Term; or (B) the last day of the then-current Term. Landlord and Tenant agree that once Tenant has delivered a Renewal Notice, both parties will be responsible for their respective obligations under this Lease for the subject Renewal Term, regardless of the outcome of the Basic Rent determination for such Renewal Term as described below. During each Renewal Term, all of the terms and provisions of this Lease will apply, except that after the Second Renewal Term there will be no further right of renewal, and except that the Basic Rent payable for each month of the First Renewal Term will be 90% of the "FAIR MARKET RENT" (as defined below), but in no event less than 100%, or more than 118%, of the monthly Basic Rent payable during the last year of the initial Term, and the Basic Rent payable for each month of the Second Renewal Term will be 90% of the Fair Market Rent, but in no event less than 100%, or more than 118%, of the monthly Basic Rent payable during the last year of the First Renewal Term. As used herein, "FAIR MARKET RENT" will mean an amount of rent per month equal to the prevailing monthly rent then being obtained by landlords of premises comparable to the Land and the Base Building and the Expansion Base Building, if appropriate (I.E., the Premises, but excluding the Original Leasehold Improvements, the Expansion Leasehold Improvements, and any subsequent Improvements made by Tenant) in the Dallas, Texas metropolitan area (or that such landlords would then be able to obtain) under leases of premises comparable to the Land and the Base Building and the Expansion Base Building, if appropriate, for terms comparable to the subject Renewal Term. Landlord and Tenant will, for a period of 30 days from and after the subject Renewal Notice Date, meet with each other and negotiate in good faith to agree upon the then-current Fair Market Rent (using the criteria set forth above) acceptable to both parties. If the parties are unable to agree upon the Fair Market Rent during such 30-day period, then, within seven days after such 30-day period expires, Landlord and Tenant will each appoint a certified MAI appraiser who has at least five years' full-time commercial appraisal experience in the Dallas, Texas market. If one party fails to so appoint an appraiser within such seven-day period, the determination of the Fair Market Rent by the one appraiser who was timely appointed by the other party will be binding on both parties. The appraisers will, within 30 days of their appointment, submit their determinations of the Fair Market Rent to both parties. If the difference between the two determinations is 10% or less of the higher appraisal, then the average between the two determinations will be the Fair Market Rent. If the difference between the two determinations is greater than 10% of the higher thereof, then within 10 days of the date the second determination is submitted to the parties, the two appraisers will designate a third appraiser who must also meet the qualifications described above and, further, must not have previously acted for either party in any capacity. The sole responsibility of the third appraiser will be to determine which of the determinations made by the first two appraisers is more accurate. The third appraiser will

have no right to propose a middle ground or any modifications to either of the prior determinations made by the first appraisers. The third appraiser's choice will be submitted to the parties within 20 days after his or her selection. Such determination will bind both parties, and the determination of the Fair Market Rent made by one of the first two appraisers and selected by the third appraiser as the more accurate will be the Fair Market Rent. All appraisers will be instructed, in making their required determinations, to use the criteria as to the Fair Market Rent set forth above. Each party will pay the fees and expenses of the appraiser selected by it, and they will pay equal shares of the fees and expenses of the third appraiser. Tenant will have no right to extend the Term and a Renewal Notice will be ineffective if an Event of Default exists at the time such notice is given or at the commencement of the subject Renewal Term. Any termination of this Lease terminates all rights under this SECTION 2.5.

3. CONSTRUCTION; DELIVERY AND ACCEPTANCE OF PREMISES

3.1 LANDLORD'S CONSTRUCTION OBLIGATIONS. Subject to and in accordance with the provisions of this SECTION 3, Landlord will (i) at Landlord's sole cost and expense, design (consistent with the terms of EXHIBIT B and EXHIBIT C), construct and install the Original Base Building on the Land in accordance with the Approved Original Base Building Plans (as defined below); and (ii) subject to the provisions of SECTION 3.5, construct and install the Original Leasehold Improvements in accordance with the Approved Original Leasehold Improvements Plans (as defined below). Landlord must perform the Landlord's Original Work in a good and workmanlike manner, using new materials, and in accordance with all applicable laws, ordinances, rules, and regulations, including, without limitation, ADA and all applicable environmental laws, as interpreted and enforced by the governmental bodies having jurisdiction thereof at the time of construction.

3.2 ORIGINAL BASE BUILDING PLANS. On or before January 15, 1998, Landlord delivered to Tenant preliminary plans and specifications for the Base Building (the "ORIGINAL BASE BUILDING PLANS"), which plans are described as follows: Shell Building Plans for Alliance Data Systems - Corporate Headquarters, Dallas, Texas (dated 1/15/98) and Specifications for Alliance Data Systems - Corporate Headquarters, Dallas, Texas (dated 1/14/98). Landlord acknowledges that Tenant responded to such delivery within five (5) business days. The specifications attached as EXHIBIT B are the Original Base Building Plans described above and although there are not yet any Approved Original Base Building Plans, neither have any Plan Approval Delays, Tenant Original Delays, or Deadline Extensions accrued during the period before lease execution. The revised preliminary Original Base Building Plans are due from Landlord on January 29, 1998. Within five (5) business days after Tenant receives such revised preliminary Original Base Building Plans, Tenant will either approve the same in writing or notify Landlord in writing of Tenant's objections to the revised preliminary Original Base Building Plans and how the revised preliminary Original Base Building Plans must be changed in order to make them acceptable to Tenant. Each day following the fifth (5th) business day after the revised preliminary Original Base Building Plans are submitted to Tenant until Tenant either approves them or delivers a notice of objections to Landlord will be a day of Tenant Original Delay (as that term is defined in SECTION 3.7 hereof). Within five (5) business days after Landlord's receipt of Tenant's notice of objections, Landlord will cause its architect to prepare revised Original Base Building Plans according to such notice and submit the revised Original Base Building Plans to Tenant. In any review, Tenant cannot object to any aspect of the proposed Original Base Building Plans if (i) subject to the next-succeeding sentence, such objection would require material deviations from the terms of EXHIBIT B AND EXHIBIT C attached to this Lease, or (ii) such objection was not included within any of the previous objections made by Tenant to the Original Base Building Plans, unless the item objected to was not included in any of the previous

versions of the Original Base Building Plans or such item was so included, but has been affected by a subsequent change to the Original Base Building Plans. However, it is understood and agreed that Tenant has the right to select the following items, even if such items are not consistent with the guidelines detailed in the Base Building Specifications attached as EXHIBIT B, as long as such items are available to comply with the schedule of construction of the Original Building: exterior brick, glass, and metal frames; restroom finishes (including, without limitation, ceramic tile and toilet partitions); lobby finishes; elevator cab finishes; landscaping; and common area interior finishes, doors and hardware. Upon submittal to Tenant of the revised Original Base Building Plans, and upon submittal of any further revisions, the procedures described above will be repeated until Landlord and Tenant have reached agreement. Once they have reached agreement, Landlord must promptly prepare permit-ready Original Base Building Plans and submit them to Tenant for Tenant's approval. The only grounds upon which Tenant can object to such permit-ready Original Base Building Plans is that they materially differ from the final approved preliminary Original Base Building Plans. Tenant's failure to respond to Landlord's submission within five (5) business days after Landlord delivers such permit-ready Original Base Building Plans to Tenant constitutes Tenant's approval of such permit-ready Original Base Building Plans. The final permit-ready Original Base Building Plans, as approved by Landlord and Tenant, constitute the "APPROVED ORIGINAL BASE BUILDING PLANS" under this Lease. Each day following March 1, 1998, that the Approved Original Base Building Plans have not been approved by Landlord and Tenant for any reason other than Landlord's failure to perform or respond as required by this SECTION 3.2 shall constitute a "PLAN APPROVAL DELAY". Each day that Landlord does not perform or respond as required by this SECTION 3.2 will extend such March 1, 1998 deadline by one (1) day and will constitute a day of "DEADLINE EXTENSION."

3.3 LEASEHOLD IMPROVEMENT PLANS. On or before April 6, 1998 (extended by one (1) day for each day of Deadline Extension), Tenant will cause its architect to prepare and deliver to Landlord preliminary plans and specifications for the Original Leasehold Improvements (the "ORIGINAL LEASEHOLD IMPROVEMENTS PLANS"). While these preliminary plans and specifications are not required to be permit-ready, they must show sufficient detail concerning all aspects of the Original Leasehold Improvements Plans so that making them permit-ready is only a matter of incorporating technical details. Each day following April 6, 1998 (extended by one (1) day for each day of Deadline Extension), until Tenant delivers the preliminary Original Leasehold Improvements Plans will be a day of Plan Approval Delay. Within five (5) business days after receipt of the preliminary Leasehold Improvement Plans, Landlord will either approve the same in writing or notify Tenant in writing of Landlord's objections to the preliminary Original Leasehold Improvements Plans and how the preliminary Original Leasehold Improvements Plans must be changed in order to make them acceptable to Landlord. Landlord can only object to the preliminary Original Leasehold Improvements Plans on the grounds that they would adversely affect the structural integrity of the Original Base Building or materially modify any portion of the Core Building Systems and cannot object in any subsequent review to any matter not raised in a preceding review, unless the item objected to was not included in any of the previous versions of the Original Leasehold Improvements Plans or such item was so included, but has been affected by a subsequent change to the Original Leasehold Improvements Plans. However, under all circumstances, Tenant has the right to select the following items as they apply to the Original Leasehold Improvements, but only as long as such items are available to comply with the schedule of construction of the Original Building: exterior brick, glass, and metal frames; restroom finishes (including, without limitation, ceramic tile and toilet partitions); lobby finishes; elevator cab finishes; landscaping; and common area interior finishes, doors and hardware. If Landlord fails to respond in the manner set forth above within five (5) business days after the date Tenant delivers the preliminary Original Leasehold Improvements Plans to Landlord or objects to the preliminary Original Leasehold Improvements Plans on any grounds other than those set forth in this SECTION 3.3, then Landlord will be

conclusively deemed to have approved the preliminary Original Leasehold Improvements Plans. Within five (5) business days after Tenant's receipt of Landlord's notice of objections (if such objections meet the requirements set forth above), Tenant will cause its architect to prepare revised Original Leasehold Improvements Plans according to such notice and submit the revised Original Leasehold Improvements Plans to Landlord. Upon submittal to Landlord of the revised Original Leasehold Improvements Plans, and upon submittal of any further revisions, the procedures described above will be repeated until Landlord and Tenant have reached agreement. Once they have reached agreement, Tenant must promptly prepare permit-ready Original Leasehold Improvements Plans to Landlord for Landlord's approval. The only grounds upon which Landlord can object to such permit-ready Original Leasehold Improvements Plans is that they materially differ from the final approved Original Leasehold Improvements Plans. Landlord's failure to respond to Tenant's submissions within five (5) business days after Tenant delivers such permit-ready Original Leasehold Improvements Plans to Landlord constitutes Landlord's approval of such permit-ready Original Leasehold Improvements Plans. The permit-ready Original Leasehold Improvements Plans, as finally approved, are referred to in this Lease as the "APPROVED LEASEHOLD IMPROVEMENTS PLANS." Each day following April 20, 1998 (extended by one (1) day for each day of Deadline Extension), that the Approved Original Leasehold Improvements Plans have not been approved by Landlord and Tenant for any reason other than Landlord's failure to perform or respond as required by this SECTION 3.3 shall constitute a Plan Approval Delay. Each day that Landlord does not perform or respond as required by this SECTION 3.3 will constitute a day of Deadline Extension.

3.4 TENANT'S COST PROPOSAL. At such time as Landlord and Tenant have approved the Approved Original Leasehold Improvements Plans (and in any event within fifteen (15) days thereafter), Landlord will (i) obtain at least three bids for each of the major trades that will be involved in the construction of the Original Leasehold Improvements (with Landlord agreeing to solicit and consider bids from subcontractors selected by Tenant), unless less than three qualified subcontractors exist for a given trade, in which case Landlord will obtain a bid from all qualified subcontractors of such trade; (ii) using the lowest qualified bid (which, in order to be qualified, must fully comply with all bid requirements, including but not limited to any time requirements specified) from each of the bids so received (unless (a) Landlord advises Tenant in writing within five (5) business days after the bids are received that Landlord believes the lowest bidder will be unable to perform the work upon which it has bid in a timely manner or to the quality required by Tenant, giving written evidence of its reasons for such belief, it being understood and agreed that if Landlord fails to so notify Tenant within such five (5) business day period, Landlord will be deemed to have waived any objection to any subcontractor, and (b) Tenant has consented to the use of a bidder other than the lowest bidder, which consent Tenant will not unreasonably withhold and which consent shall be deemed granted unless Tenant expressly denies such consent by written notice to Landlord within 3 business days after Landlord's notice of objection to the subcontractor), prepare a proposed budget for all items to be included in Tenant's Cost ("TENANT'S COST PROPOSAL"); and (iii) submit copies of all bids and the Tenant's Cost Proposal to Tenant for Tenant's review and approval. Tenant, at Tenant's option, may either approve the Tenant's Cost Proposal in writing, or elect to eliminate or revise one or more items of Original Leasehold Improvements shown on the Original Leasehold Improvements Plans, or request additional bids so as to reduce the costs shown in the Tenant's Cost Proposal. Tenant may then approve in writing the reduced Tenant's Cost Proposal (based on revised Original Leasehold Improvements Plans (which will be deemed the Approved Original Leasehold Improvements Plans for all purposes under this Lease) prepared by Tenant's architect or revised bids, as the case may be). However, each business day following May 1, 1998 (extended by one (1) day for each day of Deadline Extension) until the day on which Landlord has received Tenant's written approval of the Tenant's Cost Proposal will be a day of Plan Approval Delay. The Tenant's Cost Proposal, as finally approved, is referred to in this Lease as the "APPROVED TENANT'S COSTS." Each day that Landlord does not perform or respond as required by

this SECTION 3.4 will constitute a day of Deadline Extension.

3.5 ORIGINAL CHANGE ORDERS. Tenant's Representative may request and authorize changes in the Landlord's Original Work as long as such changes (i) are consistent with the scope of Landlord's Original Work, and (ii) do not affect the Original Base Building or any portion of the Core Building Systems. All other changes will be subject to Landlord's prior written approval, which approval Landlord cannot unreasonably withhold, delay, or condition. Within five (5) business days after Tenant requests a change in the Landlord's Original Work and prior to commencing any change, Landlord will prepare and deliver to Tenant, for Tenant's approval, a change order ("ORIGINAL CHANGE ORDER") identifying the total cost or savings of such change, which will include associated architectural, engineering and construction contractor's fees, and the total time that will be added to or subtracted from the construction schedule by such change. Once Landlord delivers an Original Change Order to Tenant for Tenant's approval, Tenant must either affirmatively approve or disapprove of the Original Change Order within three (3) business days following Tenant's receipt of the Original Change Order. In the event Tenant fails to respond within the three (3) business day period, then each day thereafter that Tenant fails to respond shall be a Tenant Original Delay. Alternatively, Landlord may deliver to Tenant, within the same five (5) business day period, an estimate of the time and costs to be expended in calculating the Original Change Order. In the event Tenant does not respond or fails to affirmatively authorize Landlord to proceed on the third (3rd) business day following Tenant's receipt of such estimate, then it shall be conclusively deemed that Tenant withdrew its request for any change in Landlord's Original Work. If Tenant authorizes Landlord to proceed with calculating the cost of the Original Change Order, then Tenant shall be responsible for all reasonable costs associated therewith (and pay same to Landlord within 30 days following Landlord's written request) and any delay in connection with such calculation shall be a Tenant Original Delay, whether or not Tenant ultimately approves the Original Change Order.

3.6 DELIVERY OF POSSESSION. Landlord acknowledges and agrees that Tenant is terminating an existing lease on a specific date in reliance upon Landlord's commitment to deliver the Original Building to Tenant in accordance with the schedule set forth below, subject only to Plan Approval Delays (as defined in SECTIONS 3.2 AND 3.3 above), Tenant Original Delays (as defined in SECTION 3.7 below) and Permitted Original Force Majeure Delays (as defined in SECTION 3.7 below), which exceed, when taken together, ten (10) days:

First Stage Completion:	August 31, 1998
Second Stage Completion:	September 10, 1998
Third Stage Completion:	September 20, 1998
Final Completion:	Thirty (30) days after Original Punch List delivery

Therefore, Landlord must deliver the Original Building to Tenant in accordance with the foregoing schedule as such scheduled dates have been delayed due to Plan Approval Delays, Tenant Original Delays and Permitted Original Force Majeure Delays which exceed, when taken together, ten (10) days only, it being understood and agreed that such dates cannot be extended for any reason other than Plan Approval Delays, Tenant Original Delays and Permitted Original Force Majeure Delays which exceed, when taken together, ten (10) days. If Landlord is unable to deliver possession of the Original Building in accordance with the foregoing schedule, as it may be extended, (i) the Original Commencement Date will be extended automatically by one day for each day of the period after the Third Stage Completion Date to the day on which Landlord tenders possession of the Original Building to Tenant with Landlord's Original Work Substantially Completed, less any portion of that period attributable to Tenant Original Delays; and (ii) Landlord will pay Tenant, as liquidated damages, an amount equal to $2,000.00 per day for each day after August 31, 1998 (as such date may be extended) that the First Stage Completion has not occurred; and (iii) if the First Stage

Completion has occurred, Landlord will pay to Tenant, as liquidated damages, $2,000.00 per day for each day after September 10, 1998 (as such date may be extended) that the Second State Completion has not occurred; and (iv) Landlord will pay to Tenant, as liquidated damages, $4,000.00 per day for each day after September 20, 1998 (as such date may be extended) to the day upon which Landlord tenders possession of the Original Building to Tenant with Landlord's Original Work Substantially Completed; and (v) if Landlord has Substantially Completed the Original Building, Landlord will pay to Tenant $500.00 per day for each day after the thirtieth day after Tenant delivers the Original Punch List to Landlord that the Final Completion has not occurred; and (vi) if Landlord does not tender possession of the Original Building to Tenant with the Landlord's Original Work Substantially Completed on or before December 1, 1998 (plus any period of delay caused by Plan Approval Delays, Tenant Original Delays or Permitted Force Majeure Delay which exceed, when taken together, ten (10) days), Tenant will have the right to terminate this Lease by delivering written notice of termination to Landlord not more than 30 days after such deadline date. Upon a termination under clause (vi) above, each party will, upon the other's request, execute and deliver an agreement in recordable form containing a release and surrender of all right, title and interest in and to this Lease; neither Landlord nor Tenant will have any further obligations to each other, including, without limitation, any obligations to pay for work previously performed in the Original Building through the date of such termination except as set forth in this sentence; all improvements to the Premises will become and remain the property of Landlord; and Landlord will refund to Tenant any sums paid to Landlord by Tenant in connection with this Lease, including, without limitation, any payments to Landlord of portions of Tenant's Cost and pay to Tenant the amounts that have accrued under clauses (ii) through (v) above. Such postponement of the commencement of the Term, payment of liquidated damages and termination and refund right will be in full settlement of all claims that Tenant might otherwise have against Landlord by reason of Landlord's failure to have complied with the schedule set forth above. If Landlord delivers possession of the Original Building with the Landlord's Original Work Substantially Completed prior to the dates specified in the schedule set forth above, then Tenant may either accept such delivery (in which case such date will be the Original Commencement Date hereunder) or may refuse to accept delivery until any date selected by Tenant that is no later than the dates specified in the schedule set forth above. Within sixty (60) days after the Original Commencement Date, Landlord will provide to Tenant a complete set of as-built drawings of Landlord's Original Work and manuals for all equipment incorporated into the Improvements as a part of Landlord's Original Work. Landlord and Tenant have sixty (60) days after Landlord notifies Tenant that the Original Building has been Substantially Completed in which to remeasure the Original Building, but after the expiration of such sixty (60) day period, neither Tenant nor Landlord may remeasure the Original Building. Landlord and Tenant agree that provided the Original Building is otherwise Substantially Completed, a variance in the size of the Original Building (as the same may change due to any Original Change Order) by more or less than one percent (1%) shall be permitted and shall have no effect on the Original Building being Substantially Completed, nor on the calculation of the Original Basic Rent, Allowance or Financed Amount. In the absence of such remeasurement or the right to do so, it shall be conclusively deemed that the Original Building contains 114,419 Rentable Square Feet (subject to any approved revisions to the Approved Original Base Building Plans, with the final Rentable Square Feet as shown in the Approved Original Base Building Plans being sometimes referred to as the "APPROVED ORIGINAL RENTABLE SQUARE FEET"). If Tenant does timely elect to remeasure the Original Building, and the variance is greater than one percent (1%) but less than two percent (2%), the variance shall be permitted and have no affect on the Original Building being Substantially Completed, but (A) the Basic Rent (as provided in SECTION 4.1) will be adjusted to be $5.95 per Rentable Square Foot under clause (a) of SECTION 4.1, $11.98 per Rentable Square Foot under clause (b) of SECTION 4.1 and $13.45 per Rentable Square Foot under clause (c) of SECTION 4.1, (B) the Allowance (as provided in SECTION 3.10) will be adjusted to be $20.00 per Rentable Square Foot and (C) the Financed Amount (as provided in SECTION 3.10) will be adjusted to be $5.00 per Rentable Square Foot. If the

Original Building contains more than 102% of the Approved Original Rentable Square Feet, then the Allowance and Financed Amount will be adjusted based on the actual amount of square feet in the Original Building, but all other amounts will be calculated as if the Original Building contains 102% of the Approved Original Rentable Square Feet. If the Original Building contains less than 98% of the Approved Original Rentable Square Feet, then Landlord must make all alterations necessary to increase the size of the Original Building to at least 98% of the Approved Original Rentable Square Feet and the Original Building will be deemed to be not Substantially Complete. If, in such event, Tenant fails to terminate this Lease pursuant to SECTION 3.6(VI) above, then Tenant will be deemed to have accepted the size of the Original Building and the Original Building will be deemed to have been Substantially Complete on the day Landlord delivered the Original Building to Tenant with Landlord's Original Work (other than the area of the Original Building) Substantially Complete. In such event, the Allowance and Financed Amount will be calculated based on Approved Original Rentable Square Feet, but all other amounts will be calculated on the actual size of the Original Building.

3.7 PLAN APPROVAL DELAYS, TENANT ORIGINAL DELAYS AND PERMITTED ORIGINAL FORCE MAJEURE DELAYS. As provided in SECTION 3.6, the Term of this Lease (and therefore Tenant's obligation for the payment of Rent) will not commence until Landlord has Substantially Completed Landlord's Original Work; provided, however, that if Landlord is delayed in causing Landlord's Original Work to be Substantially Completed as a result of: (a) any Plan Approval Delays described in SECTIONS 3.2 AND 3.3, (b) any Tenant Original Delays described in SECTIONS 3.2, 3.3, 3.4 AND 3.5, or any Original Change Orders or changes in any drawings, plans or specifications requested by Tenant or any other act or omission of Tenant or Tenant's architects, engineers, constructors or subcontractors, all of which will be deemed to be delays caused by Tenant (with each individual occurrence constituting a "TENANT ORIGINAL DELAY" and the cumulative occurrences constituting "TENANT ORIGINAL DELAYS"), or (c) force majeure delays with such force majeure delays being referred to in this Lease as "PERMITTED ORIGINAL FORCE MAJEURE DELAYS"), then, if such delays exceed, in total, ten (10) days, the Original Commencement Date will only be extended under SECTION 3.6 until the date on which Landlord would have Substantially Completed the performance of Landlord's Original Work but for such delays. The aggregate delays described in this SECTION 3.7 will be reduced by the number of days deducted from the construction schedule on account of Original Change Orders. As a condition to claiming a Permitted Original Force Majeure Delay or a Tenant Original Delay, the day of delay must have otherwise been a day upon which Landlord intended to work on the item affected by the delay and Landlord must advise Tenant of the circumstances giving rise to the claim within ten (10) business days after they arise, the estimated cost that Tenant can pay at that time to effect any available remedy to eliminate or reduce such delay (for example, overtime work), and the cumulative total number of Permitted Original Force Majeure Delays, Tenant Original Delays, and Plan Approval Delays through the date of each event. If the number of Permitted Original Force Majeure Delays exceeds ninety (90) days then Tenant may terminate this Lease by written notice to Landlord at any time before the Original Commencement Date actually occurs and in such event Landlord must return to Tenant all amounts previously paid by Tenant and must pay Tenant $350,000.00, but will not be required to make any payment of liquidated damages under SECTION 3.6 of this Lease (and if Landlord has done so, Landlord will be permitted to offset the amount so paid against the $350,000.00 due to Tenant). If, under such circumstances, Tenant does not terminate this Lease as set forth above, then the maximum amount Landlord would be required to pay to Tenant as liquidated damages under SECTION 3.6 above would be $350,000.00.

3.8 ORIGINAL PUNCH LIST. Tenant's taking possession of any portion of the Original Building will be conclusive evidence that such portion of the Original Building was in good order and satisfactory condition, and that all of Landlord's Original Work in or to such portion of the Original Building was satisfactorily completed, when Tenant took possession, except as to any patent defects

or uncompleted items identified on a punch list (the "ORIGINAL PUNCH LIST") prepared by Tenant's Representative after an inspection of the Original Building by both Tenant's Representative and Landlord's Representative (unless Landlord's Representative fails to attend an inspection scheduled by Tenant's Representative, with Tenant acknowledging that Tenant's Representative must cooperate with Landlord's Representative in attempting to establish a mutually-acceptable date and time of inspection) made within thirty (30) days after Tenant takes possession, and except as to any latent defects in Landlord's Original Work. Landlord will not be responsible for any items of damage caused by Tenant, its agents, independent contractors or suppliers, except that in connection with Tenant's "phased" move-in to the Original Building, Landlord must repair damage caused by Tenant as part of its move-in and cannot claim such damage and repair constitutes any form of permitted delay, unless caused by Tenant's gross negligence or wilful misconduct. No promises to construct, alter, remodel or improve the Original Building, and no representations concerning the condition of the Original Building, have been made by Landlord to Tenant other than as may be expressly stated in this Lease.

3.9 REPRESENTATIVES. Landlord appoints Landlord's Representative to act for Landlord in all matters covered by this SECTION 3. Tenant appoints Tenant's Representative to act for Tenant in all matters covered by this SECTION 3. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this SECTION 3 will be made to Landlord's Representative or Tenant's Representative, as the case may be. Tenant will not make any inquiries of or requests to, and will not give any instructions or authorizations to, any other employee or agent of Landlord, including Landlord's architect, engineers and contractors or any of their agents or employees, with regard to matters covered by this SECTION 3. Either party may change its representative at any time by three days' prior written notice to the other party.

3.10 PAYMENT OF TENANT'S COST. Landlord and Tenant acknowledge that the Basic Rent has been computed based on Landlord's allowance of $2,288,380.00 (the "ALLOWANCE") towards the cost of the Original Leasehold Improvements. To the extent the Approved Tenant's Costs (as increased or decreased by Original Change Orders): (A) are less than the Allowance, the "savings" will be credited to the next installment(s) of Original Basic Rent due after such determination, (B) exceed the Allowance, Tenant will pay such excess to Landlord as herein required. Any such excess sums owing by Tenant to Landlord pursuant to this SECTION 3.10 (up to a maximum of an amount equal to $572,095.00 (the "FINANCED AMOUNT") shall be paid by Tenant to Landlord in monthly installments, amortized over the remaining months of the initial 11-year term of this Lease at a rate of nine percent (9%) per annum, with the Original Basic Rent to be increased by an amount equal to such amortized installments. Landlord and Tenant will, upon request of the other, promptly enter into an amendment to this Lease to evidence the increase in the Original Basic Rent. Any such excess sums owing by Tenant to Landlord pursuant to this SECTION 3.10 in excess of the Financed Amount shall be paid by Tenant to Landlord within thirty (30) days following the determination of the sum due to Landlord by Tenant and delivery to Tenant of supporting documentation of the entire amount paid. Tenant will own all of the Original Leasehold Improvements until the end of the Term, at which time the Original Leasehold Improvements will become Landlord's property in accordance with SECTION 14.1. During the Term, Tenant may, in its sole discretion, remove or replace any of the personal property, equipment, trade fixtures or movable partitions owned by Tenant and placed or installed in the Premises at Tenant's expense. Subject to SECTION 10.1, Tenant may also remove or replace the Original Leasehold Improvements. Landlord warrants that the Original Base Building and Original Leasehold Improvements will be free of all defects in design, materials or construction for a period of one year from the Original Commencement Date.

3.11 REASONABLENESS AND GOOD FAITH STANDARD. Landlord and Tenant acknowledge that they must work together cooperatively in order to design the Original Building and therefore

agree to act reasonably and in good faith in such design process.

40 RENT

4.1 BASIC RENT AND ORIGINAL BASIC RENT. Commencing on the Original Commencement Date and then throughout the Term, Tenant agrees to pay Landlord Basic Rent according to the following provisions. Basic Rent throughout the Term will be payable in monthly installments, in advance, on or before the first day of each and every month during the Term. The Original Basic Rent is in the amount of (a) during the portion of the Term beginning on the Original Commencement Date and ending on the first anniversary of the last day of the month preceding the month in which the Original Commencement Date occurs, $56,732.75 per month; (b) during the portion of the Term beginning on the second anniversary of the first day of the month in which the Original Commencement Date occurs and ending on the last day of the month preceding the sixth anniversary of the Original Commencement Date, $114,228.30 per month; (c) during the portion of the Term beginning on the sixth anniversary of the first day of the month in which the Original Commencement Date occurs to the Expiration Date of the initial Term, $128,244.62 per month; and (d) during each Renewal Term with respect to which Tenant exercises its option, the amount per month determined pursuant to SECTION 2.5. However, if the Term commences on other than the first day of a month or ends on other than the last day of a month, Basic Rent for such month will be appropriately prorated.

4.2 NET LEASE. Neither Landlord nor Tenant will be required to pay any costs or expenses or provide any services in connection with the Premises except as expressly provided in this Lease.

4.3 TERMS OF PAYMENT. All Rent will be paid to Landlord in lawful money of the United States of America, at Landlord's Rent Address or to such other person or at such other place as Landlord may from time to time designate in writing, without notice or demand and without right of deduction, abatement or setoff, except as otherwise expressly provided in this Lease. Tenant's covenants to pay Basic Rent and Additional Rent are independent of any other covenant, condition, provision or agreement contained in this Lease; provided, however, that the foregoing statement cannot be deemed in any way to limit Tenant's rights and remedies set forth elsewhere in this Lease.

4.4 LATE PAYMENTS. Any payment of Rent which is not received within five days after it is due will be subject to a late charge equal to 5% of the unpaid payment, or $100.00, whichever is greater. This amount is in compensation of Landlord's additional cost of processing late payments. In addition, any Rent which is not paid within five days after it is due will accrue interest at the Interest Rate from the date on which it was due until the date on which it is paid in full with accrued interest.

4.5 RIGHT TO ACCEPT PAYMENTS. No receipt by Landlord of an amount less than Tenant's full amount due will be deemed to be other than payment "on account," nor will any endorsement or statement on any check or any accompanying letter effect or evidence an accord and satisfaction. Landlord may accept such check or payment without prejudice to Landlord's right to recover the

balance or pursue any right of Landlord. No payments by Tenant to Landlord after the expiration or other termination of the Term, or after the giving of any notice (other than a demand for payment of money) by Landlord to Tenant, will reinstate, continue or extend the Term or make ineffective any notice given to Tenant prior to such payment. After notice or commencement of a suit, or after final judgment granting Landlord possession of the Premises, Landlord may receive and collect any sums of Rent due under this Lease, and such receipt will not void any notice or in any manner affect any pending suit or any judgment obtained. Any amounts received by Landlord may be allocated to any specific amounts due from Tenant to Landlord as Landlord determines.

50 TAXES

5.1 PAYMENT OF TAXES. Except as provided in SECTION 5.3 and SECTION 5.4 below, Tenant will pay before delinquency, directly to the taxing authority, all Taxes which accrue during or are attributable to any part of the Term. Within 10 days after Landlord's written request, Tenant will provide Landlord with evidence of Tenant's payment of Taxes for the most recent Tax Year for which Taxes have been paid. Landlord will use reasonable efforts to have the real property tax notices and bills issued directly to Tenant, but if Landlord is unable to do so, Landlord will promptly (and in any event with fifteen (15) days after Landlord's receipt thereof) forward all such notices and bills directly to the address to which Landlord is then required to send notices to Tenant.

5.2 PRORATION AT BEGINNING AND END OF TERM. If the Term begins on other than the first day of a Tax Year or if the Term expires or otherwise terminates on other than the last day of a Tax Year, Taxes for the Tax Year in which the Term begins or ends, as the case may be, will be prorated between Landlord and Tenant, based on the most recent levy and most recent assessment. Such proration will be subsequently adjusted when the actual bills become available for Taxes for the Tax Year for which Taxes were prorated. The parties' obligations under this SECTION 5 will survive the expiration of the Term or other termination of this Lease.

5.3 SPECIAL ASSESSMENTS. Tenant will pay, as Taxes, all special assessments and other like impositions; provided, however, that Tenant may pay in installments any such special assessments or like impositions that may be so paid according to applicable Laws and, in such event, Tenant will only be required to pay those installments of any such assessments or impositions that are assessed or imposed for periods of time within the Term and with proration, as provided above, of any installment due period at the beginning or end of the Term that covers a period of time that includes both a portion of the Term and an additional period either before or after the Term. The Premises are not now, and Landlord will take no action to cause or permit the Premises on the Original Commencement Date to be, located in a special improvement district or otherwise subject to special assessments. Landlord will not consent to the inclusion of the Premises in a special improvement district or other district that would subject the Premises to special assessments without Tenant's prior written approval and without giving Tenant the right and sufficient notice to allow Tenant to object to the inclusion in Landlord's name and on Landlord's behalf.

5.4 TAX CONTESTS. Tenant will have the right to contest any Taxes payable by Tenant; provided, however, that Tenant will make timely payment of the contested Taxes notwithstanding the pendency of any such contest unless applicable Laws permit the withholding of payment without delinquency, in which case Tenant may withhold payment of the contested Taxes until such time as payment thereof (or of such Taxes as the same may be reduced by such contest) is required to be made by applicable Laws in order to avoid delinquency. Tenant will notify Landlord within five business days of the commencement of any such contest. So long as Tenant complies with the terms of this SECTION 5.4, Tenant will have the right, in connection with any such contest, at its sole expense, to institute and prosecute, in good faith and with due diligence and in Landlord's name if necessary, any appropriate proceedings, and Landlord will, at Tenant's expense, fully cooperate with Tenant's efforts to contest any such Taxes or special assessments.

60 USE, OCCUPANCY AND COMPLIANCE

6.1 USE. Tenant may use the Premises for any and all uses and purposes that are from time to time permitted by Laws. Tenant will not keep anything on or about the Premises which would

invalidate any insurance policy required to be carried on the Premises by Tenant pursuant to this Lease. Tenant will not cause or permit to exist any public or private nuisance on or about the Premises.

6.2 COMPLIANCE. On the Original Commencement Date, the Premises will comply with all Laws applicable to their use and occupancy for the purposes for which they were designed. Tenant will comply with all Laws applicable to the use and occupancy of the Premises during the Term and will keep and maintain the Premises in compliance with all applicable Laws. Tenant will have the right, however, to contest or challenge by appropriate proceedings the enforceability of any Law or its applicability to the Premises or the use or occupancy thereof by Tenant so long as Tenant diligently prosecutes the contest or challenge to completion and, in the event Tenant loses the contest or challenge, thereafter abides by and conforms to such Law. In the event of Tenant's challenge or contest of such Law, Tenant may elect not to comply with such Law during such challenge or contest; provided, however, that such election not to comply will not result in any material risk of forfeiture of Landlord's interest in the Premises. Tenant will indemnify and hold Landlord harmless from and against all claims, damages or judgments resulting from any such election not to comply.

6.3 HAZARDOUS SUBSTANCES.

(a) TENANT'S COVENANTS. Tenant will not allow any Hazardous Substance to be located on the Premises and will not conduct or authorize the use, generation, transportation, storage, treatment or disposal at the Premises of any Hazardous Substance other than in quantities incidental to the conduct of Tenant's business in the Premises and in compliance with Environmental Laws; provided, however, nothing herein contained will permit Tenant to allow any so-called "acutely hazardous," "ultra-hazardous," "imminently hazardous chemical substance or mixture" or comparable Hazardous Substance to be located on or about the Premises. If the presence, release, threat of release, placement on or in the Premises or the generation, transportation, storage, treatment or disposal at the Premises of any Hazardous Substance as a result of Tenant's use or occupancy of the Premises (i) gives rise to liability (including, but not limited to, a response action, remedial action or removal action) under Environmental Laws; (ii) causes a significant public health effect; or (iii) pollutes or threatens to pollute the environment, Tenant will promptly take any and all remedial and removal action necessary to clean up the Premises and mitigate exposure to liability arising from the Hazardous Substance, whether or not required by Laws.

(b) TENANT'S INDEMNITY. Tenant will indemnify, defend and hold Landlord harmless from and against all damages, costs, losses, expenses (including, without limitation, actual attorneys' fees and engineering fees) arising from or attributable to (i) the existence of any Hazardous Substance at the Premises as a result of the acts of Tenant or its agents, employees or contractors or Tenant's use and occupancy of the Premises, and (ii) any breach by Tenant of any of its covenants contained in this SECTION 6.3.

(c) LANDLORD'S REPRESENTATION AND INDEMNITY. Landlord has delivered to Tenant copies of all studies in Landlord's possession concerning the presence of Hazardous Substances on the Premises and will promptly furnish Tenant with a copy of any additional such study that Landlord obtains on or within two months after the Original Commencement Date. Landlord represents to Tenant that, to Landlord's current actual knowledge (without any investigation other than as described in Phase I Environmental Site Assessment; 10.32 Acres of Undeveloped Land, Waterview Parkway, Dallas, Texas, Terracon Project No. 54975133, December 31, 1997, Prepared for Opus South Corporation, 12225 Greenville

Avenue, #900, Dallas, Texas 75243 and prepared by Terracon Environmental, Inc., Dallas, Texas (the "REPORT") and subject to all matters reflected or referenced thereon), there are no Hazardous Substances present on the Premises as of the date of this Lease in any manner or quantity that violates any Environmental Laws. Landlord will indemnify, defend and hold Tenant harmless from and against all damages, costs, losses, expenses (including, without limitation, actual attorneys' fees and engineering fees) arising from or attributable to (i) the existence of any Hazardous Substance at the Premises as a result of the acts of Landlord or its agents, employees or contractors, and (ii) any breach by Landlord of its representation contained in this SECTION 6.3.

(d) SURVIVAL. The parties' obligations under this SECTION 6.3 will survive the expiration of the Term or other termination of this Lease.

6.4 AMERICANS WITH DISABILITIES ACT. Landlord will be obligated to design and construct the Original Base Building and, if applicable, the Expansion Base Building in accordance with the ADA and Texas Accessibility Standards and if Landlord fails to do so, Landlord will have the continuing obligation to cause the Original Base Building and, if applicable, the Expansion Base Building to meet such requirement. Subject to the terms of the preceding sentence, Tenant will, at its expense, cause the Premises and the operation of any business within the Premises to comply with the ADA, and if Tenant fails to maintain the Premises in compliance with the ADA, Landlord will have the right, but not the obligation, at Tenant's expense, to enter the Premises and cause the Premises to comply with the ADA; and Tenant will indemnify, defend and hold Landlord harmless from and against any and all costs, claims and liabilities, including, without limitation, attorneys' fees and court costs, arising from or related to Tenant's failure to maintain the Premises in compliance with the ADA; provided, however, Landlord will cause the Original Base Building and, if applicable, the Expansion Base Building to be designed and constructed in accordance with the "ADA Guidelines for Buildings and Facilities" attached as "Appendix A" to the rules and regulations implementing the ADA, as the same are interpreted as of the date Landlord submits its complete application for a building permit for such construction, and provided, further, that any such obligation of Landlord will be subject to and based upon Tenant's representations concerning Tenant's status as a "Public Accommodation" and concerning the location of any "area of primary function." Without limiting the generality of the foregoing, if work is performed by, through or under Tenant after the Original Commencement Date, Tenant will, at Tenant's expense, cause such work to be designed and constructed in compliance with the ADA, and Tenant will be responsible for (i) the cost of any work required as a result of (A) Tenant or an assignee or subtenant being deemed a "Public Accommodation" or the Premises being deemed a "Place of Public Accommodation," or (B) such work being deemed to affect an "Area of Primary Function" (as such terms are defined in the ADA); and (ii) the cost of the installation or implementation of any "Auxiliary Aid" required under the ADA as a result of the operation of any business within the Premises.

6.5 SIGNS. Tenant may erect, maintain or replace from time to time upon the Premises at Tenant's cost all signs that Tenant deems appropriate to the conduct of its business, including, without limitation, pylon signs, monument signs, roof signs, banners, signage on the exterior of the Building or glass surfaces of the windows and doors of the Building, provided that all of such signs and signage are in compliance with applicable Laws. Landlord will, at Tenant's expense, cooperate and assist Tenant in obtaining any permits for signage, including variances from Laws.

70 UTILITIES

7.1 PAYMENT; INTERRUPTION OF SERVICES. Landlord will cause all utilities described in the Approved Original Base Building Plans and Approved Original Leasehold Improvements Plans and, if applicable, the Approved Expansion Base Building Plans and the Approved Expansion Leasehold Improvements Plans to be brought to the applicable portion of the Premises and hooked-up, and will pay the applicable tap, hook-up or similar fees. Tenant will pay for all electricity, gas, water, sewer or other utility service provided to the Premises from and after the Original Commencement Date. Landlord will not be liable in damages or otherwise, nor will there be an abatement of Rent, if the furnishing by any supplier of any utility service or other service to the Premises is interrupted or impaired by fire, accident, riot, strike, act of God, the making of necessary repairs or improvements, or by any causes beyond Landlord's reasonable control.

7.2 HVAC. From and after the Original Commencement Date, Tenant will pay the cost for all heating, air conditioning and ventilation service provided to the Premises, including the cost of maintenance, repair and replacement of same. Tenant may maintain a preventative maintenance contract on the HVAC units in the Premises, which contract will provide for periodic maintenance in accordance with the manufacturer's specifications, or Tenant may perform such preventative maintenance itself. In the event Tenant fails to maintain such preventative maintenance contract or to perform such preventative maintenance itself, Landlord, at its option and after giving Tenant notice

and an opportunity to cure pursuant to SECTION 15.2, may arrange for such a preventative maintenance contract for the HVAC units, in which event the cost of such preventative HVAC maintenance will be billed directly to Tenant and will be paid within 10 days of receipt of invoice therefor.

80 REPAIRS AND MAINTENANCE

8.1 TENANT'S OBLIGATIONS. Tenant will, at its expense (a) maintain, replace and repair all of the Premises (including, without limitation, all non-structural components of the walls, all flooring, ceilings and fixtures, all windows, window fittings and sashes, all interior and exterior doors, and all paved and landscaped areas on the Land), except those portions the maintenance of which is expressly Landlord's responsibility pursuant to SECTION 8.2, in a good, clean, safe, orderly and sanitary condition, ordinary wear and tear excepted; (b) keep the Premises free of insects, rodents, vermin and other pests; (c) repair and maintain all heating, ventilating and air conditioning equipment that serves the Premises and all utility systems, lines, conduits and appurtenances thereto that serve the Premises; (d) keep any garbage, trash, rubbish or refuse removed on a regular basis and temporarily stored on the Premises in accordance with local Laws; and (e) provide such janitorial services to the Building and such snow and ice removal from the paved areas on the Land as may be required by Laws or otherwise necessary for the operation of Tenant's business.

8.2 LANDLORD'S OBLIGATIONS. Landlord will, at its expense (a) maintain, replace and repair the roof and structural elements of the Building (including the foundations, structural components of the walls and structural columns and beams) and all utility lines and facilities serving the Premises that extend beyond the exterior walls of the Building in good condition, ordinary wear and tear excepted; and (b) make all capital repairs and replacements (but not ordinary maintenance and repairs) required to keep the driveways and parking areas on the Land in good condition, ordinary wear and tear excepted (including such resurfacing thereof as may from time to time be necessary and any restriping required in connection with such resurfacing); provided however, that subject to the penultimate sentence of SECTION 3.8, if the need for any such repair is caused by (i) Tenant or anyone claiming by or through Tenant; or (ii) the installation or removal of Tenant's property, regardless of fault or by whom such damage is caused (unless caused by Landlord, its agents, contractors, servants, employees or licensees), then, in any such case, subject to SECTION 9.4, Tenant agrees to reimburse Landlord for all costs and expenses incurred by Landlord with respect to such repair. Landlord will commence repairs it is required to do hereunder as soon as reasonably practicable after receiving written notice from Tenant of the necessity of such repairs.

8.3 LANDLORD'S RIGHT OF ENTRY. For purposes of performing Landlord's obligations under SECTION 8.2, or performing any of Tenant's obligations under SECTION 8.1 that Tenant fails to perform within the cure period provided in SECTION 15.2, or to inspect the Premises, Landlord may enter the

Premises upon reasonable prior notice to Tenant (except in cases of actual or suspected emergency, in which case no prior notice will be required) without liability to Tenant for any loss or damage incurred as a result of such entry (excluding, subject to SECTION 9.4, any damage to Tenant's personal property or equipment caused by the negligence of Landlord or its agents, employees or contractors), provided that Landlord will take reasonable steps in connection with such entry to minimize any disruption to Tenant's business or its use of the Premises.

90 INSURANCE, WAIVERS AND INDEMNITY

9.1 PROPERTY INSURANCE. Landlord will throughout the Term, provide and maintain a "special form" insurance policy (including fire and standard extended coverage perils, leakage from fire protective devices and other water damage) covering loss or damage to the Improvements (including, without limitation, the Original Base Building, the Original Leasehold Improvements, the Expansion Base Building, and the Expansion Leasehold Improvements, and any alterations made to the Premises from time to time) on a full replacement cost basis, excluding excavations, footings and foundations and providing for a deductible of no greater than $10,000.00 (unless Landlord can obtain a smaller deductible and Tenant approves of such deductible and the increased cost in such insurance arising from such smaller deductible). Tenant agrees to pay Landlord, as Additional Rent, Landlord's cost of maintaining such insurance, said payments to be made to Landlord within ten (10) days after Landlord presents Tenant a statement setting forth the amount due, together with reasonable supporting documentation. In the event of a casualty, Tenant shall pay to Landlord the lesser of the amount of the deductible or the full amount of the loss in the case of a loss in an amount less than the deductible, subject in both cases, to the $10,000.00 limit set forth above, in respect of any insured loss, which payment shall be treated in the same manner as insurance proceeds. Tenant will provide and maintain throughout the Term, at its expense, such property insurance covering Tenant's machinery, equipment, furniture, fixtures, personal property (including also property under the care, custody, or control of Tenant) and business interests which may be located in, upon or about the Premises in such amounts as Tenant may from time to time deem prudent. All of such property policies will permit Tenant's waiver of claims against Landlord under SECTION 9.4 for matters covered thereby.

9.2 LIABILITY AND OTHER INSURANCE. Tenant will throughout the Term, at its expense as Additional Rent, provide and maintain the following insurance, in the amounts specified below:

(a) bodily injury and property damage liability insurance, with a combined single occurrence limit of not less than $5,000,000.00; such insurance will be on a commercial general liability form including, without limitation, personal injury and assumed contractual liability for the performance by Tenant of the indemnity agreements set forth in SECTION 9.5; Landlord and its mortgagee will be named as an additional insureds in the policy providing such liability insurance, which will include cross liability and severability of interests clauses

or endorsements; unless otherwise approved in writing by Landlord, such policy will have a deductible of $5,000.00 or less and will not have a retention or self-insurance provision;

(b) worker's compensation insurance insuring against and satisfying Tenant's obligations and liabilities under the worker's compensation laws of the State of Texas and employers' liability insurance in the limit of $100,000/500,000/100,000 (provided that Tenant may self-insure this obligation pursuant to a program of self-insurance); and

(c) if Tenant operates owned, hired or nonowned vehicles on the Premises, comprehensive automobile liability will be carried at a limit of liability not less than $1,000,000.00 combined bodily injury and property damage.

9.3 GENERAL INSURANCE REQUIREMENTS. All insurance required to be maintained by Landlord and Tenant pursuant to SECTIONS 9.1 AND 9.2 will be maintained with insurors licensed to do business in the State of Texas and having a Best's Key Rating of at least A-:XII. Tenant and Landlord will each file with the other, on or before the Original Commencement Date and at least 10 days before the expiration date of expiring policies, such copies of either current policies or certificates as may be reasonably required to establish that the insurance coverage required by SECTIONS 9.1 AND 9.2 is in effect from time to time and that the insuror(s) have agreed to give the other party at least 30 days notice prior to any cancellation of, or material modification to, the required coverage. Landlord and Tenant will cooperate with each other in the collection of any insurance proceeds which may be payable in the event of any loss, including the execution and delivery of any proof of loss or other actions required to effect recovery. All commercial general liability and property policies maintained by Tenant will be written as primary policies, not contributing with and not supplemental to any coverage that Landlord may carry.

9.4 WAIVERS. Except to the extent caused by the willful or negligent act or omission or breach of this Lease by Landlord, its agents or employees or anyone else for whom Landlord is legally responsible, Landlord and its Affiliates will not be liable or in any way responsible for, and Tenant waives all claims against Landlord and its Affiliates for, any loss, injury or damage suffered by Tenant or others relating to (a) loss or theft of, or damage to, property of Tenant or others; (b) injury or damage to persons or property resulting from fire, explosion, falling plaster, escaping steam or gas, electricity, water, rain or snow, or leaks from any part of the Improvements or from any pipes, appliances or plumbing, or from dampness; or (c) damage caused by persons on or about the Premises, or caused by the public or by construction of any private or public work. Provided that Landlord maintains the insurance required to be maintained by Landlord pursuant to SECTION 9.1, Landlord and its Affiliates will not be liable or in any way responsible to Tenant for, and Tenant waives all claims against Landlord and its Affiliates for, any loss, injury or damage that is insured under SECTION 9.1 or required to be insured by Tenant under SECTION 9.1. Provided that Tenant maintains the insurance required to be maintained by Tenant pursuant to SECTION 9.1, Tenant and its Affiliates will not be liable or in any way responsible to Landlord for, and Landlord waives all claims against Tenant and its Affiliates for, any loss, injury or damage that is insured by Tenant under SECTION 9.1.

9.5 INDEMNITY. Except to the extent caused by the willful or negligent act or omission or breach of this Lease by Landlord, its agents or employees or anyone else for whom Landlord is legally responsible, Tenant will indemnify and hold Landlord harmless from and against any and all liability, loss, claims, demands, damages or expenses (including reasonable attorneys' fees) due to or arising out of any accident or occurrence on or about the Premises during the Term (including, without limitation, accidents or occurrences resulting in injury, death, property damage or theft) or any willful or negligent act or omission of or breach of this Lease by Tenant or anyone for whom Tenant is legally responsible.

100 ALTERATIONS; MECHANICS' LIENS

10.1 ALTERATIONS. Tenant will not make any modifications, improvements, alterations, additions or installations in or to the Premises that affect the Original Building's structural systems, the Expansion Building's structural systems, or the Core Building Systems, or that will cost more than $50,000.00 per building, without Landlord's prior written consent, which consent will not be unreasonably withheld. Tenant will notify Landlord prior to making any modifications, improvements, alterations, additions or installations in or to the Premises (referred to in this section as the "work"), regardless of whether Landlord's consent is required in connection with such work. Along with any request for Landlord's consent and at least 15 days before commencement of any work or delivery of any materials to be used in any work to the Premises, Tenant will furnish Landlord with plans and specifications, estimated commencement and completion dates, the name and address of Tenant's general contractor, and the necessary permits and licenses. Landlord will have the right to post notices of non-responsibility or similar notices on the Premises in order to protect the Premises against any liens resulting from such work. Tenant agrees to indemnify, defend and hold Landlord harmless from any and all claims and liabilities of any kind and description which may arise out of or be connected in any way with such work. Tenant will pay the cost of all such work, and also the cost of painting, restoring or repairing the Premises occasioned by such work. Upon completion of the work, Tenant will furnish Landlord with contractor's affidavits that include full and final waivers of liens and receipts for all amounts due for labor and materials. In the case of any work that required Landlord's consent, Tenant will also provide Landlord with as-built plans and specifications of the Premises as altered by such work. All work will comply with all insurance requirements and all applicable Laws (including, without limitation, the ADA) and will be constructed in a good and workmanlike manner, using materials of first-class quality and free and clear of all liens or claims therefor. Tenant will permit Landlord to inspect construction operations in connection with any such work. Landlord's approval of any plans for any modifications, improvements, alterations, additions or installations proposed by Tenant will not constitute a representation that the same will comply with

Laws or be fit for any particular purpose; such approval will merely constitute Landlord's consent to construct or install the same in the Premises.

10.2 MECHANICS' LIENS. Tenant will not permit any mechanic's lien or other lien to be filed against the Premises by reason of any work performed by or for, or material furnished to, Tenant (including, without limitation, any work undertaken by Tenant pursuant to SECTION 10.1). If any such lien is filed at any time against the Premises, Tenant will cause the same to be discharged of record (including by bonding) within 10 days after the date of filing the same. If Tenant fails to discharge any such lien within such period, then, in addition to any other right or remedy of Landlord, after 10 days prior written notice to Tenant, Landlord may, but will not be obligated to, discharge the same by paying to the claimant the amount claimed to be due or by procuring the discharge of such lien as to the Premises by deposit in the court having jurisdiction of such lien, the foreclosure thereof or other proceedings with respect thereto, of a cash sum sufficient to secure the discharge of the same, or by the deposit of a bond or other security with such court sufficient in form, content and amount to procure the discharge of such lien, or in such other manner as is now or may in the future be provided by present or future Laws for the discharge of such lien as a lien against the Premises. Any amount paid by Landlord, or the value of any deposit so made by Landlord, together with all costs, fees and expenses in connection therewith (including reasonable attorney's fees of Landlord), together with interest thereon at the Interest Rate, will be repaid by Tenant to Landlord on demand

by Landlord and if unpaid may be treated as Additional Rent. Notwithstanding the foregoing, if Tenant desires to contest any such lien, Tenant may do so provided that, within 10 days after Tenant learns of the filing thereof, Tenant notifies Landlord of Tenant's intention to do so and, until such time as Tenant causes such lien to be removed by the payment thereof or by bonding over such lien in the manner provided by law or posting with Landlord such security as Landlord may reasonably request to provide funds with which Landlord may discharge such lien in the event Tenant is unsuccessful in its contest and then fails to discharge such lien. Tenant will indemnify and defend Landlord against and save Landlord and te Premises harmless from all losses, costs, damages, expenses, liabilities, suits, penalties, claims, demands and obligations, including, without limitation, reasonable attorney's fees resulting from the assertion, filing, foreclosure or other legal proceedings with respect to any such mechanic's lien or other lien.

110 ASSIGNMENT AND SUBLETTING

11.1 NOTICE AND CONSENT. Tenant may, upon notice to Landlord but without obtaining Landlord's consent, assign this Lease or sublet all or any portion of the Premises to any of Tenant's Affiliates. Tenant will not, however, assign this Lease or sublet all or any portion of the Premises to any assignee or subtenant that is not one of Tenant's Affiliates without first obtaining Landlord's written consent, which consent will not be unreasonably withheld, conditioned or delayed. It is not reasonable for Landlord to withhold its consent to an otherwise acceptable assignee or sublessee on the grounds that Tenant and its guarantor would or could be released from liability as a result of such assignment or sublease or on the grounds that such assignee or sublessee would be entitled to exercise the expansion right set forth in SECTION 18 below, it being understood and agreed that Landlord's recapture remedy described below is sufficient. If Tenant desires to effect an assignment or subletting that will require Landlord's consent, Tenant will seek such written consent of Landlord by a written request therefor, setting forth the date (which will not be less than 30 days after date of Tenant's notice) on which Tenant desires to assign this Lease or to sublet all or any portion of the Premises, the name and address of the proposed assignee or sublessee and its proposed use of the Premises, copies of the proposed assignee's or subtenant's financial statements (or, if not available, any other information in Tenant's possession concerning the proposed assignee's or

subtenant's financial condition and business), and the proposed form of assignment or sublease. If Landlord does not withhold its consent in writing, stating the reason for withholding such consent, within twenty (20) days after Tenant submits the documentation required by the terms of the preceding sentence, then Landlord will be deemed to have approved of such assignment or subletting. If it would be unreasonable for Landlord to withhold, condition or delay its consent, but Landlord for whatever reason does not wish an assignment or subletting of the entire Premises to be consummated, Landlord's sole and exclusive right in such situation shall be to terminate this Lease by written notice to Tenant, which notice must specify a termination date no earlier than sixty (60) days after the date of such notice and no later than one hundred twenty (120) days after the date of such notice. Such termination notice must be given within twenty (20) days after the date upon which Tenant requests Landlord's consent to such assignment or subletting. If such termination notice is not given within such twenty (20)-day period of time, then Landlord shall be deemed to have consented to such assignment or subletting.

11.2 DEEMED ASSIGNMENTS. Any change in the partners or members of Tenant (except to any of Tenant's Affiliates), if Tenant is a partnership or limited liability company, or, if Tenant is a corporation, any transfer of any or all of the shares of stock of Tenant (except to any of Tenant's Affiliates), resulting in a change in the identity of the person or persons owning a majority of equity interests in Tenant as of the date of this Lease, will be deemed to be an assignment within the meaning of this SECTION 11. However, a transfer of the stock or partnership or membership interests of Tenant if Tenant is a publicly held entity whose equity interests are traded on a national stock exchange, or in an initial public offering, will not constitute an assignment requiring Landlord's consent pursuant to this SECTION 11. A transfer of interests in Tenant's parent entity does not constitute a violation of this SECTION 11.2.

11.3 GENERAL PROVISIONS. No subletting or assignment by Tenant hereunder, regardless of whether the same requires Landlord's consent, will release or discharge Tenant of or from any liability, whether past, present or future, under this Lease, and Tenant will continue fully liable hereunder. Notwithstanding the foregoing, in the event the Release Conditions, as defined above, are met, then Tenant and Guarantor will be automatically released from all obligations arising under this Lease from and after the date of such assignment or sublease and Landlord agrees to execute an agreement confirming such release within ten (10) days after requested to do so by Tenant or Guarantor, or both, although execution of such document will not be necessary for such release to be effective. The sublessee or assignee will agree to comply with and be bound by all of the terms,

covenants, conditions, provisions and agreements of this Lease to the extent of the space sublet or assigned from and after the date of such assignment or subletting, and Tenant will deliver to Landlord promptly after execution an executed copy of each such sublease or assignment and such an agreement of compliance by each such sublessee or assignee. Consent by Landlord to any assignment of this Lease or to any subletting of the Premises will not be a waiver of Landlord's rights under this section as to any subsequent assignment or subletting. Any sale, assignment, mortgage, transfer or subletting of this Lease which is not in compliance with the provisions of this SECTION 11 will be of no effect and void. Landlord will not assign its interest in this Lease before the Original Commencement Date. After the Original Commencement Date, Landlord's right to assign its interest in this Lease will remain unqualified. Landlord may charge Tenant up to $1,000.00 for attorneys' fees and administrative expenses incident to a review of any documentation related to any proposed assignment or subletting by Tenant.

120 CASUALTY

12.1 LANDLORD'S OBLIGATIONS.

(a) Subject to subsections (b) and (c) below, in the event the Improvements shall be damaged by fire or other casualty, Landlord shall, at its own expense, cause such damage to be repaired, and the Rent shall be abated from the date of the occurrence of such fire or other casualty until such repair work is completed.

(b) Subject to subsection (c) below, if a fire or other casualty occurs during the last two (2) years of the Term of this Lease and (A) the cost of repairing or restoring the Improvements to their condition existing prior to such casualty, as determined by an architect or contractor selected by Landlord and reasonably approved by Tenant, is equal to or greater than 75% of the market value of the Improvements immediately preceding such casualty, as determined by an appraiser selected by Landlord and reasonably approved by Tenant or (B)

the time required to repair and restore the Improvements to their condition existing prior to such casualty, using a reasonable construction schedule as determined by an architect or contractor selected by Landlord and reasonably approved by Tenant, will exceed 180 days from the commencement of repairs and restoration, then either Landlord or Tenant may, at its option, elect to terminate this Lease by giving the other written notice of termination within thirty (30) days from the date of such occurrence. In such event, the proceeds of insurance will belong to the party carrying such insurance, Tenant will not be required to pay the deductible, and the Rent shall abate completely from and after the date of the occurrence of such fire or other casualty.

(c) Notwithstanding the foregoing, in the event that the Improvements shall be damaged by any casualty not covered by Landlord's insurance as required by SECTION 9.1, Landlord shall have the option to terminate this Lease by notice to Tenant within sixty (60) days of the occurrence; provided, that Tenant may nullify Landlord's notice of termination in such case by notifying Landlord within ten (10) days thereafter that Tenant will make available to Landlord funds sufficient to cover the uninsured damage and making arrangements reasonably satisfactory to Landlord to make such funds available to Landlord as needed. If Tenant makes such funds available to Landlord, Landlord shall have no obligation to repay such funds to Tenant any time or in any manner.

12.2 TIME FOR REPAIRS. In the event of partial damage to the Improvements, Landlord shall advise Tenant in writing within thirty (30) days of the occurrence the time that Landlord estimates will be required to repair or restore the Improvements, using a reasonable construction schedule. If Landlord is obligated to repair or to restore the Improvements damaged by fire other casualty, Landlord shall commence to repair any such damage or to restore the Improvements as soon as reasonably possible (and in any event, within sixty (60) days after the date of such occurrence) and shall diligently pursue completion of such repairs or restoration. In the event Landlord does not complete such repairs within the time period specified in such estimate (as extended by one (1) day of each day of each day of delay after the tenth (10th) day of delay due to force majeure), then Landlord must pay to Tenant $2,000 per day for the period of time after the date specified in such estimate until Landlord completes such repairs. If Landlord does not complete such repairs within one hundred eighty (180) days after commencement of such repairs and restoration, then Tenant may also terminate this Lease by written notice to Landlord at any time before Landlord completes such repairs. In such event, Landlord and Tenant will have no further obligations to each other except that Landlord must return all Basic Rent and other charges paid by Tenant for the period after the occurrence of such event and must pay to Tenant the amounts accruing under this SECTION 12.2 for Landlord's failure to complete such repairs and Tenant will not be required to pay the deductible to Landlord.

13. EMINENT DOMAIN

13.1 TERMINATION. If the whole of the Premises is taken by any public authority under the power of eminent domain, this Lease will terminate as of the day possession is taken by such public authority. If more than 30% of the floor area of the Building is taken, or if so much of the Land is taken that Tenant is permanently deprived of the use of more than 30% of the parking spaces previously available on the Land (and such spaces cannot be reconstructed on the remaining Land or any adjacent land acquired by Landlord for that purpose within 90 days after Tenant is so deprived of such use), by any public authority under the power of eminent domain, then Tenant may, by notice to Landlord, terminate this Lease as of the day possession is taken by such public authority. In case of any such termination, Landlord will make a pro rata refund of any prepaid Rent.

13.2 RESTORATION; AWARD. Anything in this SECTION 13 to the contrary notwithstanding, in the event of a partial condemnation of the Premises where this Lease is not terminated, (i) Landlord will, at its sole cost and expense, restore the Premises (other than any alterations or improvements installed by Tenant) to a complete architectural unit (but Landlord's restoration obligations will be limited to restoration and repair of the Original Building and, if applicable, the Expansion Building, including all sitework), and (ii) the Basic Rent provided for herein during the period from and after the date of delivery of possession pursuant to such proceedings to the termination of this Lease will be reduced to a sum equal to the product of the Basic Rent provided for herein multiplied by a fraction, the numerator of which is the area of the Premises remaining after such taking and after the same has been restored to a complete architectural unit, and the denominator of which is the area of the Premises prior to such taking. In the event of any such taking or purchase in lieu thereof and neither Landlord nor Tenant terminates this Lease, Landlord shall be entitled to receive the entire price or award from any such taking or private purchase in lieu thereof without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award. If this Lease terminates for any reason, then Landlord and Tenant may prosecute their claims in any condemnation proceedings for the value of their respective interest. Landlord shall be entitled to the condemnation award attributable to the real property and improvements and Tenant shall be entitled to the condemnation award for the taking of its personalty (store fixtures and equipment), relocation expenses, goodwill, loss of business and any other award not related to the value of the real property and improvements, but shall not be entitled to make a claim for the leasehold improvements or the leasehold estate.

14. END OF TERM

14.1 SURRENDER. On the last day of the Term, or on the sooner termination thereof, Tenant will peaceably surrender the Premises in good condition and repair (ordinary wear and tear and damage by casualty excepted), consistent with Tenant's duty to make repairs as herein provided. Tenant will give written notice to Landlord at least 30 days prior to vacating the Premises for the express purpose of arranging a meeting with Landlord for a joint inspection of the Premises. On or before the last day of the Term, or the date of sooner termination thereof, Tenant may, at its sole cost and expense, remove all of its property and trade fixtures and equipment from the Premises and repair all damage to the Premises caused by such removal. All property not removed will be deemed abandoned. Tenant hereby appoints Landlord its agent to remove all property of Tenant not so removed from the Premises upon termination of this Lease and to cause its transportation and storage for Tenant's benefit, all at the sole cost and risk of Tenant, and Landlord will not be liable for damage, theft, misappropriation or loss thereof, nor will Landlord be liable in any manner in respect thereto. Tenant will reimburse Landlord upon demand for any expenses incurred by Landlord with respect to removal, transportation or storage of abandoned property and with respect to restoring such Premises to good order, condition and repair. All Leasehold Improvements and any other modifications, improvements, alterations, additions and fixtures, other than Tenant's trade fixtures and equipment, which have been made or installed by either Landlord or Tenant upon the Premises, will become the property of Landlord on the last day of the Term or sooner termination thereof and will be surrendered with the Premises as a part thereof. Tenant will promptly surrender all keys for the Premises to Landlord at the place then fixed for the payment of Rent and will inform Landlord of combinations on any vaults, locks and safes left on the Premises.

14.2 HOLDING OVER. In the event Tenant remains in possession of the Premises after expiration of this Lease without Landlord's consent, Tenant will be deemed to be occupying the Premises without claim of right, and Tenant will indemnify Landlord against loss or liability resulting from delay by Tenant in surrendering the Premises, including, without limitation, claims made by any succeeding tenants founded on such delay and any attorneys' fees resulting therefrom. In addition,

if Tenant remains in possession of the Premises after expiration of this Lease without a written agreement with Landlord as to (i) the amount Rent to be paid for such occupancy, Tenant will pay a charge for each day of occupancy in an amount equal to 150% of the Basic Rent (on a daily basis) payable immediately prior to such expiration, plus 100% of all Additional Rent (also on a daily basis); or (ii) the duration of Tenant's holdover tenancy, Tenant will be deemed a tenant at sufferance.

15. DEFAULTS AND REMEDIES

15.1 GENERAL. All rights and remedies of Landlord and Tenant enumerated in this Lease are cumulative and are not intended to be exclusive of any other remedies or means of redress at law or in equity to which either party may be lawfully entitled in case of any breach or threatened breach by the other party of any provision of this Lease. The failure of either party to insist in any one or more cases upon the strict performance of any of the covenants of this Lease or to exercise any option herein contained will not be construed as a waiver or relinquishment for the future of such covenant or option. A receipt by Landlord of Rent with knowledge of the breach of any covenant hereof (other than breach of the obligation to pay the portion of such Rent paid) will not be deemed a waiver of such breach, and no waiver by either party of any provisions of this Lease will be deemed to have been made unless expressed in writing and signed by such party. Each party agrees to pay, upon demand, all of the other party's costs, charges and expenses, including the reasonable fees and out-of-pocket expenses of counsel, agents, and others retained, incurred in successfully enforcing the other party's obligations under this Lease.

15.2 EVENTS OF DEFAULT. Each of the following events will constitute an "EVENT OF DEFAULT" under this Lease:

(a) FAILURE TO PAY RENT. Tenant fails to pay Basic Rent or any other Rent payable by Tenant under the terms of this Lease when due, and such failure continues for 10 days after notice from Landlord to Tenant of such failure (provided that, with respect to monthly installments of Basic Rent, Tenant will only be entitled to two notices of such failure during any calendar year and if, after two such notices are given in any calendar year, Tenant fails, during such calendar year, to pay any further monthly installment of Basic Rent when due, such failure will constitute an Event of Default hereunder without any further notice from Landlord or additional cure period).

(b) FAILURE TO PERFORM OTHER OBLIGATIONS. Tenant breaches or fails to comply with any provision of this Lease applicable to Tenant other than a covenant to pay Rent, and such breach or noncompliance continues for a period of 30 days after notice thereof from Landlord to Tenant; or, if such breach or noncompliance cannot be reasonably cured within such 30-day period, Tenant does not commence to cure such breach or noncompliance within such 30-day period or, after commencing to cure such breach or noncompliance, does not thereafter diligently pursue such cure in good faith to completion.

(c) EXECUTION AND ATTACHMENT AGAINST TENANT. Tenant's interest under this Lease or in the Premises is taken upon execution or by other process of law directed against Tenant, or is subject to any attachment by any creditor or claimant against Tenant and such attachment is not discharged or disposed of within 60 days after levy.

(d) BANKRUPTCY OR RELATED PROCEEDINGS. Tenant files a petition in bankruptcy or insolvency, or for reorganization or arrangement under any bankruptcy or insolvency Laws, or voluntarily takes advantage of any such Laws by answer or otherwise, or dissolves or

makes a general assignment for the benefit of creditors, or involuntary proceedings under any such Laws or for the dissolution of Tenant are instituted against Tenant, or a receiver or trustee is appointed for the Premises or for all or substantially all of Tenant's property, and such involuntary proceedings are not dismissed or such receivership or trusteeship vacated within 60 days after such institution or appointment.

15.3 LANDLORD'S REMEDIES. Time is of the essence. If any Event of Default occurs, Landlord will have the right, at Landlord's election, then or at any later time, to exercise any one or more of the following remedies:

(a) CURE BY LANDLORD. Landlord may, at Landlord's option but without obligation to do so, and without releasing Tenant from any obligations under this Lease, make any payment or take any action as Landlord deems necessary or desirable to cure any Event of Default in such manner and to such extent as Landlord in good faith deems necessary or desirable. Tenant will pay Landlord, upon demand, all reasonable advances, costs and expenses of Landlord in connection with making any such payment or taking any such action, including reasonable attorney's fees, together with interest at the Interest Rate, from the date of payment of any such advances, costs and expenses by Landlord.

(b) TERMINATION OF LEASE AND DAMAGES. Landlord may terminate this Lease, effective at such time as may be specified by notice to Tenant, and demand (and, if such demand is refused, recover) possession of the Premises from Tenant. In such event, Landlord will be entitled to recover from Tenant, as damages for loss of the bargain and not as a penalty, an aggregate sum equal to (i) all unpaid Basic Rent and other Rent for any period prior to the termination date of this Lease (including interest from the due date to the date of the award at the Interest Rate); plus (ii) the present value at the time of termination (calculated by discounting on a monthly basis at a discount rate equal to the rate payable on U.S. Treasury securities offered at the time of award having a maturity closest to the date on which the Term would have expired but for such termination) of the amount, if any, by which (A) the aggregate of the Basic Rent and all other Rent payable by Tenant under this Lease that would have accrued for the balance of the Term after termination, exceeds (B) the amount of such Basic Rent and other Rent which could reasonably be recovered by reletting the Premises for the remainder of the Term at the then-current fair rental value; plus (iii) interest on the amount described in (ii) above from the termination date to the date of the award at the Interest Rate.

(c) REPOSSESSION AND RELETTING. Landlord may reenter and take possession of all or any part of the Premises, without additional demand or notice unless required by applicable Laws, and repossess the same and expel Tenant and any party claiming by, through or under Tenant, and remove the effects of both using such force for such purposes as may be necessary, without being liable for prosecution for such action or being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of Rent or right to bring any proceeding for breach of covenants or conditions. No such reentry or taking possession of the Premises by Landlord will be construed as an election by Landlord to terminate this Lease unless a notice of such intention is given to Tenant. No notice from Landlord or notice given under a forcible entry and detainer statute or similar Laws will constitute an election by Landlord to terminate this Lease unless such notice specifically so states. Landlord reserves the right, following any reentry or reletting, to exercise its right to terminate this Lease by giving Tenant such notice, in which event this Lease will terminate as specified in such notice. After recovering possession of the Premises, Landlord will use reasonable efforts to relet the Premises on commercially reasonable terms and conditions.

Landlord may collect and receive the rents for such reletting. Landlord may apply the same first to the payment of such expenses as Landlord may have incurred in recovering possession of the Premises, including attorneys' fees and expenses for putting the same into good order and condition (but specifically excluding the cost of any lease commission or the cost of preparing or altering the same for re-rental), and then to the fulfillment of the covenants of Tenant hereunder. Any such reletting herein provided for may be for the remainder of the Term or any renewal term of this Lease, as originally granted, or for a longer or shorter period; Landlord will have the right to change the character and use made of the Premises, and Landlord will not be required to accept any substitute tenant offered by Tenant or to observe any instructions given by Tenant about reletting. Regardless of Landlord's recovery of possession of the Premises, so long as this Lease is not terminated Tenant will continue to pay (and Landlord may recover, if Tenant fails to do so), on the dates specified in this Lease, the Basic Rent and other Rent which would be payable if such repossession had not occurred, less a credit for the net amounts, if any, actually received by Landlord through any reletting of the Premises as long as Landlord gives Tenant at least thirty (30) days' notice of the net amount due (which notice Landlord may change from time to time as the facts change). Tenant will have thirty (30) days after receipt of notice from Landlord of any other amount due in which to pay such amount.

(d) BANKRUPTCY RELIEF. Nothing contained in this Lease will limit or prejudice Landlord's right to prove and obtain as liquidated damages in any bankruptcy, insolvency, receivership, reorganization or dissolution proceeding, an amount equal to the maximum allowable by any Laws governing such proceeding in effect at the time when such damages are to be proved, whether or not such amount be greater, equal or less than the amounts recoverable, either as damages or Rent, under this Lease.

15.4 LANDLORD'S DEFAULT; TENANT'S REMEDIES. If, during the Term, Landlord defaults in fulfilling any of its covenants, obligations or agreements set forth in this Lease, Tenant may give Landlord notice of such default and, if at the expiration of 30 days after delivery of such notice, such default continues to exist, or in the event of a default which cannot with due diligence be cured within a period of 30 days, if Landlord fails to proceed promptly after the delivery of such notice and with all due diligence to commence to cure the same and thereafter to prosecute the curing of such default with all due diligence to completion as soon as reasonably possible, then Tenant will be entitled to exercise any right or remedy available to Tenant at law or in equity by reason of such default, except to the extent expressly waived or limited by the terms of this Lease, and, provided that Tenant stated in such notice of default to Landlord that Tenant intended to effect its self-help and offset rights under this SECTION 15.4, Tenant may proceed to cure Landlord's default and offset the amount reasonably expended by Tenant in doing so, plus interest thereon at the Interest Rate from the date incurred to the date offset, against the next accruing amounts of Basic Rent due hereunder; provided, however, in no event may Tenant offset against any monthly installment of Basic Rent an amount exceeding 25% of such installment and if such monthly offset is less than the total amount of Tenant's expenses which are allowable for offset, the remaining balance thereof may be carried forward and offset against future installments of Basic Rent (but never more than 25% of any month's Basic Rent); provided further that, if the balance of the Term will not allow full recovery of the offset amount at the rate of 25% of each installment of Basic Rent, Tenant may amortize the full offset over the balance of the remaining monthly installments of Basic Rent, even if the monthly amortized offsets are in excess of 25% of those installments. Notwithstanding the foregoing, however, if Tenant has been notified of the name and address of any mortgagee, ground lessor, trust deed holder, and/or sale-leaseback lessor of Landlord's interest in the Premises, then Tenant will not exercise any remedy as a result of Landlord's default unless and until Tenant has given any such mortgagee,

ground lessor, trust deed holder and/or sale-leaseback lessor, by registered or certified mail, a copy of any notice of default served upon Landlord simultaneously with the delivery of notice to Landlord.

15.5 DISCLAIMER OF LANDLORD'S LIEN. Landlord disclaims and waives any statutory or common law lien (excluding, however, any judgment lien) on the Leasehold Improvements or any personal property of Tenant in or on the Premises.

16. SUBORDINATION

16.1 SUBORDINATION, NONDISTURBANCE AND ATTORNMENT. This Lease will be subject and subordinate to any mortgage, deed of trust, ground lease or sale-leaseback now placed upon the Premises by Landlord, and to amendments, renewals and extensions thereof. Landlord must obtain from any holder of any mortgage, deed of trust, ground lease, or sale-leaseback interest which has priority over this Lease at the time of execution of this Lease and recording of the Memorandum of Lease a Non-disturbance Agreement on the form attached to this Lease as EXHIBIT F or such other form as is acceptable to Tenant (an "NDA") and if Landlord does not do so before the Original Commencement Date, all Rent will be forgiven from the Original Commencement Date through the date that Landlord delivers such NDA, executed by such holder and Landlord, to Tenant. Tenant agrees to subordinate this Lease to any mortgage, deed of trust, ground lease, or sale-leaseback interest placed upon the Premises by Landlord after the Original Commencement Date and to any amendments, renewals, and extensions thereof upon the condition that the holder of the instrument to which this Lease is subordinated has given Tenant an NDA upon the form attached as EXHIBIT F or such other form as is acceptable to Tenant.

16.2 OPTION TO MAKE LEASE SUPERIOR. Notwithstanding anything contained in SECTION 16.1, in the event the holder of any mortgage, deed of trust, ground lease or sale-leaseback instrument at any time elects to have this Lease constitute a prior and superior lien to its mortgage, deed of trust, ground lease or sale-leaseback instrument, then, and in such event, upon any such holder or Landlord notifying Tenant to that effect in writing, this Lease in its entirety will be deemed prior and superior in lien to such mortgage, deed of trust, ground lease or sale-leaseback instrument, whether this Lease is dated prior to or subsequent to the date of such mortgage, deed of trust, ground lease or sale-leaseback instrument.

17. MISCELLANEOUS

17.1 BROKERS. Landlord and Tenant represent and warrant that no broker or agent negotiated or was instrumental in negotiating or consummating this Lease except Peterson Realty Group. Neither party knows of any other real estate broker or agent who is or might be entitled to a commission or compensation in connection with this Lease. Landlord will pay any and all fees, commissions or other compensation payable to Peterson Realty Group. Tenant and Landlord will indemnify and hold each other harmless from all damages paid or incurred by the other resulting from any claims asserted against either party by brokers or agents claiming through the other party (other than Peterson Realty Group, who will be paid by Landlord as provided above).

17.2 ESTOPPEL CERTIFICATES. Landlord and Tenant agree, from time to time, upon not less than 10 days' prior written request by the other party, to deliver to the other party a statement in writing certifying (i) this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease as modified is in full force and effect and stating the modifications); (ii) the dates to which Basic Rent and other Rent have been paid; (iii) the other party is not in default in any provision of this Lease or, if in default, the nature thereof specified in detail; (iv) the amount of monthly Basic Rent currently payable by Tenant; (v) the amount of any prepaid Rent; (vi) that Tenant has taken possession of the Original Premises (if Tenant has in fact done so) and that Landlord has performed all of its obligations under SECTION 3 with respect to the design, construction and installation of the Original Base Building and the Original Leasehold Improvements, or if there are any such obligations remaining to be performed, specifying the same in detail; (vii) if applicable, that Tenant has taken possession of the Expansion Building (if Tenant has in fact done so) and that Landlord has performed all of its obligations under SECTION 18 with respect to the design, construction and installation of the Expansion Base Building and the Expansion Leasehold Improvements, or if there are any such obligations remaining to be performed, specifying the same in detail; and (viii) such other matters as may be reasonably requested by the requesting party or any mortgagee or prospective purchaser of the Premises.

17.3 NOTICES. All notices required or permitted under this Lease must be in writing and will only be deemed properly given and received (i) when actually given and received, if delivered in person to a party who acknowledges receipt in writing or, for purposes of notice pursuant to SECTION 3, if transmitted by telecopier; or (ii) one business day after deposit with a private courier or overnight delivery service, if such courier or service obtains a written acknowledgment of receipt; or (iii) three business days after deposit in the United States mails, certified or registered mail with return receipt requested and postage prepaid. All such notices must be transmitted by one of the methods described above to the party to receive the notice at, in the case of notices to Landlord, Landlord's Notice Address, and in the case of notices to Tenant, the applicable Tenant's Notice Address, or, in either case, at such other address(es) as either party may notify the other of according to this SECTION 17.3.

17.4 ACTIONS BY AGENTS. All rights and remedies of Landlord and Tenant under this Lease or that may be provided by law may be executed by the applicable party in its own name, individually, or in the name of its agent, and all legal proceedings for the enforcement of any such rights or remedies, including those set forth in SECTION 15, may be commenced and prosecuted to final judgment and execution by the applicable party in its own name or in the name of its agent. The applicable party will, upon the other's request, provide written evidence of the authority of any agent of Landlord to act on Landlord's behalf.

17.5 SEVERABILITY; GOVERNING LAW. If any term or provision of this Lease is to any extent held invalid or unenforceable, the remaining terms and provisions of this Lease will not be affected thereby, but each term and provision of this Lease will be valid and enforced to the fullest extent permitted by law. This Lease will be construed and enforced in accordance with the laws of the State of Texas.

17.6 TRANSFERS OF LANDLORD'S INTEREST. The term "LANDLORD" as used in this Lease, so far as covenants or obligations on the part of Landlord are concerned, will be limited to mean and include only the owner or owners of the Premises at the time in question, and in the event of any transfer or conveyance after the Original Commencement Date, the then-grantor will be automatically freed and released from all personal liability accruing from and after the date of such transfer or conveyance as respects the performance of any covenant or obligation on the part of Landlord contained in this Lease to be performed, it being intended hereby that the covenants and obligations contained in this Lease on the part of Landlord will be binding, subject to SECTION 17.11, on the then-Landlord only during and in respect to its period of ownership. In the event of a sale or conveyance by Landlord of the Premises after the Original Commencement Date, the same will operate to release Landlord from any future liability upon any of the covenants or conditions herein contained and in such event Tenant agrees to look solely to the responsibility of the successor in interest of Landlord in and to this Lease. This Lease will not be affected by any such sale or conveyance, and Tenant agrees to attorn to the purchaser or grantee, which will be obligated on this Lease only so long as it is the owner of Landlord's interest in and to this Lease. In the event Landlord sells or otherwise transfers the Premises, Tenant will be entitled to pay all Rent and other amounts due under the terms of this Lease to Landlord at Landlord's last known address unless and until Tenant receives written notice from Landlord authorizing Tenant to pay such amounts to the new owner of the Premises and a written assumption by such new owner of all Landlord's duties and obligations under this Lease which arise after the transfer.

17.7 HEADINGS. The marginal or topical headings of the several sections are for convenience only and do not define, limit or construe the contents of such sections.

17.8 COMPLETE AGREEMENT; MODIFICATION. All of the representations and obligations of the parties are contained in this Lease and no modification, waiver or amendment of this Lease or of any of its conditions or provisions will be binding upon a party unless in writing signed by such party.

17.9 NO OFFER. The submission of this document for examination does not constitute an offer to lease, or a reservation of, or option for, the Premises. This document becomes effective and binding only upon the execution and delivery hereof by the proper officer of Landlord and by Tenant.

17.10 SURVIVAL. All obligations of Tenant hereunder not fully performed as of the expiration or earlier termination of the Term will survive the expiration or earlier termination of the Term, including, without limitation, all payment obligations with respect to Taxes and all obligations concerning the condition of the Premises.

17.11 LIMITATION ON LANDLORD'S LIABILITY. Tenant agrees to look solely to Landlord's interest in the Premises for the recovery of any judgment from Landlord, it being agreed that Landlord, and if Landlord is a partnership, its partners whether general or limited, and if Landlord is a corporation, its directors, officers or shareholders, and if Landlord is a limited liability company, its managers or members, will never be personally liable for any such judgment.

17.12 AUTHORITY. Tenant will furnish to Landlord and Landlord will furnish to Tenant, promptly upon demand, a corporate resolution, proof of due authorization of partners, or other appropriate documentation reasonably requested by the other party evidencing the due authorization of Tenant or Landlord, as the case may be, to enter into this Lease.

17.13 NO PARTNERSHIP. This Lease will not be deemed or construed to create or establish any relationship or partnership or joint venture or similar relationship or arrangement between Landlord and Tenant hereunder.

17.14 FORCE MAJEURE. Whenever a period of time is herein prescribed for action to be taken by either party, such party will not be liable or responsible for, and there will be excluded from the computation of any such period of time, any delays due to force majeure.

17.15 FINANCIAL STATEMENTS. Tenant acknowledges that it has provided Landlord with its financial statement as a material inducement to Landlord's agreement to lease the Premises to Tenant, and that Landlord has relied on the accuracy of such financial statement in entering into this Lease. Tenant represents and warrants that the information contained in such financial statement is true, complete and correct in all material aspects. Within 10 days from request by Landlord, Tenant will make available to Landlord or to any prospective purchaser or lender of the Premises, audited financial statements of Tenant or any guarantor, provided, that Landlord or any such prospective purchaser or lender agrees to maintain such statements in confidence, and provided further that if audited financial statements of Tenant are not available at the time of such request, Tenant may deliver unaudited statements prepared in accordance with generally accepted accounting principles consistently applied and certified to be true and correct by Tenant's chief financial officer.

17.16 BINDING EFFECT. The covenants and agreements herein contained will bind and inure to the benefit of Landlord and its successors and assigns, and Tenant and its permitted successors and assigns. All obligations of each party constituting Tenant hereunder will be the joint and several obligations of each such party.

17.17 LEASE GUARANTY. Tenant covenants and agrees to cause Guarantor to execute and deliver to Landlord a Lease Guaranty in form and substance as that which is attached hereto as EXHIBIT G. In the event a fully executed original of the Lease Guaranty is not provided to Landlord within three (3) days following the date of this Lease, then Landlord may, at its option and as its sole and exclusive remedy, terminate this Lease.

17.18 CORPORATE AUTHORITY. Contemporaneous with the execution of this Lease, Tenant shall provide to Landlord the following:

(a) A copy of Tenant's Good Standing, or similar certificate, issued by the Secretary of State of the State of Tenant's incorporation;

(b) Evidence that Tenant is qualified to do business in the State wherein the Land is located; and

(c) A copy of the appropriate corporate resolutions, certified by the secretary or the assistant secretary of the Tenant, evidencing the authorization of the Tenant to execute this Lease.

In the event a guaranty agreement is executed with respect to this Lease, Tenant shall additionally provide to Landlord, contemporaneous with the execution of this Lease, the items listed above for the guarantor.

18. EXPANSION OPTION. Landlord hereby grants to Tenant the right to expand the Improvements on the Land in accordance with the terms of this SECTION 18. Such expansion right is a continuing right that expires on the Expiration Date, and inures solely to the benefit of (A) Tenant, Tenant's corporate successors and assigns (including, without limitation, any person or entity that acquires Tenant), and (B) any assignee of this Lease (including, without limitation, Tenant's Affiliates) to whom Tenant assigns such right unless Landlord is entitled to and recaptures the Premises in accordance with the terms of SECTION 11.1 above and their corporate successors and assigns (with all such persons or entities being deemed included in the term "TENANT"). Tenant cannot assign this expansion option to any person or entity other than an assignee of this Lease. Tenant cannot exercise this expansion option (Y) if an Event of Default has occurred and is ongoing, or (Z) if neither Tenant nor its guarantor has a net worth (excluding goodwill) greater than or equal to $75 million at the time Tenant (or its assignee, as the case may be) exercises such expansion option.

(a) In the event Tenant wishes to exercise this right, Tenant must notify Landlord of such fact, which notice must specify that Tenant wishes to go forward with the expansion pursuant to the specifications of EXHIBIT H to this Lease (the "2-STORY PLAN") or the specifications of EXHIBIT I to this Lease (the "3-STORY PLAN"). The building shell for the building that Tenant elects to have constructed is referred to in this Lease as the "EXPANSION BASE BUILDING" and the Tenant improvements to the Expansion Base Building are referred to as the "EXPANSION LEASEHOLD IMPROVEMENTS." The Expansion Base Building and the Expansion Leasehold Improvements are collectively referred to as the "EXPANSION BUILDING" and the work of constructing the Expansion Building is referred to as "LANDLORD'S EXPANSION WORK".

(b) On or before thirty (30) days after Tenant delivers such notice to Landlord, Landlord will cause its architect to prepare and deliver to Tenant preliminary plans and specifications for the Expansion Base Building (the "EXPANSION BASE BUILDING PLANS"), which plans must be based on an exterior appearance substantially similar to the Original Base Building. While these preliminary plans and specifications are not required to be permit-ready, they must contain a site plan, floor plan, one-quarter inch (0.25") scale core building plans, elevations of the Expansion Base Building and a riser diagram of the mechanical, electrical and plumbing systems. Within five (5) business days after Tenant receives such preliminary Expansion Base Building Plans, Tenant will either approve the same in writing or notify Landlord in writing of Tenant's objections to the preliminary Expansion Base Building Plans and how the preliminary Expansion Base Building Plans must be changed in order to make them acceptable to Tenant. Each business day following the fifth (5th) business day after the preliminary Expansion Base Building Plans are submitted to Tenant until Tenant either approves them or delivers a notice of objections to Landlord will be a day of Tenant Expansion Delay. Within five (5) business days after Landlord's receipt of Tenant's notice of objections, Landlord will cause its architect to prepare revised Expansion Base Building Plans according to such notice and submit the revised Expansion Base Building Plans to Tenant. In any review, Tenant cannot object to any aspect of the proposed Expansion Base Building Plans (i) if such objection would require material deviations from the terms of EXHIBIT H or EXHIBIT I attached to this Lease, as the case may be, or (ii) such objection was not included within any of the previous objections made by Tenant to the Expansion Base Building Plans unless the item objected to was not included in any of the previous versions of the Expansion Base Building Plans or such item was so included, but has been affected by a subsequent change to the Expansion Base Building Plans. However, it is understood

and agreed that Tenant has the right to select the following items, even if such items are not consistent with the guidelines detailed in the Base Building Specifications attached as EXHIBIT B or with the same items in the Original Building , as long as they are available to comply with the schedule for construction of the Expansion Building: exterior brick, glass, and metal frames; restroom finishes (including, without limitation, ceramic tile and toilet partitions); lobby finishes; elevator cab finishes; landscaping; and common area interior finishes, doors and hardware. Upon submittal to Tenant of the revised Expansion Base Building Plans, and upon submittal of any further revisions, the procedures described above will be repeated until Landlord and Tenant have reached agreement. Once they have reached agreement, Landlord must promptly prepare permit-ready Expansion Base Building Plans and submit them to Tenant for Tenant's approval. The only grounds upon which Tenant can object to such permit-ready Expansion Base Building Plans is that they materially differ from the final approved preliminary Expansion Base Building Plans. Tenant's failure to respond to Landlord's submission within five (5) business days after Landlord delivers such permit-ready Expansion Base Building Plans to Tenant constitutes Tenant's approval of such permit-ready Expansion Base Building Plans. The final permit-ready Expansion Base Building Plans, as approved by Landlord and Tenant, constitute the "APPROVED EXPANSION BASE BUILDING PLANS" under this Lease.

(c) On or before seventy-five (75) days after Landlord and Tenant have approved the Approved Expansion Base Building Plans, Tenant will cause its architect to prepare and deliver to Landlord preliminary plans and specifications for the Expansion Leasehold Improvements (the "EXPANSION LEASEHOLD IMPROVEMENTS PLANS"). While these preliminary plans and specifications are not required to be permit-ready, they must show sufficient detail concerning all aspects of the Expansion Leasehold Improvements so that making them permit-ready is only a matter of incorporating technical details. Each day following the expiration of such seventy-five (75)-day period until Tenant delivers the preliminary Expansion Leasehold Improvements Plans will be a day of Expansion Tenant Delay. Within five (5) business days after receipt of the preliminary Expansion Leasehold Improvements Plans, Landlord will either approve the same in writing or notify Tenant in writing of Landlord's objections to the preliminary Expansion Leasehold Improvements Plans and how the preliminary Expansion Leasehold Improvements Plans must be changed in order to make them acceptable to Landlord. Landlord can only object to the preliminary Expansion Leasehold Improvements Plans on the grounds that they would adversely affect the structural integrity of the Expansion Base Building or materially modify any portion of the Core Building Systems of the Expansion Base Building and cannot object in any subsequent review to any matter not raised in a preceding review, unless the item objected to was not included in any of the previous versions of the Expansion Leasehold Improvements Plans or such item was so included, but has been affected by a subsequent change to the Expansion Leasehold Improvements Plans. However, under all circumstances, Tenant has the right to select the following items as they apply to the Expansion Leasehold Improvements, but only as long as such items are available to comply with the schedule of construction of the Expansion Building: exterior brick, glass, and metal frames; restroom finishes (including, without limitation, ceramic tile and toilet partitions); lobby finishes; elevator cab finishes; landscaping; and common area interior finishes, doors and hardware. If Landlord fails to respond in the manner set forth above within five (5) business days after the date Tenant delivers the preliminary Expansion Leasehold Improvements Plans to Landlord or objects to the preliminary Expansion Leasehold Improvements Plans on any grounds other than those set forth in the immediately-preceding sentence, then Landlord will be conclusively deemed to have approved the preliminary Expansion Leasehold Improvements Plans. Within five (5) business days after Tenant's receipt of Landlord's notice of objections (if such objections

meet the requirements set forth above), Tenant will cause its architect to prepare revised Expansion Leasehold Improvements Plans according to such notice and submit the revised Expansion Leasehold Improvements Plans to Landlord. Upon submittal to Landlord of the revised Expansion Leasehold Improvements Plans, and upon submittal of any further revisions, the procedures described above will be repeated until Landlord and Tenant have reached agreement. Once they have reached agreement, Tenant must promptly prepare permit-ready Expansion Leasehold Improvements Plans and submit them to Landlord for Landlord's approval. The only grounds upon which Landlord can object to such permit-ready Expansion Leasehold Improvements Plans is that they materially differ from the final approved Expansion Leasehold Improvements Plans. Landlord's failure to respond to Tenant's submissions within five (5) business days after Tenant delivers such permit-ready Expansion Leasehold Improvements Plans to Landlord constitutes Landlord's approval of such permit-ready Expansion Leasehold Improvements Plans. The permit-ready Expansion Leasehold Improvements Plans, as finally approved, are referred to in this Lease as the "APPROVED EXPANSION LEASEHOLD IMPROVEMENTS PLANS."

(d) At such time as Landlord and Tenant have approved the Approved Expansion Leasehold Improvements Plans (and in any event within fifteen (15) days thereafter), Landlord will (i) obtain at least three bids for each of the major trades that will be involved in the construction of the Expansion Building, unless less than three qualified subcontractors exist for a given trade, in which case Landlord will obtain a bid from all qualified subcontractors of such trade (with Landlord agreeing to solicit and consider bids from subcontractors selected by Tenant); (ii) using the lowest qualified bid (which, in order to be qualified, must fully comply with all bid requirements, including but not limited to any time requirements specified) from each of the bids so received, prepare a proposed budget for all items to be included in Expansion Costs ("TENANT'S EXPANSION COST PROPOSAL"); and (iii) submit copies of all bids, the Tenant's Expansion Cost Proposal, and the Expansion Basic Rent that Tenant would be required to pay based on the costs set forth in the Tenant's Expansion Cost Proposal to Tenant for Tenant's review and approval. Tenant, at Tenant's option, may either approve Tenant's Expansion Cost Proposal in writing, or elect to eliminate or revise one or more items of Expansion Building shown on the Approved Expansion Base Building Plans or the Approved Expansion Leasehold Improvements Plans, or request additional bids so as to reduce the costs shown in the Tenant's Expansion Cost Proposal. Tenant may then approve in writing the reduced Tenant's Expansion Cost Proposal (based on revised Approved Expansion Base Building Plans or Approved Expansion Leasehold Improvements Plans prepared by Tenant's architect or revised bids, as the case may be, which will then be deemed the Approved Expansion Base Building Plans and the Approved Expansion Leasehold Improvements Plans for all purposes under this Lease). However, each day following the fifth (5th) business day after Tenant's receipt of Tenant's Expansion Cost Proposal until the day on which Landlord has received Tenant's written approval of Tenant's Expansion Cost Proposal will be a day of Expansion Tenant Delay. The Tenant's Expansion Cost Proposal, as finally approved, is referred to in this Lease as the "APPROVED EXPANSION COSTS."

(e) Tenant's Representative may request and authorize changes in Landlord's Expansion Work as long as such changes (i) are consistent with the scope of Landlord's Expansion Work, and (ii) do not affect the Expansion Base Building or any portion of the Core Building Systems relating to the Expansion Base Building. All other changes will be subject to Landlord's prior written approval, which approval Landlord cannot unreasonably withhold, delay, or condition. Within five (5) business days after Tenant requests a change in Landlord's Expansion Work and prior to commencing any change, Landlord will prepare and

deliver to Tenant, for Tenant's approval, a change order ("EXPANSION CHANGE ORDER") identifying the total cost or savings of such change, which will include associated architectural, engineering and construction contractor's fees, and the total time that will be added to or subtracted from the construction schedule by such change. Once Landlord delivers an Expansion Change Order to Tenant for Tenant's approval, Tenant must either affirmatively approve or disapprove of the Expansion Change Order within three (3) business days following Tenant's receipt of the Expansion Change Order. In the event Tenant fails to respond within the three (3) business day period, then each day thereafter that Tenant fails to respond shall be a Tenant Expansion Delay. Alternatively, Landlord may deliver to Tenant, within the same five (5) business day period, an estimate of the time and costs to be expended in calculating the Expansion Change Order. In the event Tenant does not respond or fails to affirmatively authorize Landlord to proceed on the third (3rd) business day following Tenant's receipt of such estimate, then it shall be conclusively deemed that Tenant withdrew its request for any change in Landlord's Expansion Work. If Tenant authorizes Landlord to proceed with calculating the cost of the Expansion Change Order, then Tenant shall be responsible for all reasonable costs associated therewith (and pay same to Landlord within 30 days following Landlord's written request) and any delay in connection with such calculation shall be an Expansion Tenant Delay, whether or not Tenant ultimately approves the Expansion Change Order.

(f) Landlord must deliver the Expansion Building to Tenant, with Landlord's Expansion Work Substantially Completed, on or before two hundred ten (210) days after Landlord and Tenant approve the Approved Expansion Leasehold Improvements Plans (the "PROJECTED EXPANSION COMPLETION DATE"), as such date has been delayed due to any Tenant Expansion Delays and Permitted Expansion Force Majeure Delays only, it being understood and agreed that such date cannot be extended for any reason other than Tenant Expansion Delays and Permitted Expansion Force Majeure Delays. If Landlord is unable to deliver possession of the Expansion Building, with Landlord's Expansion Work Substantially Completed by the Projected Expansion Completion Date, as it may be extended, (i) the Expansion Commencement Date (as that term is defined in SECTION 18(j)(I) below) will be extended automatically by one day for each day of the period after the Projected Expansion Completion Date to the day on which Landlord tenders possession of the Expansion Building to Tenant with Landlord's Expansion Work Substantially Completed, less any portion of that period attributable to Tenant Expansion Delays; and (ii) Landlord will pay Tenant, as liquidated damages, an amount equal to $2,000.00 per day for each day after such Projected Expansion Completion Date (as it may be extended) until Landlord tenders possession of the Expansion Building to Tenant with Landlord's Expansion Work Substantially Completed and, if Landlord has tendered the Expansion Building to Tenant with Landlord's Expansion Work Substantially Complete, Landlord will pay to Tenant, as liquidated damages, $500.00 per day after the thirtieth (30th) day after Tenant delivers the Expansion Punch List to Landlord until Final Completion of Landlord's Expansion Work; and (iv) if Landlord does not tender possession of the Expansion Building to Tenant with the Landlord's Expansion Work Substantially Completed on or before two hundred seventy (270) days after Landlord and Tenant approve the Approved Expansion Leasehold Improvements Plans (plus any period of delay caused by Tenant Expansion Delays or Permitted Expansion Force Majeure Delay), Tenant will have the right to terminate this Lease by delivering written notice of termination to Landlord not more than 30 days after such deadline date. Upon a termination under clause (iv) above, each party will, upon the other's request, execute and deliver an agreement in recordable form containing a release and surrender of all right, title and interest in and to this Lease; neither Landlord nor Tenant will have any further obligations to each other, including, without limitation, any obligations to pay for work previously performed in the Expansion Building or

the Premises, except as set forth in this sentence; all Improvements to the Original Building and the Expansion Building will become and remain the property of Landlord; and Landlord will refund to Tenant any sums paid to Landlord by Tenant in connection with this Lease, including, without limitation, any payments to Landlord of portions of Tenant's Expansion Cost and pay to Tenant the amounts that have accrued under clause (ii) above. Such postponement of the Expansion Commencement Date, payment of liquidated damages and termination and refund right will be in full settlement of all claims that Tenant might otherwise have against Landlord by reason of Landlord's failure to have Substantially Completed its obligations by the Projected Expansion Completion Date (as it may be extended). If Landlord delivers possession of the Expansion Building with the Landlord's Expansion Work Substantially Completed prior to the Projected Expansion Completion Date, then Tenant may either accept such delivery (in which case such date will be the Expansion Commencement Date hereunder) or may refuse to accept delivery until any date selected by Tenant that is no later than the Projected Expansion Completion Date (as it may be extended). Within sixty (60) days after the Expansion Commencement Date, Landlord will provide to Tenant a complete set of as-built drawings of Landlord's Expansion Work and manuals for all equipment incorporated into the Improvements as a part of Landlord's Expansion Work. Landlord and Tenant have sixty (60) days after Landlord notifies Tenant that the Expansion Building has been Substantially Completed in which to remeasure the Expansion Building, but after the expiration of such sixty (60) day period, neither Landlord nor Tenant may remeasure the Expansion Building. The final Rentable Square Feet as shown in the Approved Expansion Base Building Plans are sometimes referred to as the "APPROVED EXPANSION RENTABLE SQUARE FEET". In the absence of such remeasurement or the right to do so, it shall be conclusively deemed that the Expansion Building contains the Approved Expansion Rentable Square Feet. If Tenant timely elects to remeasure the Expansion Building, and the variance is greater than one percent (1%) but less than two percent (2%), the variance shall be permitted and have no effect on the Expansion Building being Substantially Completed, but the Expansion Basic Rent for the Expansion Building and all other amounts calculated based on the area of the Expansion Building will be modified accordingly. If the Expansion Building contains more than 102% of the Approved Expansion Rentable Square Feet, all amounts will be calculated as if the Expansion Building contains 102% of the Approved Expansion Rentable Square Feet. If the Expansion Building contains less than 98% of the Approved Expansion Rentable Square Feet, then Landlord must make all alterations necessary to increase the size of the Expansion Building to at least 98% of the Approved Expansion Rentable Square Feet, and the Expansion Building will not be deemed to be Substantially Completed. If, under such circumstances, Tenant fails to terminate this Lease pursuant to the termination right set forth in SECTION 18(f)(iv) above, then Tenant will be deemed to have accepted the size of the Expansion Building and the Expansion Building will be deemed to have been Substantially Completed on the day Landlord delivered the Expansion Building to Tenant with the Landlord's Expansion Work (other than the area of the Expansion Building) Substantially Complete. In such event, all amounts will be calculated on the actual size of the Expansion Building.

(g) As provided in SECTION 18(j)(I) , the Expansion Commencement Date (and therefore Tenant's obligation for the payment of Expansion Basic Rent) will not commence until Landlord has Substantially Completed Landlord's Expansion Work; provided, however, that if Landlord is delayed in causing Landlord's Expansion Work to be Substantially Completed as a result of: (a) any Change Orders or changes in any drawings, plans or specifications requested by Tenant (with each individual occurrence constituting a "TENANT EXPANSION DELAY" and the cumulative occurrences constituting TENANT EXPANSION DELAYS"), or (b) force majeure delays (with such force majeure delays being referred to in this Lease as "PERMITTED EXPANSION FORCE MAJEURE DELAYS"), then, if such delays exceed ten (10) days, the

Expansion Commencement Date will only be extended under SECTION 18(f) until the date on which Landlord would have Substantially Completed the performance of such work but for such delays. As a condition to claiming a Permitted Expansion Force Majeure Delay or a Tenant Expansion Delay, the day of delay must have otherwise been a day upon which Landlord intended to work on the item affected by the delay and Landlord must advise Tenant of the circumstances giving rise to the claim within ten (10) business days after they arise, the estimated cost that Tenant can pay as that time to effect any available remedy to eliminate or reduce such delay (for example, overtime work), the cumulative total number of Permitted Expansion Force Majeure Delays and Tenant Expansion Delays through the date of each event.

(h) Landlord must perform the Landlord's Expansion Work in accordance with the Approved Expansion Base Building Plans and the Approved Expansion Leasehold Improvements Plans and in a good and workmanlike manner, using new materials, and in accordance with all applicable laws, ordinances, rules, and regulations, including without limitation, ADA (as it exists at the time) and all applicable environmental laws as interpreted and enforced by the governmental bodies having jurisdiction thereof at the time of construction. Tenant's taking possession of any portion of the Expansion Building will be conclusive evidence that such portion of the Expansion Building was in good order and satisfactory condition, and that all of Landlord's Expansion Work in or to such portion of the Expansion Building was satisfactorily completed, when Tenant took possession, except as to any patent defects or uncompleted items identified on a punch list (the "EXPANSION PUNCH LIST") prepared by Tenant's Representative after an inspection of the Expansion Building by both Tenant's Representative and Landlord's Representative (unless Landlord's Representative fails to attend an inspection scheduled by Tenant's Representative, with Tenant acknowledging that Tenant's Representative must cooperate with Landlord's Representative in attempting to establish a mutually-acceptable date and time of inspection) made within thirty (30) days after Tenant takes possession, and except as to any latent defects in Landlord's Expansion Work. Landlord will not be responsible for any items of damage caused by Tenant, its agents, independent contractors or suppliers. No promises to construct, alter, remodel or improve the Expansion Building, and no representations concerning the condition of the Expansion Building, have been made by Landlord to Tenant other than as may be expressly stated in this Lease.

(i) Landlord appoints Landlord's Representative to act for Landlord in all matters covered by this SECTION 18. Tenant appoints Tenant's Representative to act for Tenant in all matters covered by this SECTION 18. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this SECTION 18 will be made to Landlord's Representative or Tenant's Representative, as the case may be. Tenant will not make any inquiries of or requests to, and will not give any instructions or authorizations to, any other employee or agent of Landlord, including Landlord's architect, engineers and contractors or any of their agents or employees, with regard to matters covered by this SECTION 18. Either party may change its representative at any time by three days' prior written notice to the other party. Landlord and Tenant acknowledge that they must work together cooperatively in order to design the Expansion Building and therefore agree to act reasonably and in good faith in such design process

(j) Upon Tenant's approval of the Tenant's Expansion Cost Proposal, this Lease will automatically be amended as follows (with Landlord and Tenant each agreeing to execute a written agreement confirming these amendments upon delivery of such an amendment to such party by the other party):

(I) The Term of this Lease will be extended so that it ends on the day before the tenth (10th) anniversary of the date of Substantial Completion of the Expansion Building (the "EXPANSION COMMENCEMENT DATE"). The options to extend the Term of this Lease granted in SECTION 2.5 above will remain in full force and effect and may be exercised at the end of the Term of this Lease, as so extended, subject to the notice and other requirements of SECTION 2.5. Any exercise of the option to extend will apply to and include both the Original Building and the Expansion Building.

(II) The Basic Rent will be as follows:

(A) for the Original Building, the Original Basic Rent will be the same as provided in SECTION 4.1 above for the number of years which represents the balance of the Original Term as defined in SECTION 1.1 above. Thereafter, the Original Basic Rent will increase on the first day after the original expiration date of the Original Term to an amount equal to one hundred twelve and one-half percent (112.5%) of the Original Basic Rent in effect for the immediately preceding period and will increase every fifth (5th) anniversary of the original expiration date of the Original Term through the end of the then-existing initial term (i.e., excluding the renewal terms) to an amount equal to one hundred twelve and one-half percent (112.5%) of the Original Basic Rent in effect for the immediately preceding period. For example, if the Original Basic Rent were $128,244.62 per month, then for the period beginning on the day after the original expiration date of the Original Term and extending for the lesser of five (5) years or the date of the expiration of the then-existing initial term, the Basic Rent would be $144,275.19.

(B) for the Expansion Building, the monthly rent (the "EXPANSION BASIC RENT") will be equal to the amount determined by multiplying the Expansion Costs (up to or equal to the Approved Expansion Costs) by 11.4% and then dividing the result thus obtained by twelve (12).

IN WITNESS WHEREOF, the parties have executed this Lease as of the date first set forth above.

LANDLORD:	TENANT:
OPUS SOUTH CORPORATION, a Florida corporation	ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation
By: _____	By: _____
Neil J. Rauenhorst, President	Its: _____

And: _____
Its: _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of January, 1998 by Neil J. Rauenhorst as President of Opus South Corporation, a Texas corporation.

Witness my hand and official seal.

_____
Notary Public

My commission expires: _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of January, 1998 by _____ as _____ and _____ as _____ of ADS Alliance Data Systems, Inc., a Delaware corporation.

Witness my hand and official seal.

_____
Notary Public

My commission expires: _____

EXHIBIT A

LEGAL DESCRIPTION OF THE LAND

BEING a parcel or tract of land situated in the City of Dallas, Collin County, Texas, and being part of the John Clay Survey, Abstract 223, and being part of Phase I, U.T.D. Synergy Park, an Industrial Addition to the City of Dallas, filed for record in Cabinet F, Page 483 and 484 of the Deed Records of Collin County, Texas; and being part of the tract of land conveyed to the Board of Regents, the University of Texas System as recorded in Volume 835, Page 713 of the Deed Records of Collin County, Texas, and being more particularly described as follows:

BEGINNING at an Iron rod on the west right of way line of Waterview Parkway (120 feet wide) and the northeast corner of the Smith/Allen Matuschka - One Tract and the southEAST corner of the herein described tract;

THENCE South 90 degrees 00 minutes 00 seconds West a distance of 700.39 feet following the north line of the Smith/Allen Matuschka - One tract to an iron rod found for corner, said iron rod being in the easterly line of Texas A & M University System tract;

THENCE North 00 degrees 12 minutes 12 seconds West a distance of 642.68 feet following the east line of the Texas A & M System tract to the intersection with the southwest corner of the Intervoice tract and an iron rod found for corner;

THENCE North 90 degrees 00 minutes 00 seconds East a distance of 700.39 feet following the south line of the Intervoice tract to an iron rod found for corner in the westerly right of way line of Waterview Parkway, said point being the southeast corner of the Intervoice tract;

THENCE South 00 degrees 12 minutes 12 seconds East, a distance of 642.68 feet following the westerly right of way line of Waterview Parkway to the Point of Beginning and containing 450,125 square feet or 10.3334 acres, more or less.

EXHIBIT B

BASE BUILDING SPECIFICATIONS

EXHIBIT C

BASE BUILDING/TENANT MATRIX

EXHIBIT D

MATTERS AFFECTING LANDLORD'S TITLE

1. Restrictive covenants recorded in Volume 1959, Page 755, Land Records of Collin County, Texas.

2. Restrictive covenants recorded in Volume 2007, Page 475, Land Records of Collin County, Texas.

3. 12.5' water main easement granted by Board of Regents of the University of Texas Systems to City of Richardson, filed 03/25/77, recorded in Volume 1042, Page 840, Deed Records of Collin County, Texas, and as shown on survey of BSM Engineers, Inc., certified to by Arthur F. Beck, R.P.L.S. #2130, dated 12/19/97, And as shown on plat recorded in Volume F, Page 483, Map Records of Collin County, Texas.

4. Easement granted by Board of Regents of the University of Texas Systems to Dallas Power & Light Company and Southwestern Bell Telephone Company, recorded in Volume 1444, Page 555, Land Records of Collin County, Texas, and as shown on survey of BSM Engineers, Inc., certified to by Arthur P. Beck, R.P.L.S. #2130, dated 12/19/97, And as shown on plat recorded in Volume F, Page 483, Map Records of Collin County, Texas.

5. Easement granted by Board of Regents of the University of Texas Systems to City of Dallas, filed 04/09/86, recorded in Volume 2343, page 314, Land Records of Collin County, Texas, and as shown on survey of BSM Engineers, Inc., certified to by Arthur F. Beck, R.P.L.S. #2130, dated 12/19/97.

6. Easement granted by Board of Regents of the University of Texas Systems to Texas Utilities Electric Company, filed 10/06/97, cc#97-0084664, Land Records of Collin County, Texas, and as shown on survey of BSM Engineers, Inc., certified to by Arthur F. Beck, R.P.L.S. #2130, dated 12/19/97.

EXHIBIT E

MEMORANDUM OF LEASE

This Memorandum of Lease is dated as of January ___, 1998 and is by and between Opus South Corporation, a Florida corporation ("LANDLORD") and ADS Alliance Data Systems, Inc., a Delaware corporation ("TENANT").

R E C I T A L S

(7) Landlord is the owner of that certain property described on EXHIBIT A attached to and made a part of this Memorandum of Lease for all purposes (the "PROPERTY").

(8) Effective as of the same date as the date of this Memorandum of Lease, Landlord and Tenant entered into that certain Build-to-Suit Net Lease (the "LEASE") covering the entire Property.

(9) Tenant and Landlord wish to record this Memorandum of Lease in order to evidence the existence of the Lease.

I N F O R M A T I O N

(1) PRIMARY TERM: Tenant has leased the entire Property from Landlord for a period of approximately 11 years commencing on the date set forth in the Lease and ending on the Expiration Date, as defined in the Lease.

(2) RENEWAL OPTIONS: Tenant has two (2) five (5)-year renewal options, as more fully set forth in the Lease.

(3) INITIAL CONSTRUCTION: Landlord has covenanted and agreed to construct a building on the Property for Tenant within the time periods and in accordance with the terms of the Lease.

(4) EXPANSION OPTION: During the initial 11-year term, Tenant has the right to require that Landlord construct an additional building for Tenant, as more fully set forth in the Lease.

(5) QUIET POSSESSION: Landlord has covenanted and agreed that Tenant will have quiet and peaceful possession of the Property during the entire term of the Lease, and such possession will not be disturbed by Landlord or anyone claiming by, through or under Landlord.

(6) INTERPRETATION. Landlord and Tenant have entered into this Memorandum of Lease in order that third parties may have notice of the existence of the Lease and some of its specific provisions. This Memorandum of Lease is not a complete summary of the Lease, all of the terms, covenants, and conditions of

which are made apart of this Memorandum of Lease as though fully set forth in this Memorandum of Lease. This Memorandum of Lease is not intended to amend, modify, or otherwise change the terms and conditions of the Lease. In the event of a conflict between this Memorandum of Lease and the Lease, the Lease controls.

LANDLORD:	TENANT:
OPUS SOUTH CORPORATION, a Florida corporation	ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation
By: _____ Neil J. Rauenhorst, President	By: _____ Its: _____
	And: _____ Its: _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1998 by Neil J. Rauenhorst as President of Opus South Corporation, a Texas corporation.

Witness my hand and official seal.

_____
Notary Public

My commission expires: _____

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1998 by _____ as _____ and _____ as _____ of ADS Alliance Data Systems, Inc., a Delaware corporation.

Witness my hand and official seal.

____
Notary Public

My commission expires: ____

EXHIBIT F

NDA

EXHIBIT G

LEASE GUARANTY

THIS LEASE GUARANTY (this "GUARANTY") is given by ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation ("GUARANTOR"), to OPUS SOUTH CORPORATION, a Florida corporation ("LANDLORD"), with respect to that certain Build-to-Suit Net Lease dated January __, 1998 (the "LEASE") by and between Landlord and ADS Alliance Data Systems, Inc., a Delaware corporation ("TENANT"), under which Tenant has leased from Landlord the land in Richardson, Texas that is legally described on EXHIBIT A attached hereto and all improvements thereon.

In order to induce Landlord to execute the Lease and for other good and valuable consideration, the receipt and sufficiency of which Guarantor acknowledges, Guarantor promises and agrees as follows:

1. Guarantor absolutely, unconditionally and irrevocably guarantees the payment and performance of, and agrees to pay and perform as a primary obligor, all of Tenant's covenants, obligations, liabilities and duties (including, without limitation, payment of rent and all other amounts required to be paid by Tenant) under the Lease (the "GUARANTEED OBLIGATIONS"), as if Guarantor had executed the Lease as Tenant.

2. Guarantor's obligations under this Guaranty are primary and independent of Tenant's obligations. Guarantor agrees that Landlord will not be required first to enforce against Tenant or any other person any Guaranteed Obligations before seeking enforcement against Guarantor. Landlord may bring and maintain an action against Guarantor to enforce any Guaranteed Obligations without joining Tenant or any other person (including, without limitation, any other guarantor) in such action. Landlord may, however, join Guarantor in any action commenced by Landlord against Tenant to enforce any Guaranteed Obligations and Guarantor waives any demand by Landlord or any prior action by Landlord against Tenant.

3. Guarantor's obligations under this Guaranty will remain in full force and effect and will not be affected in any way by: (a) any forbearance, indulgence, compromise, settlement or variation of terms which may be extended to Tenant by Landlord; (b) any alteration of the Lease by the parties, whether prior or subsequent to Lease execution; (c) any renewal, extension, modification or amendment of the Lease; (d) any subletting of the premises demised under the Lease or any assignment of Tenant's interest in the Lease; (e) any termination of the Lease to the extent that Tenant remains liable under the Lease after such termination; or (f) the release by Landlord of any party (other than Guarantor) obligated for the Guaranteed Obligations or Landlord's acquisition, release, return or misapplication of any other collateral (including, without limitation, any other guaranties) given now or later as additional security for the Guaranteed Obligations. Guarantor waives notice of any of the above and agrees that Guarantor will remain liable for the Guaranteed Obligations as they may be so altered, renewed,

extended, modified, amended or assigned. Guarantor also waives notice of acceptance of this Guaranty and all other notices in connection with this Guaranty or the Guaranteed Obligations, including notices of default by Tenant under the Lease, and waives diligence, presentment and suit by Landlord in the enforcement of any Guaranteed Obligations.

4. Guarantor's obligations under this Guaranty will remain in full force and effect and will not be affected in any way by: (a) the release or discharge of Tenant in any insolvency, receivership, bankruptcy or other proceedings; (b) the impairment, limitation or modification of the liability of Tenant or the estate of Tenant in bankruptcy, or of any remedy for the enforcement of Tenant's liability under the Lease, resulting from the operation of any present or future provision of the Federal Bankruptcy Code or other statute or from the decision in any court; (c) the rejection or disaffirmance of the Lease in any such proceeding; or (d) Tenant's dissolution or other termination or any disability or other defense of Tenant.

5. Guarantor agrees to pay the reasonable attorneys' fees and expenses incurred by Landlord in successfully enforcing Guarantor's obligations under this Guaranty in any action or proceeding to which Landlord is a party. In any action brought under this Guaranty, Guarantor submits to the jurisdiction to the courts of the State of Texas, and to venue in the District Court of Dallas County, Texas.

6. This Guaranty will be binding on Guarantor and its successors and assigns and will inure to the benefit of Landlord and its successors and assigns.

7. Notwithstanding anything to the contrary set forth elsewhere in this Guaranty, in the event the Release Conditions, as defined in the Lease, are met, then Guarantor will automatically be released from its obligations under this Guaranty effective as of the date of such assignment or subletting, and (b) Guarantor will at all times be entitled to assert as a defense to any obligation under this Guaranty that Tenant has a defense to the guaranteed obligation under the terms of the Lease.

Executed this _____ day of January, 1998.

GUARANTOR:

ATTEST:

ALLIANCE DATA SYSTEMS CORPORATION,
a Delaware corporation

By: _____

By:_____

EXHIBIT H

2-STORY PLAN

EXHIBIT I

3-STORY PLAN

EXHIBIT J

EXPANSION COST SUMMARY

SCHEDULE OF COST FOR THE EXPANSION BUILDING
OPTION B NO LAND

LAND:		
SOIL TEST	___	
ENVIRONMENTAL	___	
TITLE FEE	___	
SUB-TOTAL FOR LAND	___	
BUILDING:		
BASE BUILDING	___	
SITE DEVELOPMENT	___	
TENANT IMPROVEMENTS	___	
DESIGN FEE	___	
SUB-TOTAL FOR BUILDING		___
DEVELOPMENT:		
BROKER FEE (Market)	___	
LEGAL	___	
DEVELOPMENT (5% of total project cost)		___
CONTINGENCY	___	
CONSTRUCTION INTEREST	___	
BANK FEES	___	
SUB-TOTAL FOR DEVELOPMENT		___
TOTAL PROJECT COST:	___	
RENT CALCULATION:		
EXPANSION COSTS X 11.4%-RENT		___
TOTAL RENT	___	

EXHIBIT K

CORE BUILDING SYSTEMS

- -- Foundation System

- -- Structural Framing System

- -- Core Plumbing Systems

- -- Exterior Envelope Back-up System (Framing, Sheathing, and Insulation)

- -- Roofing System

- -- Core Building Fire Sprinkler System

- -- Core Plumbing HVAC System (Central plant, main supply loop ductwork; perimeter zone boxes, and interior VAV boxes and controls)

- -- Electrical System (Wiring of all base building HVAC equipment, elevators, exterior lighting, main switchgear, distribution to electrical panel boards on each floor, and lighting of interior common areas with exit and emergency lighting as required by code)

- -- Minimum Code Requirements (Stairs, Restroom Count, and Elevators)

TABLE OF CONTENTS

FINAL AGREEMENT CONCERNING RENT COMMENCEMENT AND CONSTRUCTION COSTS AND LIQUIDATED DAMAGES

This Final Agreement Concerning Rent Commencement and Construction Costs and Liquidated Damages (this "AGREEMENT") is executed by and between Oaklawn Alliance, L.L.C., a Delaware limited liability company ("LANDLORD") and ADS Alliance Data Systems, Inc., a Delaware corporation ("TENANT") and is effective as of the last day accompanying the signature of Original Landlord, Landlord, and Tenant below. Original Landlord, Guarantor, and Mortgagee (all as defined below) are executing this Agreement for the purposes indicated in this Agreement.

R E C I T A L S

A. Effective as of January 29, 1998, Opus South Corporation, a Florida corporation ("ORIGINAL LANDLORD") and Tenant entered into that certain Build-To-Suit Net Lease (the "LEASE") covering certain property located in the City of Dallas, Collin County, Texas (the "LAND").

B. The Lease was guaranteed by Alliance Data Systems Corporation, a Delaware corporation ("GUARANTOR") pursuant to the terms of that certain Lease Guaranty dated the same date as the Lease (the "GUARANTY").

C. A Memorandum of Lease was executed the same day as the Lease and recorded on January 30, 1998 in Volume 4091, Page 1447 of the real property records of Collin County, Texas.

D. Original Landlord, Tenant, and NationsBank, N.A., a national banking association ("MORTGAGEE") entered into that certain Subordination, Non-disturbance and Attornment Agreement dated April 3, 1998 and recorded on April 7, 1998 under Volume 4138, Page 1032 of the real property records of Collin County, Texas.

E. Under the terms of the Lease, Original Landlord, as the Landlord under the Lease, was required to construct for Tenant the Original Base Building (as defined in the Lease) on the Land. Under the terms of the Lease, Tenant had to pay for certain cost overruns and Original Landlord, as the Landlord under the Lease, had to pay certain liquidated damages in the event that construction of the Original Base Building was not completed on or before certain dates. The Land together with the Original Base Building is referred to in this Agreement as the "DEMISED PREMISES."

F. On December 3, 1998, Original Landlord transferred the Demised Premises to Landlord.

G. Original Landlord, Landlord, and Tenant have been working together to establish the Original Commencement Date under the Lease, the amount of any cost overruns for which Tenant is

obligated to pay Landlord, and the amount of any liquidated damages due to Tenant for late delivery. The purpose of this Agreement is to memorialize their understanding.

AGREEMENTS

NOW, THEREFORE, for and in consideration of the matters set forth in the Recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Original Landlord, Landlord, and Tenant hereby agree as follows:

1. ORIGINAL COMMENCEMENT DATE: The Original Commencement Date of the Lease is November 4, 1998. As provided in Section 1.1 of the Lease, the Term expires at midnight on November 30, 2009, unless sooner terminated or unless renewed or extended as set forth in the Lease.

2. OVERRUN AMOUNT AND LIQUIDATED AMOUNT: The amount of cost overruns for which Tenant is responsible is $263,575.00 (the "OVERRUN AMOUNT") and the amount of liquidated damages to which Tenant is entitled is $125,500.00 (the "LIQUIDATED AMOUNT").

3. PARTIES TO WHOM PAYMENT OF THE OVERRUN AMOUNT AND THE LIQUIDATED AMOUNT ARE DUE: Original Landlord performed the construction work and so Original Landlord believes that Original Landlord is entitled to receive the Overrun Amount. Landlord hereby agrees that Original Landlord is entitled to receive the Overrun Amount. Since Original Landlord is receiving the Overrun Amount, Landlord believes that Original Landlord should pay Tenant the Liquidated Amount. Tenant is willing to accept the Liquidated Amount from Original Landlord, but such agreement to allow Original Landlord to do so does not in any way release Landlord from the obligation to do so unless and until Tenant actually receives the full amount of the Liquidated Amount. If for any reason Original Landlord does not pay the full amount of the Liquidated Amount within the time period specified in PARAGRAPH 4 below, then the obligation to pay the Liquidated Amount will constitute a joint and several obligation of Original Landlord and Landlord and Tenant will be entitled to demand payment from both of them and to offset the amount due to Tenant from all Rent and other amounts accruing under the Lease.

4. TIMING OF PAYMENT OF THE OVERRUN AMOUNT AND THE LIQUIDATED AMOUNT: Original Landlord and Tenant hereby covenant and agree that on or before Friday, May 28, 1999, they will each present the other with a check drawn on immediately-available funds in the amount due to the other, so that Tenant will present Original Landlord with a check for $263,575.00 and Original Landlord will present Tenant with a check in the amount of $125,500.00.

5. LANDLORD'S REPRESENTATIONS, WARRANTIES, AND RELEASES: Landlord hereby (a) confirms, represents, and warrants to Tenant that Tenant is to pay the Overrun Amount to Original Landlord and not Landlord, and (b) releases Tenant from any and all claims that Landlord

might have against Tenant under the Lease for payment of the Cost Overrun, payment for any other cost overruns, and payment of Basic Rent, other payments which are due on a regular monthly basis charges, Taxes, and insurance premiums (with the exception of insurance premiums which were billed in March, 1999, about which Landlord and Tenant are currently in disagreement), IF, AND ONLY IF, SUCH CLAIMS AROSE ON OR BEFORE THE DATE OF THIS AGREEMENT but whether or not such claims are now known or anticipated (collectively, "CLAIMS" and individually, a "CLAIM"). Landlord acknowledges that there is no additional promise or agreement in consideration of this release. Landlord expressly acknowledges and agrees that such release is a contractual undertaking and that the agreements concerning payment settles any and all Claims by Landlord against Tenant in connection with the Lease. This release is binding upon Landlord and the heirs, executors, administrators, personal representatives, successors, and assigns of Landlord and inures to the benefit of Tenant.

6. ORIGINAL LANDLORD'S REPRESENTATIONS, WARRANTIES, AND RELEASES: Original Landlord is executing this Agreement in order to (a) confirm, represent, and warrant to Tenant that Tenant is to pay the Overrun Amount to Original Landlord and not Landlord, (b) confirm, represent, and warrant that Original Landlord will pay the Liquidated Amount to Tenant as and when due under the terms of PARAGRAPH 4 above, and (c) release Tenant from any and all claims, OTHER THAN THE CLAIM FOR THE COST OVERRUN, that Original Landlord might have against Tenant under the Lease for payment of Basic Rent and other charges, including without limitation, Taxes and insurance premiums, whether such claims now exist or hereafter arise and whether or not such claims are now known or anticipated (collectively, "CLAIMS" and individually, a "CLAIM"). Original Landlord acknowledges that there is no additional promise or agreement in consideration of this release. Original Landlord expressly acknowledges and agrees that such release is a contractual undertaking and that the agreements concerning payment settles any and all Claims by Original Landlord against Tenant in connection with the Lease. This release is binding upon Original Landlord and the heirs, executors, administrators, personal representatives, successors, and assigns of Original Landlord and inures to the benefit of Tenant.

7. TENANT'S RELEASES: Tenant hereby releases Original Landlord and Landlord from any and all claims that Tenant might have against Original Landlord and Landlord for payment of any liquidated damages under Section 3.6 of the Lease OTHER THAN the Liquidated Amount.

8. ESTABLISHMENT OF THE NUMBER OF RENTABLE SQUARE FEET IN THE ORIGINAL BUILDING: Landlord and Tenant hereby confirm that the Original Building contains 114,419 Rentable Square Feet.

9. RATIFICATION AND CONFIRMATION OF THE LEASE: Landlord and Tenant hereby ratify and confirm that they are bound by all of the terms of the Lease, including, without limitation, the terms of Section 18 of the Lease. Landlord further acknowledges that any claims which Tenant might have under the Lease concerning the Original Base Building and Original Leasehold Improvements constitute claims against Landlord even though Landlord was not the

Landlord at the time the Original Base Building and the Original Leasehold Improvements were constructed and even though Tenant is obligated to pay the Cost Overrun to Original Landlord.

10. GUARANTOR'S EXECUTION: Guarantor is executing this Agreement for the purpose of confirming that the execution and delivery of this Agreement does not in any way terminate or limit Guarantor's obligations under the Guaranty.

11. MORTGAGEE'S EXECUTION: Mortgagee is executing this Agreement for the purpose of evidencing its consent to and agreement that if Mortgagee becomes the Landlord under the Lease, Mortgagee will be bound by the terms and provisions of this Agreement; provided, however, that under no circumstances is Mortgagee obligated to pay the Liquidated Amount to Tenant.

12. COUNTERPARTS: This Agreement may be executed in multiple counterparts, all of which, when taken together, will constitute one (1) original.

LANDLORD: OAKLAWN ALLIANCE, L.L.C.,
a Delaware limited liability company

By: /s/ Neil Rauenhorst

Name: Neil Rauenhorst

Title: President & CEO

Date of Signature: 5/28/99

TENANT: ADS ALLIANCE DATA SYSTEMS INC.,
a Delaware corporation

By: /s/ James E. Anderson

Name: James E. Anderson

Title: Exec. V.P. & CEO

Date of Signature: 6-14-99

ORIGINAL LANDLORD: OPUS SOUTH CORPORATION,
a Florida corporation

By: /s/ Neil Rauenhorst
Name: Neil Rauenhorst
Title: President & CEO
Date of Signature: 5/28/99

GUARANTOR: ALLIANCE DATA SYSTEMS CORPORATION,
a Delaware corporation

By: /s/ James E. Anderson
Name: James E. Anderson
Title: Exec. V.P. & CEO
Date of Signature: 6-14-99

MORTGAGEE: NATIONSBANK, N.A.,
a national banking association

By: /s/ Charles S. Flint
Name: Charles S. Flint
Title: Senior Vice President
Date of Signature: 5/28/99

OCTOBER 19, 1998

DATED: October 19, 1998.

BETWEEN:

CIBC DEVELOPMENT CORPORATION

- AND -

LOYALTY MANAGEMENT GROUP CANADA INC.

5055 SATELLITE DRIVE
INDUSTRIAL LEASE AGREEMENT
Mississauga, Ontario

5055 SATELLITE DRIVE, MISSISSAUGA, ONTARIO

INDUSTRIAL LEASE

TABLE OF CONTENTS

5055 SATELLITE DRIVE, MISSISSAUGA

INDUSTRIAL LEASE

ARTICLE 1

BASIC LEASE TERMS

SECTION 1.01 - VARIABLE DEFINED TERMS

In this Lease the following terms will have the following meanings:

(1) "LEASE" means this lease dated the 19TH DAY OF OCTOBER, 1998, and includes all schedules annexed hereto, as from time to time amended in writing.

(2) "LANDLORD" - CIBC DEVELOPMENT CORPORATION and its successors and assigns.

(3) "LANDLORD'S ADDRESS" - Suite 2800, 145 King Street West, Toronto, Ontario, M5H 3T7 or such other address as is designated by the Landlord in Canada.

(4) "TENANT" - LOYALTY MANAGEMENT GROUP CANADA INC. and its successors and permitted assigns.

(5) "TENANT'S ADDRESS" - 4110 YONGE STREET, SUITE 200, TORONTO, ONTARIO, M2P 2B7, ATTENTION: VICE PRESIDENT, LEGAL SERVICES or such other address as is designated by the Tenant in Canada.

(6) "INDEMNIFIER" - INTENTIONALLY DELETED.

(7) "INDEMNIFIER'S ADDRESS" - INTENTIONALLY DELETED.

(8) "LEASED PREMISES" - Those premises leased to the Tenant pursuant to Section 2.01 hereof, cross-hatched on Schedule "B" hereto, being the part of the building known as 5055 Satellite Drive, Mississauga, Ontario.

(9) "RENTABLE AREA OF THE LEASED PREMISES" - The Rentable Area of the Leased Premises being approximately 40,000 square feet of area determined in accordance with Section 1.02 (21) hereof, and subject to adjustment in accordance with Section 2.04 hereof.

(10) "BASIC RENT" - Basic Rent per square foot of Rentable Area of the Leased Premises per annum payable pursuant to Section 2.06 hereof shall be as follows:

(a) TWELVE DOLLARS AND SEVENTY-FIVE CENTS ($12.75) IN THE FIRST (1ST) AND SECOND (2ND) YEARS OF THE TERM;

(b) THIRTEEN DOLLARS AND FIFTY CENTS ($13.50) IN THE THIRD (3RD), FOURTH (4TH) AND FIFTH (5TH) YEARS OF THE TERM;

(c) FOURTEEN DOLLARS AND EIGHTY-FIVE CENTS ($14.85) IN THE SIXTH (6TH), SEVENTH (7TH) EIGHTH (8TH), NINTH (9TH) AND TENTH (10TH) YEARS OF THE TERM.

(11) "COMMENCEMENT DATE" - AUGUST 1, 1999 (SUBJECT TO DELAYS AS DESCRIBED IN PARAGRAPH 27 OF THE AGREEMENT TO LEASE).

(12) "TERM" - TEN (10) YEARS (SUBJECT TO THE PROVISIONS OF PARAGRAPH 1 OF SCHEDULE "E" OF THIS LEASE), COMMENCING ON THE COMMENCEMENT DATE.

(13) "AGREEMENT TO LEASE" means, COLLECTIVELY, the written agreement to lease between the Landlord and the Tenant with respect to the Leased Premises ACCEPTED BY THE LANDLORD AND THE TENANT ON THE 11TH DAY OF AUGUST, 1998 (THE "OFFER TO LEASE"), AS AMENDED BY AN AMENDING LETTER DATED THE 2ND DAY OF SEPTEMBER, 1998 (THE "AMENDING LETTER").

(14) "SECURITY DEPOSIT" means the sum of ONE HUNDRED AND FORTY-FIVE THOUSAND DOLLARS ($145,000.00) + GST (WITH ALL INTEREST ACCRUED THEREON) applied in accordance with Section 14.02.

(15) "TYPE OF BUSINESS OF THE TENANT" means for the purpose OF GENERAL BUSINESS OFFICES, INCLUDING AN OUT-BOUND AND IN-BOUND CALL CENTRE AND EMPLOYEE CAFETERIA, PROVIDED THAT SUCH USE COMPLIES WITH ALL APPLICABLE BY-LAWS.

SECTION 1.02 - STANDARD DEFINITIONS

(1) "ADDITIONAL RENT" means all sums of money, other than Basic Rent, which are required to be paid by the Tenant TO THE LANDLORD pursuant to any provision of this Lease.

(2) "ADDITIONAL SERVICE" means any service which is requested or required by or for a tenant (including the Tenant) in addition to those supplied by the Landlord as part of the normal services provided in the Complex, and which the Landlord is prepared or elects to supply at an additional cost to the tenant in question and includes, without limitation, janitor and cleaning services, the provision of labour and supervision in connection with deliveries, supervision in connection with the moving of any furniture or equipment of any tenant, the making of any repairs or alterations by any tenant and the cost of replacing building standard electric light fixtures, ballasts, tubes, starters, lamps and light bulbs not located within Common Facilities.

(3) "ADDITIONAL SERVICE COST" means the additional cost payable by the Tenant to the Landlord for any Additional Service in accordance with Section 5.02 hereof.

(4) "ARCHITECT" means the architect, professional engineer or surveyor named by the Landlord from time to time.

(5) "BANK RATE" means the interest rate per annum as announced by the chartered bank of the Landlord at the principal office of such bank in Toronto and reported by it to the Bank of Canada as its prime rate.

(6) "CAPITAL TAX IN RESPECT OF THE COMPLEX" means the aggregate of:

(a) an amount of the tax or excise imposed by the Province of Ontario upon the Landlord or the owners of the Complex which is measured by or based in whole or in part upon the capital, surplus, reserves or indebtedness of such Landlord or owners, and which is at present based upon the application of the prescribed rate of 0.3 % to the amount of such Landlord's or owner's "taxable paid-up capital" as defined in the Corporations Tax Act (Ontario); the amount of the tax or excise for the purposes hereof shall be calculated in any year as if the Complex was the only establishment in the Province of Ontario owned by such Landlord or owners in the year and such Landlord or owners had no establishment other than in the Province of Ontario; and

(b) an amount of the tax or excise imposed by the Government of Canada upon the Landlord or the owners of the Complex which is measured by or based in whole or in part upon the capital, surplus, reserves or indebtedness of the Landlord or the owners, and which tax is at present based upon the application of the prescribed rate of .2% to the amount by which the "taxable capital employed in Canada" by such Landlord or owners as defined in the Income Tax Act (Canada) exceeds its capital deduction for the year; the amount of the tax or excise for the purposes hereof shall be calculated in any year as if the Complex was the only asset owned by such Landlord or owners in the year and the capital deduction of such Landlord or owners for the year was nil.

(7) "COMMON FACILITIES" means those areas and facilities of or for the Complex which serve or benefit the Complex including, without limitation, roadways, landscaped areas, sidewalks, public entrance doors, halls, public lobbies, lavatories, stairways, passageways, service ramps and Common Use Equipment, and which are designated from time to time by the Landlord for the common use or enjoyment of the tenants in the Complex and users of adjacent properties, and their agents, invitees, servants, employees and licensees, or for use by the public, but excluding rentable premises in the Complex and other portions of the Complex which are from time to time designated by the Landlord ACTING REASONABLY for private use by one or a limited group of tenants.

(8) "COMMON USE EQUIPMENT " means all mechanical, plumbing, electrical and heating, ventilating, and air-conditioning equipment, pipes, ducts, wiring, machinery and equipment and other integral services, utility connections and the like providing services to the Complex, including such services to and within rentable premises (it being understood that any changes to such services made by or on behalf of the Tenant shall be considered to be Leasehold Improvements).

(9) "COMPLEX" means the Lands and the buildings and other fixed improvements located thereon and includes all structures and improvements from time to time thereunder or associated therewith.

(10) "INSURANCE COST" means, for any fiscal period, the total cost to the Landlord calculated in accordance with generally accepted accounting principles, for insuring the Complex.

(11) "INSURED DAMAGE" means that part of any damage occurring to the Complex, including the Leased Premises, of which the entire cost of repair (except as to any deductible amount provided for in the applicable policy or policies of insurance) is actually recovered by the Landlord under a policy or policies of insurance from time to time effected by the Landlord pursuant hereto, OR WOULD HAVE BEEN RECOVERABLE BY THE LANDLORD OR ANY ASSIGNEE TO WHOM THE LANDLORD HAS ASSIGNED

THE INSURANCE PROCEEDS, ACTING REASONABLY, HAD THE LANDLORD INSURED AS IT IS REQUIRED BY THIS LEASE.

(12) "LANDS" means the lands described in Schedule "A" attached hereto and includes other lands designated by the Landlord as part of 5055 Satellite Drive in which the Landlord from time to time has an interest.

(13) "LEASEHOLD IMPROVEMENTS" means all items generally considered as leasehold improvements, including, without limitation, all fixtures, equipment, improvements, installations, alterations and additions from time to time made, erected or installed by or on behalf of the Tenant, or any previous occupant of the Leased Premises in the Leased Premises, and by or on behalf of other tenants in other premises in the Complex, including all partitions, however affixed and whether or not movable, and all wall-to-wall carpeting other than carpeting laid over finished floors and affixed so as to be readily removable without damage and changes to services which are part of Common Use Equipment; but excluding trade fixtures, furniture or free-standing partitions and equipment not of the nature of trade fixtures.

(14) "MANAGEMENT FEE" means a reasonable fee for the administration and management of the Complex applied to the aggregate of all revenues received or receivable from the Tenant, which fee shall be comparable to fees charged by management companies for managing and administering developments similar to the Complex;

(15) "MORTGAGE" means any instrument hypothec, deed of trust, document or security interest (resulting from any method of financing or refinancing) or blanket mortgage pledge or charge (affecting the Complex as well as other property) now or hereafter secured upon the Complex or any part thereof, and includes all renewals, modifications, consolidations, replacements and extensions thereof.

(16) "MORTGAGEE" means the mortgagee, hypothecary or other creditor or trustee for bondholders or others named in any Mortgage.

(17) "NOTICE" means any notice, statement, consent, approval, demand or request herein required or permitted to be given by any party to another pursuant to this Lease and shall be in writing and, if to the Landlord, addressed to the Landlord at the Landlord's Address, if to the Tenant, addressed to the Tenant at the Tenant's Address, and if to the Indemnifier, addressed to the Indemnifier at the Indemnifier's Address. All Notices shall be hand-delivered and the effective date of such Notices shall be the date of delivery.

(18) "OPERATING COSTS" means, the total of all expenses, costs, fees, rentals, disbursements and outlays of every kind paid, payable or incurred by or on behalf of the Landlord in the complete maintenance, repair, operation, supervision, replacement and administration of the Complex, ON A REASONABLE, FAIR AND EQUITABLE BASIS, ACTING AS A REASONABLE AND PRUDENT ADMINISTRATOR OF A FIRST CLASS INDUSTRIAL BUILDING LOCATED IN MISSISSAUGA, ONTARIO AND CONFORMING WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES, CONSISTENTLY APPLIED, and a reasonable amount, as determined by the Landlord from time to time, for all expenses incurred by or on behalf of tenants in the Complex with whom the Landlord may from time to time have agreements whereby, in respect of their premises, those tenants perform any cleaning, maintenance or other work, utilities or services usually performed or provided by the Landlord which, if directly incurred by the Landlord, would have been included in Operating Costs. Without limiting the generality of the foregoing, Operating Costs shall include, without duplication:

(A) (i) the Insurance Cost;

(ii) the cost of providing security, supervision, life safety systems, traffic control, landscaping, exterior cleaning and snow removal services;

(iii) the cost of repairs and replacements to and maintenance of the Complex in each case in respect of the Common Facilities but excluding the original capital cost of same AND NET OF AMOUNTS IN 1.02)(18)(B)(v) AND (vi);

(iv) the cost of hot and cold water, electric light and power, telephone, steam, gas, sewage disposal and other utilities and services;

(v) the cost of maintaining and replacing general signs and directory boards;

(vi) accounting costs incurred in connection with the maintenance, repair, replacement, operation, administration or management of the Complex, including computations required for the imposition of charges to tenants, the cost of preparing statements and opinions for tenants and banking fees and expenses and audit fees;

(vii) the cost of performing its obligations under Section 8.03;

(viii) the fair rental value (HAVING REGARD TO THE RENTALS PREVAILING AT THE TIME THE SPACE IS ESTABLISHED FOR USE BY THE LANDLORD FOR A TERM OF FIVE (5) YEARS AND THEREAFTER RENTALS PREVAILING ON THE BASIS OF TERMS NOT LESS THAN FIVE (5) YEARS) of space in the Complex used by the Landlord, acting reasonably, in connection with the maintenance, repair, replacement, operation, administration or management of the Complex;

(ix) all other indirect expenses to the extent allocable to the maintenance, repair, replacement, operation, administration or management of the Complex;

(x) all costs and expenses (including legal and other professional fees and interest and penalties on deferred payments) incurred by the Landlord in contesting, resisting or appealing any Taxes;

(xi) the amount of all salaries, wages and fringe benefits paid to or for personnel, managers, and superintendents, wherever located, to the extent that they are employed or retained by or on behalf of the Landlord in connection with the maintenance, repair, replacement, operation, administration or management of the Complex and all amounts paid to independent contractors for any services in connection with the maintenance, repair, replacement, operation, administration or management of the Complex or any part of it;

(xii) fees and expenses of architects, engineers, quantity surveyors and other consultants retained by the Landlord EXCLUDING FEES AND EXPENSES RELATING TO THE MEASUREMENT OF THE RENTABLE AREA OF THE LEASED PREMISES;

(xiii) the costs of uniforms for personnel, and of supplies, tools, equipment and materials used in connection with the maintenance, repair, replacement, operation, administration, management or caretaking of the Complex;

(xiv) amortization of the costs OTHER THAN THE COSTS OF LANDLORD'S WORK (AS DEFINED IN THE AGREEMENT TO LEASE) incurred to make alterations, replacements or additions to the Complex intended to reduce the cost of other items included in Operating Costs, improve the operation of the Complex or maintain its operation as a quality industrial complex; costs being amortized will include, without limitation, costs incurred in respect of alterations, replacements or additions to the roof and other machinery, equipment, facilities, decorating, flooring, systems, and property installed in or used in connection with the Complex (except to the extent that the costs are charged fully to income account in the accounting period in which they are incurred) and interest on the unamortized portion of the original cost of such items being amortized, payable monthly, from or after the date on which the relevant cost was incurred at an annual rate of interest that is one percentage (1%) point above the Bank Rate in effect from time to time; the amortization costs and interest charged under this clause shall be calculated by the Landlord, acting reasonably, in accordance with sound and generally accepted accounting principles, but no amortization or interest will be charged in respect of any such items installed in conjunction with the original construction of the Complex;

(xv) goods and services taxes, business transfer taxes, value-added taxes, multi-stage sales taxes, sales, use or consumption taxes and any like taxes on property and services provided by or on behalf of the Landlord except to the extent recoverable by the Landlord;

(xvi) Capital Tax in respect of the Complex, any Ontario commercial concentration tax and any business or similar taxes or licence fees in respect of the business of the Landlord which pertains to the management, operation and maintenance of the Complex;

(xvii) all other direct and indirect costs and expenses of every kind, to the extent incurred in or allocable to the maintenance, repair, replacement, operation, supervision or administration of all or any part of the Complex, or any of its appurtenances including expenses incurred or contributions made by the Landlord in respect of off-site facilities which are utilized by or benefit the Complex or for which the Landlord is required to contribute;

(B) except to the extent otherwise provided in Part (A) of this definition, Operating Costs shall exclude or shall have deducted therefrom:

(i) Taxes and Management Fee;

(ii) THE COST OF ARRANGING, AND debt service in respect of financing secured by or related to the Complex AND THE CAPITAL RETIREMENT OF DEBT and interest on debt save for interest payable if as and when costs and expenses in respect of Operating Costs and Taxes and goods and services taxes temporarily exceed recoveries from time to time in respect thereof;

(iii) depreciation of the initial cost of the Complex;

(iv) the cost of replacing building standard electric fixtures, ballasts, tubes, starters, lamps and light bulbs in each case not located within Common Facilities;

(v) an amount equal to the net proceeds of insurance actually recovered by the Landlord OR ANY ASSIGNEE TO WHOM THE LANDLORD HAS ASSIGNED THE INSURANCE PROCEEDS (OR WHICH WOULD HAVE BEEN RECOVERED BY THE LANDLORD HAD THE LANDLORD INSURED AS IT IS REQUIRED) for damage to the Complex to the extent that the cost to repair such damage is included in Operating Costs;

(vi) an amount equal to recoveries by the Landlord in respect of warranties or guarantees relating to repairs or alterations to the Complex or any part of it, to the extent that the repair or alteration costs in respect of the work covered by warranty or guarantee is included in Operating Costs;

(vii) all Additional Service Costs chargeable to specific tenants of the Complex for Additional Service to the extent that those amounts are included in Operating Costs, including any administrative or overhead charges;

(viii) an amount equal to the contribution made by owners or occupants of adjacent buildings who are, by agreement, entitled to use any facilities of and for the Complex;

(ix) THE COST OF COMMISSIONS, ADVERTISING AND LEGAL EXPENSES IN CONNECTION WITH THE LEASING OF THE COMPLEX;

(x) BAD DEBTS AND ANY COSTS INCURRED IN THE COLLECTION OF SUCH BAD DEBTS, INCLUDING LEGAL COSTS ASSOCIATED WITH THE SAME;

(xi) ANY AMOUNT DUE TO THE LANDLORD'S NON-COMPLIANCE WITH ANY LAW, BY-LAW, REGULATION, OR ACT;

(xii) THE COST OF SERVICES, INCLUDING WITHOUT LIMITATION, JANITORIAL SERVICES, THAT THE TENANT ITSELF SUPPLIES OR CONTRACTS FOR WITH A SUPPLIER OTHER THAN THE LANDLORD AND WHICH WOULD OTHERWISE BE INCLUDING IN OPERATING COSTS; AND

(xiii) THE COST OF JANITORIAL SERVICES SUPPLIED BY THE LANDLORD TO TENANTS IN THE COMPLEX;

(C) any costs that are not directly incurred by the Landlord but are chargeable as Operating Costs may be estimated by the Landlord on a reasonable basis to the extent that the Landlord cannot ascertain the exact amount; and

(D) the taxes enumerated in Section 1.02(18)(A)(xv) above are included amongst Operating Costs upon the understanding that the Landlord will look first for reimbursement of such taxes to its input tax credits in the case of the goods and services tax in force at the date hereof, and to corresponding credits, if any, in the case of subsequent taxes from time to time in force, the intent being that so long as such credits are available to the Landlord the taxes referred to in Section 1.02(18)(A)(xv) will not be included in Operating Costs.

(19) "PROPORTIONATE SHARE" means, for any period, the fraction which has as its numerator the Rentable Area of the Leased Premises and as its denominator the Total Rentable Area.

(20) "RENT" means Basic Rent and Additional Rent.

(21) "RENTABLE AREA" of any portion of the Complex means the floor area THEREOF MEASURED IN ACCORDANCE WITH THE BOMA STANDARD METHOD FOR MEASURING FLOOR SPACE IN INDUSTRIAL BUILDINGS expressed in square feet of all floor space (including the floor space of mezzanines, if any) measured from the exterior face of all exterior walls (and across the extension of the planes thereof over the openings for doors and windows) comprising the boundaries of such premises and, in the case of walls separating any rentable premises from adjoining rentable premises, measured from the centre line of such walls but ignoring the finished treatment thereof; any such area shall be adjusted from time to time to reflect any addition, reduction, rearrangement or relocation of space.

(22) "TAXES" means all taxes, rates, duties, levies, fees, charges, sewer levies, local improvement rates, and assessments whatsoever imposed, assessed, levied or charged, now or in the future, by any school, municipal, regional, provincial, federal, parliamentary or other governmental body, corporate authority, agency or commission (including, without limitation, school boards and utility commissions), against the Complex or any part thereof, and/or the Landlord and/or the owners of the Complex in connection therewith, calculated on the basis of the Complex being assessed as a fully leased and operational building, but excluding (unless specifically referred to above):

(a) income or profit taxes upon the income of the Landlord to the extent such taxes are not levied in substitution or in lieu of any of the foregoing;

(b) business or similar taxes or licence fees in respect of the business of the Landlord which pertains to the management, operation and maintenance of the Complex (and which are included in Operating Costs);

(c) goods and services taxes or similar taxes (and which are payable pursuant to other provisions of this Lease);

(d) business or similar taxes or licence fees in respect of any business carried on by, and imposed upon, tenants and occupants (including the Tenant) of the Complex; and

(e) Capital Tax in respect of the Complex and any Ontario commercial concentration tax (and which are included in Operating Costs).

(23) "TENANT'S TAXES" means all taxes, rates, duties, levies or license fees imposed upon the Tenant which are attributable to the business, income or occupancy of the Tenant or any other occupant of the Leased Premises, and to the use of any of the Common Facilities by the Tenant or other occupant of the Leased Premises, including any taxes, rates, duties, levies or license fees which are imposed in lieu of or in addition to any such Tenant's Taxes; and if any such Tenant's Taxes are levied against the Landlord or any owner on account of its ownership in the Complex or its interest therein, they shall be included in Taxes.

(24) "TOTAL RENTABLE AREA" means the aggregate of all Rentable Area (including the Leased Premises) in the Complex determined in accordance with Section 1.02(21) hereof and adjusted from time to time to reflect any addition, reduction, rearrangement or relocation of space.

(25) "TRANSFER" means an assignment of this Lease, a sublease of all or any part of the Leased Premises, any transaction whereby the rights of the Tenant under this Lease to the Leased Premises are transferred to another, any transaction by which any right of use or occupancy of all or any part of the Leased Premises is conferred upon anyone, any mortgage, charge or encumbrance of this Lease or the Leased Premises or any part thereof, or other arrangement under which either this Lease or the Leased Premises becomes security for any indebtedness or other obligations, and includes any transaction or occurrence whatsoever which has changed or might change the identity of the person or persons having lawful use or occupancy of any part of the Leased Premises.

(26) "UNAVOIDABLE DELAY" means any delay by a party in the performance of its obligation under this Lease caused in whole or in part by any acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, sabotage, war, blockades, insurrections, riots, epidemics, washouts, nuclear and radiation activity or fallout, arrests, civil disturbances, explosions, breakage of or accident to machinery, any legislative, administrative or judicial action which has been resisted in good faith by all reasonable legal means, any act, omission or event, whether of the kind herein enumerated or otherwise, not within the control of such party, and which, by the exercise of control of such party, could not have been prevented, but lack of funds on the part of such party shall not constitute an Unavoidable Delay.

ARTICLE II

LEASED PREMISES - TERM - RENT

SECTION 2.01 - LEASED PREMISES AND TERM

In consideration of the rents, covenants and agreements herein contained on the part of the Tenant to be paid, observed and performed, the Landlord leases to the Tenant, and the Tenant leases from the Landlord, the Leased Premises for the Term.

SECTION 2.02 - USE OF ADDITIONAL AREAS

The use and occupation by the Tenant of the Leased Premises includes for the purposes of carrying on its business, the non-exclusive right of the Tenant, the Tenant's employees, agents, invitees, suppliers (subject to the Rules and Regulations) and persons having business with the Tenant in common with the Landlord, its other tenants, sub-tenants and all others entitled or permitted to the use of the Common Facilities.

SECTION 2.03 - CONSTRUCTION OF THE LEASED PREMISES

The provisions THE LAST PARAGRAPH OF PARAGRAPH 2 (TERM) AND PARAGRAPHS 9 (LANDLORD'S WORK), 10 (TENANT'S WORK), 11 (LEASEHOLD IMPROVEMENT ALLOWANCE), 11A (WORKING DRAWINGS), 11B (PERMITS AND APPROVALS), 11C (EARLY ACCESS), 27 (UNAVOIDABLE DELAY) AND SCHEDULE "C" (LANDLORD'S WORK) OF THE OFFER TO LEASE AND PARAGRAPHS 1, 2, 3, AND 4 OF THE AMENDING LETTER relating to construction of the Leased Premises and delay in availability of the Leased Premises for occupancy by the Tenant shall remain in effect and shall not merge upon the execution of this Lease. The Tenant shall abide by the provisions of Section 8.02 in respect of the construction of Leasehold Improvements and fixtures in the Leased Premises following the commencement of the Term.

SECTION 2.04 - ADJUSTMENT OF AREAS

The Landlord may from time to time re-measure or re-calculate the Rentable Area of the Leased Premises and may re-adjust the Basic Rent or the amount of Additional Rent accordingly. The effective date of any such re-adjustment shall:

(a) in the case of an adjustment to the Rentable Area resulting from a change in the aggregate of all rentable premises on the floor on which the Leased Premises are situated, be the date on which such change occurred; and

(b) in the case of a correction to any measurement or calculation error, be the first date as of which such error was discovered in the calculation of Basic Rent or Additional Rent.

THE LANDLORD, AT ITS COST, SHALL WITHIN TWENTY (20) BUSINESS DAYS OF THE COMMENCEMENT DATE, PROVIDE TO THE TENANT A COPY OF THE CERTIFICATE OF THE LANDLORD'S ARCHITECT AS TO THE RENTABLE AREA OF THE LEASED PREMISES CALCULATED IN ACCORDANCE WITH THE TERMS OF THIS LEASE CALCULATED IN ACCORDANCE WITH THE TERMS OF THIS LEASE, AND THE PARTIES AGREE TO BE BOUND THEREBY, AND THE PROVISIONS OF SECTION 2.04 SHALL HAVE NO FURTHER FORCE OR EFFECT WITH RESPECT TO THE LEASED PREMISES LEASED TO THE TENANT AS AT THE COMMENCEMENT DATE.

SECTION 2.05 - AGREEMENT TO PAY

The Tenant shall pay Basic Rent and Additional Rent as herein provided in lawful money of Canada, without any prior demand therefor and without any deduction, abatement, set-off or compensation whatsoever save as provided in Section 9.01. The Tenant agrees to pay to the Landlord in addition to Basic Rent and Additional Rent, any goods and services tax, business transfer tax, value-added tax, multi-stage sales tax, sales, use or consumption tax, or any like tax imposed by any governmental authority in respect of this Lease or in respect of any property or services provided hereunder, including, without limitation, such taxes calculated on or in respect of any Rent (whether Basic Rent or Additional Rent) payable under this Lease; any such tax shall be deemed not to be Rent, but the Landlord shall have the same remedies for and rights of recovery of such amount as it has for recovery of Rent under this Lease. The obligation to pay Additional Rent (and adjustments thereto) shall survive the expiration or sooner termination of this Lease. All amounts payable under this Lease, unless otherwise provided, become due with the next instalment of Basic Rent. The Landlord may, at its option, upon Notice to the Tenant direct that the Tenant pay any or all Rent by way of pre-authorized bank debit and/or to any other party specified by the Landlord.

SECTION 2.06 - BASIC RENT

The Tenant shall pay from and after the Commencement Date to the Landlord the Basic Rent, such Basic Rent to be computed in accordance with Section 1.01(10) hereof and payable in equal monthly instalments in advance on the first day of each and every month. WITHIN 20 BUSINESS DAYS AFTER THE COMMENCEMENT DATE, the Landlord shall PROVIDE THE TENANT WITH A CERTIFICATE OF THE LANDLORD'S ARCHITECT AS TO the Rentable Area of the Leased Premises and only at such time shall any necessary adjustments in the Basic Rent and Additional Rent be made.

If the Commencement Date is not the first day of a calendar month, then the Basic Rent for the first and last months of the Term shall be appropriately adjusted, on a per diem basis, based upon a period of three hundred and sixty-five (365) days, and the Tenant shall pay upon the Commencement Date, the portion of the Basic Rent so adjusted from the Commencement Date to the end of the month in which the Commencement Date occurs.

SECTION 2.07 - LATE PAYMENT CHARGE

The Tenant hereby acknowledges that late payment by the Tenant to the Landlord of Basic Rent or Additional Rent due hereunder will cause the Landlord to incur costs not contemplated by this Lease, the exact amount of which will be difficult or impracticable to ascertain. Such costs include, but are not limited to, processing and accounting charges and late charges which may be imposed on the Landlord by the terms of any Mortgage. Accordingly, if any Basic Rent or Additional Rent shall not be received by the Landlord or the Landlord's designee within five (5) days after such amount shall be due, AND, IF, IN THE OPINION OF THE LANDLORD, ACTING REASONABLY, THE TENANT HAS BEEN HABITUALLY LATE IN THE PAYMENT OF BASIC RENT AND/OR ADDITIONAL RENT HEREUNDER, the Tenant shall pay to the Landlord a late charge equal to five per cent (5%) of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs the Landlord will incur by reason of late payment by the Tenant. Acceptance of such late charge by the Landlord shall in no event constitute a waiver of the Tenant's default with respect to such overdue amount, nor prevent the Landlord from exercising any of the other rights and remedies granted hereunder. The foregoing shall be without prejudice to any other right or remedy available to the Landlord under or pursuant to this Lease by reason of a monetary default by the Tenant. The Tenant agrees that if any of the Tenant's cheques are returned for lack of sufficient funds the Tenant shall pay to the Landlord upon demand a minimum administrative fee of not less than Twenty-five Dollars ($25.00).

SECTION 2.08 - NET LEASE

The Basic Rent payable under this Lease is intended to be an absolutely net return to the Landlord, except as expressly herein set out to the contrary. The Landlord is not responsible for any expenses or outlays of any nature arising from or relating to the Leased Premises, or the use or occupancy thereof, or the contents thereof or the business carried on therein. The Tenant shall pay all charges, impositions and outlays of every nature and kind relating to the Leased Premises except as expressly herein set out to the contrary.

SECTION 2.09 - ACKNOWLEDGMENT OF COMMENCEMENT DATE

The Tenant agrees to execute and return to the Landlord, within fifteen (15) days of written demand from the Landlord, an acknowledgment of the Commencement Date in the form set forth in Schedule "C" annexed hereto, subject to such variations as the facts require.

ARTICLE III

TAXES, OPERATING COSTS & MANAGEMENT FEE

SECTION 3.01 - TAXES PAYABLE BY LANDLORD

The Landlord shall pay directly to the appropriate and lawful taxing authorities all Taxes subject to Sections 3.02 and 3.05 hereof. The Landlord may contest any Taxes and appeal any assessments with respect thereto; withdraw any such contest or appeal; and agree with the taxing authorities on any settlement or compromise with respect to Taxes.

SECTION 3.02 - TENANT'S SHARE OF TAXES

The Tenant shall pay to the Landlord as Additional Rent a share of all Taxes which share shall be the amount which is the aggregate, without duplication, of either:

(1) (a) the amount obtained by multiplying the appropriate commercial mill rate or rates for the year by the assessed value of the Leased Premises as determined by the lawful authority; provided that if for any year such assessed value of the Leased Premises is not available, then the Landlord may determine the assessed value on an equitable basis using such information and data as is available; and

(b) the Tenant's Proportionate Share of Taxes, if any, allocated to any part of the Complex that is not charged to the Tenant and other tenants pursuant to Section 3.02(1)(a) and similar provisions in the leases of such other tenants; or

(2) the Tenant's Proportionate Share of the Taxes assessed against the Complex, including a portion of the Taxes attributable to the Common Facilities and allocated to the Complex by the Landlord. The amounts of such assessment and allocation, if not determined by allocation or apportionment and identified as such to the Landlord by the appropriate and lawful taxing authority in question, shall be determined by allocation or apportionment by the Landlord from time to time on an equitable basis having regard, amongst other things, to general principles of assessment.

If the Tenant elects to be assessed as a separate school supporter, the Tenant will pay to the Landlord, in addition to any other amounts owing pursuant to this Section 3.02, the excess, if any, of the separate school taxes over public school taxes resulting from such election.

SECTION 3.03 - TENANT'S PROPORTIONATE SHARE OF OPERATING COSTS

The Tenant shall pay to the Landlord as Additional Rent in accordance with Section 3.07 the Proportionate Share of Operating Costs.

SECTION 3.04 - MANAGEMENT FEE

The Tenant shall pay to the Landlord as Additional Rent in accordance with Section 3.07 the Management Fee.

SECTION 3.05 - TENANT'S TAXES

The Tenant shall pay to the appropriate and lawful taxing authorities, or to the Landlord, as appropriate, and shall discharge when the same become due and payable, all Tenant's Taxes.

SECTION 3.06 - TENANT'S RESPONSIBILITY

The Tenant shall promptly deliver to the Landlord copies of assessment notices, tax bills and other documents received by the Tenant relating to Taxes and Tenant's Taxes and receipts for payment of Taxes and Tenant's Taxes. The Tenant shall not contest any Taxes or Tenant's Taxes or appeal any assessments relating thereto without the Landlord's prior written approval, NOT TO BE UNREASONABLY WITHHELD. If the Tenant obtains such approval, the Tenant shall deliver to the Landlord such security for the payment of such Taxes or Tenant's Taxes as the Landlord REQUIRES, ACTING REASONABLY, and the Tenant shall diligently prosecute any such appeal or contestation to a speedy resolution and shall keep the Landlord informed of its progress in that regard from time to time.

SECTION 3.07 - PAYMENT OF ESTIMATED TAXES, OPERATING COSTS & MANAGEMENT FEE

(a) The amounts payable by the Tenant pursuant to Sections 3.02, 3.03, 3.04 and 3.05 hereof may be estimated by the Landlord for such period as the Landlord determines from time to time, NOT EXCEEDING 12 MONTHS and the Tenant agrees to pay to the Landlord the amounts so estimated in monthly instalments in advance during such period as Additional Rent. Notwithstanding the foregoing, as soon as bills for all or any portion of the said amounts so estimated are received, the Landlord may bill the Tenant for the Proportionate Share thereof and the Tenant shall pay the Landlord such amounts so billed (less all amounts previously paid on account by the Tenant on the basis of the Landlord's estimate as aforesaid) as Additional Rent on demand.

(b) Within ONE HUNDRED AND EIGHTY (180) DAYS after the end of the period for which such estimated payments have been made, the Landlord shall deliver to the Tenant a statement, CONTAINING REASONABLE DETAIL, AND, CERTIFIED BY A SENIOR FINANCIAL OFFICER OF THE LANDLORD AS HAVING BEEN CALCULATED IN ACCORDANCE WITH THE LEASE, from the Landlord of the Operating Costs, Taxes and Management Fee together with a calculation of the Tenant's share of the costs and expenses payable to the Landlord pursuant to Sections 3.02, 3.03, 3.04 and 3.05 and, if necessary, an adjustment shall be made between the parties in the following manner. If the Tenant has paid in excess of the amounts due, the excess shall be refunded by the Landlord within THIRTY (30) DAYS after the delivery of the said statement. If the amount the Tenant has paid is less than the amounts due, the Tenant agrees to pay such additional amounts due WITHIN THIRTY (30) DAYS AFTER demand. If any fiscal year during the Term is greater or less than any such period determined by the Landlord as aforesaid, the Tenant's share of the costs and expenses payable to the Landlord, pursuant to Sections 3.02, 3.03, 3.04 and 3.05 shall be subjected to a per diem, pro rata adjustment based upon a period of three hundred and sixty-five (365) days. The obligations set out herein shall survive the expiration of the Term or earlier termination of this Lease. Failure of the Landlord to render any statement of Taxes, Operating Costs and Management Fee shall not prejudice the Landlord's right to render such statement thereafter or with respect to any other period. The rendering of any such statement shall also not affect the Landlord's right to subsequently render an amended or corrected statement WITHIN TWELVE (12) MONTHS THEREAFTER.

(c) THE AMOUNT PAYABLE BY THE TENANT PURSUANT TO SECTIONS 3.02, 3.03 AND 3.04 HEREOF HAVE BEEN ESTIMATED BY THE LANDLORD, WITHOUT PREJUDICE, TO BE FIVE DOLLARS AND FORTY CENTS ($5.40) PER SQUARE FOOT OF RENTABLE AREA OF THE LEASED PREMISES FOR THE FIRST PERIOD ENDING OCTOBER 31, 1999, CALCULATED AS FOLLOWS:

TAXES:	$3.95 PER SQUARE FOOT OF RENTABLE AREA OF THE LEASED PREMISES
OPERATING COSTS:	$1.00 PER SQUARE FOOT OF RENTABLE AREA OF THE LEASED PREMISES
MANAGEMENT FEE:	$0.45 PER SQUARE FOOT OF RENTABLE AREA OF THE LEASED PREMISES
TOTAL:	$5.40 PER SQUARE FOOT OF RENTABLE AREA OF THE LEASED PREMISES

ARTICLE IV

COMPLEX - CONTROL AND SERVICES

SECTION 4.01 - CONTROL OF THE COMPLEX BY THE LANDLORD

The Landlord shall operate and maintain the Complex in a reasonable and reputable manner as would a prudent landlord of a similar FIRST CLASS industrial building LOCATED IN MISSISSAUGA, ONTARIO, having regard to size, age and location.

The Complex is at all times subject to the exclusive control, management and operation of the Landlord. Without limiting the generality of the preceding sentence, the Landlord has the right, in its control, management and operation of the Complex and by the establishment of Rules and Regulations and general policies with respect to the operation of the Complex or any part thereof at all times during the period when the Tenant is given possession of the Leased Premises and throughout the Term to:

(a) construct improvements in or to the Complex and make alterations and additions thereto, subtractions therefrom, rearrangements thereof (including parking areas and all entrances and exits to the Complex), build additional storeys on the Complex and construct additional facilities adjoining or proximate to the Complex;

(b) relocate or re-arrange the various facilities and improvements comprising the Complex or erected on the Lands from those existing at the Commencement Date;

(c) do and perform such other acts in and to the Complex as in the use of good business judgment the Landlord determines to be advisable for the more efficient and proper operations of the Complex.

Notwithstanding anything contained in this Lease, it is understood and agreed that if as a result of the exercise by the Landlord of its right set out in this Section 4.01, the facilities in or improvements to the Complex are diminished or altered in any manner whatsoever, the Landlord is not subject to any liability, nor is the Tenant entitled to any compensation, nor shall any such diminution or alteration of the facilities or improvements in or to the Complex be deemed constructive or actual eviction, or a breach of any covenant for quiet enjoyment contained in this Lease or implied by law provided that the Landlord shall not materially impede access to the Leased Premises OR MATERIALLY ADVERSELY AFFECT THE TENANT'S USE AND ENJOYMENT OF THE LEASED PREMISES during the completion of any such work and provided further that the Landlord shall complete all such work diligently and with due speed.

SECTION 4.02 - SUBSTITUTION

At any time, the Landlord may substitute for the Leased Premises or any portion thereof other premises in the Complex (the "New Premises"), in which event the New Premises shall be deemed to be the Leased Premises or such portion for all purposes hereunder, provided that the New Premises shall be similar in area and utility for the Tenant's purposes. If the Tenant is occupying the Leased Premises at the time of such substitution, the Landlord shall pay the reasonable expense of moving the Tenant, its property and equipment to the New Premises and shall, at its sole cost, improve the New Premises (or the new portion, as the case may be) with Leasehold Improvements substantially similar to those located in the Leased Premises.

NOTWITHSTANDING ANYTHING CONTAINED IN THIS SECTION 4.02, PROVIDED THE TENANT IN OCCUPATION OF THE WHOLE OF THE LEASED PREMISES IS LOYALTY MANAGEMENT GROUP CANADA INC., OR A PERMITTED TRANSFEREE PURSUANT TO SECTION 10.07A, THE LANDLORD SHALL HAVE NO RIGHT TO RELOCATE ALL OR PART OF THE LEASED PREMISES DURING THE TERM OF THIS LEASE.

ARTICLE V

UTILITIES AND ADDITIONAL SERVICES

SECTION 5.01 - CHARGES FOR UTILITIES

The Tenant shall be solely responsible for and shall promptly pay for the cost of operating, repairing, maintaining, replacing and inspecting the machinery and other facilities required for the heating, ventilating and cooling of the Leased Premises and costs of electricity, water, steam, fuel, power, telephone, sewer and other utilities applicable to the Leased Premises on the basis of separate meters and otherwise on the basis of the Rentable Area of the Leased Premises or estimated consumption within the Leased Premises. The Landlord shall be entitled, acting equitably, to allocate to the Leased Premises an Additional Service Cost (BUT WITHOUT MARK-UP BEYOND THE COST THEREOF) for any Additional Service in respect of usage of ANY SUCH UTILITY THAT IS NOT SEPARATELY METERED in the Leased Premises WHICH IS in excess of AMOUNTS ALLOCATED ON THE BASIS OF AREA OR ESTIMATED CONSUMPTION. The Tenant further covenants to heat the Leased Premises to a sufficient temperature to prevent at all times, any damage to the Leased Premises and/or building containing the Leased Premises and without limiting the generality of the foregoing, to heat the Leased Premises so as to comply with any law, order, requirement and/or regulations which from time to time govern the heating thereof. Upon the request of the Landlord, the Tenant shall install its own separate meter(s) for the Leased Premises at its own expense if so requested by the Landlord.

SECTION 5.02 - ADDITIONAL SERVICES OF THE LANDLORD

Subject to Article 4 hereof, and excluding services supplied by the Landlord and charged to the Tenant as Operating Costs, one hundred and fifteen per cent (115 %) of the cost to the Landlord of all Additional Services provided by the Landlord or its agent to the Tenant shall be payable forthwith by the Tenant, upon demand by the Landlord, as an Additional Service Cost. Such services shall include any services performed at the Tenant's request including, without limitation, maintenance, repair, janitorial or cleaning services, construction of additional Leasehold Improvements and replacement of bulbs (including non-standard bulbs), tubes and ballasts. Such services shall also include any services provided at the Landlord's reasonable discretion including, without limitation, supervising the movement of furniture, equipment, freight and supplies for the Tenant. Additional Services provided by the Landlord or its agent on behalf of the Tenant in respect of any of the Tenant's obligations set out in the Lease which the Tenant fails to perform shall be ONE HUNDRED AND FIFTEEN PER CENT (115%) of the cost to the Landlord.

SECTION 5.03 - THIRD PARTY SERVICES

Excluding services supplied by the Landlord and charged to the Tenant as Operating Costs or as an Additional Service Cost, the Tenant shall be solely responsible for, and promptly pay to the appropriate third party, all charges for services used or consumed in or provided to the Leased Premises, including, without limitation, rug shampooing, TELECOMMUNICATIONS SERVICES, JANITORIAL SERVICES, pest control and other services not available through the Landlord. In no event will the Landlord be liable to the Tenant in damages or otherwise for any failure to supply any third-party services to the Leased Premises.

ARTICLE VI

USE OF LEASED PREMISES

SECTION 6.01 - USE OF THE LEASED PREMISES

The Leased Premises shall be used for the Type of Business of the Tenant specified in Section 1.01(15), provided such purpose complies with all applicable laws, by-laws, regulations or other governmental ordinances from time to time in existence. The Leased Premises may not be used for any other purposes. AS AT THE DATE OF EXECUTION OF THIS LEASE, THE LANDLORD REPRESENTS THAT THE TYPE OF BUSINESS OF THE TENANT IS A PERMITTED USE UNDER EXISTING MUNICIPAL LAND USE BY-LAWS THAT APPLY TO THE COMPLEX.

SECTION 6.02 - OBSERVANCE OF LAW

The Tenant shall at its sole cost and expense and, where applicable in compliance with Sections 8.01 and 8.02 hereof promptly observe and comply with all laws or requirements of all governmental authorities, including federal, provincial and municipal legislative enactments, by-laws and other regulations and all other authorities having jurisdiction, including fire insurance underwriters, now or hereafter in force which pertain to or affect the Leased Premises, the Tenant's use of the Leased Premises or the conduct of any business in the Leased Premises, or the making of any repairs, replacements, alterations, additions, changes, substitutions or improvements of or to the Leased Premises. The Tenant shall carry out all modifications, alterations or changes of or to the Leased Premises and the Tenant's conduct of business in or use of the Leased Premises which are required by any such authorities.

SECTION 6.03 - ENERGY CONSERVATION

Consistent with its obligations to keep the Leased Premises in good repair, order and condition hereunder, the Tenant will at its cost comply with all laws, by-laws, regulations and orders relating to the conservation of energy affecting the Leased Premises and the conduct of business therein, including compliance with all reasonable requests and demands of the Landlord intended to achieve the conservation of energy.

SECTION 6.04 - ODOURS, DUST OR NOISE

The Tenant warrants that no noxious odours, dust or unreasonable noise will emanate from the Leased Premises as a result of the operations conducted by the Tenant therein and the Tenant further covenants that it will not cause or maintain any nuisance in, at or on the Leased Premises and/or the Lands. Accordingly, the Tenant agrees that should such noxious odours, dust or noise conditions exist, the Tenant will, at its own expense, take such steps as may be necessary to rectify the same, provided further that if the Tenant shall fail to commence to do so within forty-eight (48) hours and complete the same within a reasonable time after Notice is received by the Tenant from the Landlord, then the Landlord may, at its option and without prejudice to its other rights or recourses:

(i) notify Tenant by Notice that it must shut down all its operations in the Leased Premises; and

(ii) the Landlord may proceed forthwith to take reasonable measures to correct the situation and the Landlord shall be entitled to cover the cost thereof from the Tenant forthwith upon demand as an Additional Service Cost.

The LANDLORD AGREES TO USE REASONABLE EFFORTS TO OBTAIN SIMILAR COVENANTS REGARDING ODOURS, DUST, NOISE AND NUISANCE FROM OTHER TENANTS OF THE COMPLEX AND TO USE REASONABLE EFFORTS TO ENFORCE SUCH COVENANTS.

SECTION 6.05 - OBSTRUCTIONS

The sidewalks, entries, passage corridors and stairways shall not be obstructed by the Tenant, its officers, agents, servants, employees or customers or used for any other purposes than for ingress and egress to or from the Leased Premises, and the Tenant shall save the Landlord harmless from damages to persons or property because of any nuisance or other act which shall obstruct the free movements of persons to, in and from the building and Lands.

SECTION 6.06 - OUTSIDE AREAS

The Tenant shall not use any part of the exterior parking and loading areas or any other areas outside the Leased Premises for any purpose other than parking, shipping or receiving in the areas designated by the Landlord from time to time for same. The Tenant shall not allow any type of storage and/or transportation trailer belonging to or being used by or on behalf of the Tenant to remain in such parking, shipping or receiving

areas for any period of time longer than shall be necessary for the Tenant's purposes and if any such vehicle has remained in any parking, shipping or receiving areas for a period in excess of that required for the Tenant's purposes, as determined by the Landlord acting reasonably, the Landlord shall be entitled to have such trailer removed at the Tenant's sole cost as an Additional Service. In addition, any damage caused to such parking, shipping or receiving areas as a result of the presence of such trailer shall be forthwith repaired by the Tenant, at the Tenant's sole cost or, at the Landlord's option, shall be repaired by the Landlord and the costs thereof shall be payable forthwith by the Tenant, upon demand by the Landlord, as an Additional Service Cost.

SECTION 6.07 - ENVIRONMENTAL LAW

For the purposes of this Lease:

(a) "Environmental Law" means any law, by-law, order, ordinance, ruling, regulation, certificate, approval, consent or directive of any applicable federal, provincial or municipal government, governmental department, agency or regulatory authority or any court of competent jurisdiction, relating to environmental matters and/or regulating the import, storage, distribution, labelling, sale, use, handling, transport or disposal of Hazardous Substances, including but not limited to, the Environmental Protection Act (Ontario), as amended from time to time;

(b) "Hazardous Substance" means any contaminant, pollutant, dangerous substance, noxious substance, toxic substance, hazardous waste, flammable or explosive material, radioactive material, urea formaldehyde foam insulation, asbestos, polychlorinated byphenyls, polychlorinated biphenyl waste, polychlorinated biphenyl related waste, and any other substance or material now or hereafter declared, defined or deemed to be regulated or controlled in or pursuant to the Environmental Law; and

(c) "Release" means any release, spill, emission, leakage, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration.

During the Term of this Lease:

(i) THE LANDLORD AND THE TENANT SHALL comply with all requirements of the Environmental Law, and all other applicable laws, by-laws, rules, regulations, orders, ordinances, whether federal, provincial or municipal; and

(ii) THE TENANT SHALL conduct its business operation in the Leased Premises in such a manner as to prevent the Release of any Hazardous Substance in, on, under, over or at the Leased Premises.

If the Tenant creates or brings to the Lands, Complex or the Leased Premises any Hazardous Substances or if the conduct of the Tenant's business shall cause there to be any Hazardous Substance at the Lands, the Complex or the Leased Premises then, notwithstanding any rule of law to the contrary, such Hazardous Substance shall be and remain the sole and exclusive property of the Tenant and shall not become the property of the Landlord notwithstanding the degree of affixation to the Leased Premises, Complex or the Lands of the Hazardous Substance, and notwithstanding the expiry or earlier termination of this Lease.

During the Term, and at the expiration of the Term of this Lease, the Tenant shall, at the Tenant's sole cost and expense in accordance with all requirements of the Environmental Law, remove any Hazardous Substance CREATED OR BROUGHT TO THE LANDS, COMPLEX OR THE LEASED PREMISES BY THE TENANT.

IF THE LANDLORD CREATES OR BRINGS TO THE LANDS, COMPLEX OR THE LEASED PREMISES ANY HAZARDOUS SUBSTANCE OR IF THE PERFORMANCE OF THE LANDLORD'S OBLIGATIONS AS REQUIRED UNDER THIS LEASE SHALL CAUSE THERE TO BE ANY HAZARDOUS SUBSTANCE AT THE LANDS, THE COMPLEX OR THE LEASED PREMISES THEN, OR IF THERE IS ANY HAZARDOUS SUBSTANCE EXISTING IN, ON, UNDER, OVER OR AT THE COMPLEX AS AT THE DATE HEREOF, IN EACH CASE SUCH HAZARDOUS SUBSTANCE SHALL BE REMOVED AT THE EXPENSE OF THE LANDLORD IN ACCORDANCE WITH ALL REQUIREMENTS OF ENVIRONMENTAL LAW.

THE LANDLORD WARRANTS THAT TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THE COMPLEX AND LEASED PREMISES CONTAINS NO HAZARDOUS SUBSTANCE AS AT THE COMMENCEMENT DATE.

ARTICLE VII

INSURANCE AND INDEMNITY

SECTION 7.01 - TENANT'S INSURANCE

(a) The Tenant shall throughout the period that the Tenant is given possession of the Leased Premises and during the entire Term, at its sole cost and expense, take out and keep in full force and effect, the following insurance:

(i) all-risk property insurance (including but not limited to sprinkler leakage, flood, earthquake and collapse coverage) in an amount equal to the full replacement cost thereof upon property of every description and kind owned by the Tenant or for which the Tenant is liable, or installed by or on behalf of the Tenant and which is located within the Complex including, without limitation, Leasehold Improvements, tenant's fixtures, the Tenant's stock-in-trade, furniture and personal property provided that if there is a dispute as to the amount which comprises full replacement cost, the decision of the TENANT'S INSURER shall be conclusive;

(ii) business interruption insurance in such amount as will reimburse the Tenant for direct or indirect loss of earnings attributable to all perils insured against in Section 7.01(a)(i) and other perils commonly insured against by prudent tenants or attributable to prevention of access to the Leased Premises or the Complex as a result of such perils. PROVIDED HOWEVER, THAT SO LONG AS THE TENANT IS LOYALTY MANAGEMENT GROUP CANADA INC. OR A PERMITTED TRANSFEREE PURSUANT TO SECTION 10.07A AND IS IN OCCUPATION OF THE WHOLE OF THE LEASED PREMISES, THE LANDLORD HEREBY AGREES THAT THE TENANT SHALL BE PERMITTED AT ITS OPTION, TO SELF-INSURE WITH RESPECT TO THE COVERAGE FOR THE INTERRUPTION OF ITS BUSINESS REFERRED TO IN THIS SECTION 7.01(a)(ii), BUT IN THE EVENT THAT IT DOES SO, THE TENANT SHALL BE DEEMED FOR ALL PURPOSES UNDER THIS LEASE TO HAVE PLACED SUCH INSURANCE AND BE MAINTAINING THE SAME;

(iii) comprehensive general and legal liability insurance, including bodily injury, property damage and personal injury liability, tenant's legal liability, contractual liability and owners' and contractors' protective insurance coverage with respect to the Leased Premises and the Tenant's use of the Complex, coverage to include the activities and operations conducted by the Tenant and any other person for whom the Tenant is in law responsible. Such policies shall be written on a comprehensive basis with inclusive limits of not less than FIVE MILLION DOLLARS ($5,000,000) for bodily injury to any one or more persons or property damage, and such higher limits as the Landlord OR THE MORTGAGEE, acting reasonably, requires from time to time, and shall contain a severability of interests clause and a cross-liability clause;

(iv) if appropriate, broad form comprehensive boiler and machinery insurance on a blanket repair and replacement basis with limits for each accident in an amount not less than the full replacement cost of all Leasehold Improvements and of all boilers, pressure vessels, air-conditioning equipment and miscellaneous electrical apparatus owned or operated by the Tenant or by others (other than the Landlord) on behalf of the Tenant in or serving the Leased Premises;

(v) insurance required by reason of the introduction by or on behalf of the Tenant or any occupant of the Leased Premises, or any part thereof, of any radioactive material or substance, into or on or about the Leased Premises or on the Lands, or for any other reason requiring special coverage; and

(vi) any other form of insurance which the Landlord, acting reasonably, requires from time to time in form, in amounts and for risks against which a prudent tenant would insure.

(b) All policies shall:

(i) be taken out with insurers acceptable to the Landlord, ACTING REASONABLY;

(ii) be in a form satisfactory from time to time to the Landlord which form may include a reasonable deductible, the amount of THAT A PRUDENT TENANT WOULD ARRANGE;

(iii) be non-contributing with and shall apply only as primary and not as excess to any other insurance available to the Landlord or the Mortgagee;

(iv) not be invalidated as respects the interests of the Landlord and of the Mortgagee by reason of any breach or violation of any warranties, representations or conditions contained in the policies;

(v) contain an undertaking by the insurers to notify the Landlord and the Mortgagee in writing not less than thirty (30) days prior to any material change, cancellation or termination thereof; and

(vi) name the Landlord and the Mortgagee as insured parties, AS THEIR RESPECTIVE INTERESTS APPEAR and, in respect of property damage insurance, incorporate the Mortgagee's standard mortgage clause.

(c) Certificates of insurance on the Landlord's standard form or if required by the Landlord or the Mortgagee certified copies of each such insurance policy will be delivered to the Landlord as soon as practicable after the placing of the required insurance and in any event at least ten (10) days prior to the effective date of coverage. Provided that no review or approval of any such insurance certificate by the Landlord shall derogate from or diminish the Landlord's rights or the Tenant's obligations contained in this Article.

(d) If the Tenant fails to take out or keep in force any insurance referred to in this Section 7.01, or should any such insurance not be approved by either the Landlord or the Mortgagee and should the Tenant not commence to diligently rectify (and thereafter proceed to diligently rectify) the situation within twenty-four (24) hours after written notice by the Landlord to the Tenant (stating, if the Landlord or the Mortgagee does not approve of such insurance, the reasons therefor), the Landlord has the right without assuming any obligation in connection therewith to effect such insurance at the sole cost of the Tenant and all outlays by the Landlord shall be paid by the Tenant to the Landlord on demand as Additional Rent without prejudice to any other rights and remedies of the Landlord under this Lease.

(e) The Tenant agrees that in the event of damage or destruction to the Leasehold Improvements in the Leased Premises covered by insurance pursuant to Section 7.01(a)(i), the Tenant shall use the proceeds of such insurance for the purpose of repairing or restoring such Leasehold Improvements. In the event of damage to or destruction of the Complex entitling the Landlord to terminate the Lease pursuant to Section 9.01(b) or 9.02, then if the Leased Premises have also been damaged or destroyed and the Lease is terminated, the Tenant shall forthwith pay to the Landlord all of its insurance proceeds relating to the Leasehold Improvements in the Leased Premises and if the Leased Premises have not been damaged or destroyed, the Tenant shall upon demand deliver to the Landlord in accordance with the provisions of this Lease the Leasehold Improvements and the Leased Premises.

SECTION 7.02 - INCREASE IN INSURANCE PREMIUMS

The Tenant shall not keep, use, sell or offer to sell in or upon the Leased Premises any article which may be prohibited by any fire insurance policy in force from time to time covering the Leased Premises or the Complex. If:

(a) the occupation of the Leased Premises;

(b) the conduct of business in the Leased Premises; or

(c) any act or omission of the Tenant in the Complex or any part thereof;

causes or results in any increase in premiums for the insurance carried from time to time by the Landlord with respect to the Complex, the Tenant shall pay any such increase in premiums as Additional Rent forthwith upon demand by the Landlord. In determining whether increased premiums are caused by or result from the use or occupancy of the Leased Premises, a schedule issued by the organization computing the insurance rate on the Complex showing the various components of such rate shall be conclusive evidence of the several items and charges which make up such rate. The Tenant shall comply promptly with all requirements of any insurer now or hereafter in effect pertaining to or affecting the Leased Premises or the Complex.

SECTION 7.03 - CANCELLATION OF INSURANCE

If any insurance policy upon the Complex or any part thereof shall be cancelled or shall be threatened by the insurer to be cancelled or the coverage thereunder reduced in any way by the insurer by reason of the use or occupation of the Leased Premises or any part thereof by the Tenant or by any assigns or sub-tenant of the Tenant, or by anyone permitted by the Tenant to be upon the Leased Premises, the Tenant shall remedy the condition giving rise to cancellation, threatened cancellation or reduction of coverage within twenty-four (24) hours after Notice thereof by the Landlord.

SECTION 7.04 - LOSS OR DAMAGE

The Landlord shall not be liable for any death or injury arising from or out of any occurrence in, upon, at or relating to the Complex, or damage to property of the Tenant or of others located on the Leased

Premises or elsewhere in the Complex, nor shall it be responsible for any loss of or damage to any property of the Tenant or others from any cause whatsoever, except for any such death, injury, loss or damage which results from the negligence of the Landlord, its agents, servants or employees or other persons for whom it may in law be responsible and provided that in no event shall the Landlord be responsible for any loss, injury or damage contemplated by Section 7.07(b), or for any indirect or consequential damages sustained by the Tenant or others. Without limiting the generality of the foregoing but subject to the exceptions to the limitation of the liability of the Landlord set out herein, the Landlord shall not be liable for any injury or damage to persons or property resulting from fire, explosion, dampness, falling plaster, falling ceiling tile, failing ceiling fixtures (including part or all of the ceiling T grid system) and diffuser coverings, or from steam, gas, electricity, water, rain, flood, snow or leaks from any rentable premises or from the pipes, sprinklers, appliances, plumbing works, roof, windows or subsurface of any floor or ceiling of the Complex or from the street or any other place or by any other cause whatsoever. The Landlord shall not be liable for any such damage caused by other tenants or persons in the Complex or by occupants of adjacent property thereto, or the public, or caused by construction or by any private, public or quasi-public work. All property of the Tenant kept or stored on the Leased Premises shall be so kept or stored at the risk of the Tenant only and the Tenant shall indemnify the Landlord and save it harmless from any claims arising out of any damage to the same including, without limitation, any subrogation claims by the Tenant's insurers.

SECTION 7.05 - LANDLORD'S INSURANCE

The Landlord shall at all times throughout the Term carry:

(a) insurance on the Complex (excluding the foundations and excavations) and the machinery, boilers and equipment contained therein or servicing the Complex and owned by the Landlord or the owners of the Complex (specifically excluding any property with respect to which the Tenant and other tenants are obliged to insure pursuant to Section 7.01 or similar sections of their respective leases) against damage by fire and extended perils or all-risks coverage IN AN AMOUNT EQUAL TO THE FULL REPLACEMENT COST OF THE SUBJECT MATTER THEREOF;

(b) public liability and property damage insurance with respect to the Landlord's operations in the Complex;

(c) loss of rental income insurance, or loss of insurable gross profits commonly insured against by prudent landlords FOR A PERIOD OF NOT LESS THAN TWELVE (12) MONTHS, including loss of all rentals receivable from tenants in the Complex in accordance with the provisions of their leases, including basic and additional rentals; and

(d) such other form or forms of insurance as the Landlord or the Mortgagee reasonably considers advisable.

Such insurance shall be in such reasonable amounts and with such reasonable deductibles as would be carried by a prudent owner of a reasonably similar industrial building, having regard to size, age and location WITH A FINANCIALLY SOLVENT INSURER. Notwithstanding the Landlord's covenant contained in this Section 7.05, and notwithstanding any contribution by the Tenant to the cost of insurance premiums provided herein, the Tenant acknowledges and agrees that no insurable interest is conferred upon the Tenant under any policies of insurance carried by the Landlord, and the Tenant has no right to receive any proceeds of any such insurance policies carried by the Landlord.

SECTION 7.06A - INDEMNIFICATION OF THE LANDLORD

Except as provided in Section 7.07(a) but notwithstanding any other provision of this Lease, the Tenant agrees to protect, indemnify and save each of the Landlord and its officers, employees and agents completely harmless from and against:

(i) any loss (including loss of Basic Rent and Additional Rent), claims, actions, damages, liability and expenses in connection with loss of life, personal injury, damage to property or any other loss or injury whatsoever arising out of this Lease, or any occurrence in, upon or at the Leased Premises, or the occupancy or use by the Tenant of the Leased Premises or any part thereof, or occasioned wholly or in part by any act or omission of the Tenant or by anyone permitted to be on the Leased Premises by the Tenant; and

(ii) any Environmental Claim, directly or indirectly incurred, sustained or suffered by or asserted against the Landlord and/or its officers, employees and agents caused by or attributable to, either directly or indirectly, any act or omission of the Tenant and/or any other person for which the Tenant is in law responsible prior to or during the Term of this Lease.

For the purposes of this Lease, "Environmental Claim" means any claims, losses, costs, expenses, fines, penalties, payments and/or damages (including without limitation, all reasonable solicitors' fees on a solicitor and his own client basis) relating to, arising out of, resulting from or in any way connected with the Release (as such term is defined in Section 6.07 of this Lease) in, on, over, upon or from the Leased Premises of

any Hazardous Substance (as such term is defined in Section 6.07 of this Lease) including, without limitation, all costs and expenses of any remediation or restoration of the Leased Premises and/or the Lands required or mandated by the Environmental Law (as such term is defined in Section 6.07 of this Lease).

If the Landlord shall, without fault on its part, be made a party of any litigation commenced by or against the Tenant, then the Tenant shall protect, indemnify and hold the Landlord harmless and shall pay all costs, expenses and reasonable legal fees incurred or paid by the Landlord in connection with such litigation. The Tenant shall also pay all costs, expenses and legal fees that may be incurred or paid by the Landlord in reasonably enforcing the terms, covenants and conditions in this Lease unless a court of law having jurisdiction shall decide otherwise.

SECTION 7.06B - INDEMNIFICATION OF THE TENANT

NOTWITHSTANDING ANY OTHER TERMS, COVENANTS AND CONDITIONS CONTAINED IN THIS LEASE EXCEPT SECTION 7.07(b), THE LANDLORD SHALL INDEMNIFY THE TENANT AND SAVE IT HARMLESS FROM AND AGAINST ANY AND ALL LOSS, CLAIMS, ACTIONS, DAMAGES, LIABILITIES AND EXPENSES IN CONNECTION WITH LOSS OF LIFE, PERSONAL INJURY, DAMAGE TO PROPERTY OR ANY OTHER LOSS OR INJURY WHATSOEVER ARISING FROM OR OUT OF THIS LEASE, OR ANY OCCURRENCE IN, UPON OR AT THE COMPLEX (EXCLUDING THE LEASED PREMISES SUBJECT TO SECTION 7.04) OCCASIONED WHOLLY OR IN PART BY ANY ACT OR OMISSION OF THE LANDLORD OR BY ANYONE FOR WHOM THE LANDLORD IS IN LAW RESPONSIBLE. IF THE TENANT SHALL, WITHOUT FAULT ON ITS PART, BE MADE A PARTY TO ANY LITIGATION COMMENCED BY OR AGAINST THE LANDLORD, THEN THE LANDLORD SHALL PROTECT, INDEMNIFY AND HOLD THE TENANT HARMLESS AND SHALL PAY ALL COSTS, EXPENSES AND REASONABLE LEGAL FEES INCURRED OR PAID BY THE TENANT IN CONNECTION WITH SUCH LITIGATION. THE LANDLORD SHALL ALSO PAY ALL REASONABLE COSTS, EXPENSES AND LEGAL FEES (ON A SOLICITOR AND HIS CLIENT BASIS) THAT MAY BE INCURRED OR PAID BY THE TENANT IN REASONABLY ENFORCING THE TERMS, COVENANTS AND CONDITIONS IN THIS LEASE.

SECTION 7.07 - LIMITATIONS OF LIABILITY

(a) The Tenant shall not be liable to the Landlord in respect of any loss, injury or damage insured by the Landlord under Sections 7.05(a) and (c); and

(b) The Landlord shall not be liable to the Tenant in respect of any loss, injury or damage to property insured or required to be insured by the Tenant under Sections 7.01(a)(i), (ii) and (iv).

ARTICLE VIII

MAINTENANCE, REPAIRS AND ALTERATIONS

SECTION 8.01 - MAINTENANCE AND REPAIRS BY THE TENANT

(a) Subject to Sections 9.01 and 9.02, the Tenant shall at all times at its sole cost, keep and maintain the Leased Premises and every part thereof, including all facilities, equipment and services, in a clean and tidy condition and will not permit waste paper, garbage, ashes, waste, debris or other objectionable material to accumulate thereon or therein and the Tenant will not use any outside garbage or other containers (other than those approved or designated by the Landlord) and the Tenant shall arrange for removal and disposal of waste and garbage at its sole expense. The Tenant, at its sole cost and expense, shall renew, rebuild, replace, operate, maintain, paint and keep the Leased Premises and every part thereof, INCLUDING BUT NOT LIMITED TO all equipment, fixtures, appurtenances used in or about the Leased Premises, including plumbing, electrical, heating, cooling, and other facilities and systems during the Term of this Lease, in good repair and first class condition, as a careful and prudent owner would do. Subject to Section 8.03 and in accordance with Section 8.02, the Tenant shall promptly make all necessary repairs, structural and non-structural, capital and non-capital, ordinary and extraordinary, foreseen as well as unforeseen (excluding only such reasonable wear and tear as would not be repaired by a careful and prudent owner and except for repairs to the roof and bearing walls of the Leased Premises except if caused by the negligent act or negligence of the Tenant or those for whom the Tenant is in law responsible).

(b) The Tenant shall examine the Leased Premises before taking possession thereof and unless the Tenant furnishes the Landlord with a notice in writing specifying any defect in the construction of the Leased Premises within THIRTY (30) days after such taking of possession, the Tenant shall conclusively be deemed to have examined the Leased Premises, to have agreed that they are in order, and such taking of possession without the giving of such notice as aforesaid within such THIRTY (30) day period is conclusive evidence against the Tenant that at the time thereof the Leased Premises were in good order and satisfactory condition, subject to latent defects, if any. The Tenant agrees that there is no promise, representation or undertaking by or binding upon the Landlord with respect to the use of the Leased Premises or any alteration, remodelling or redecorating of or installation of equipment or fixtures in the Leased Premises, except such, if any, as are expressly set forth in this Lease or the Agreement to Lease.

(c) The Tenant acknowledges that it will not enter, nor permit or suffer any person to enter upon the roof of the building containing the Leased Premises or make any opening in the roof without the prior written consent of the Landlord.

(d) The Tenant covenants and agrees that it shall, at its sole cost and expense, at all times during the Term of the Lease, obtain and maintain an inspection and maintenance service contract or contracts in relation to the mechanical systems in the Leased Premises including, without limitation, the heating, ventilation and cooling systems, as a prudent owner would obtain and maintain. Copies of such inspection and maintenance service contract or contracts will be delivered to the Landlord as soon as practicable after the obtaining of the required contract or contracts.

(e) The Tenant covenants and agrees that it shall not allow, without the prior written consent of the Landlord, first had and obtained, in the Landlord's sole discretion, any protrusions from the Leased Premises for any reason whatsoever, such control to the Landlord to protect the aesthetics thereof and for the benefit of its own interest and the interest of other tenants of the Lands and other persons in or about the Lands. Should, however, such protrusion exist, the Tenant shall indemnify the Landlord against any loss or damage caused to any person, firm, corporation or thing as a result of the same and the Tenant covenants and agrees that it shall, at the request of the Landlord, remove the same or if not removed within ten (10) days of request, then the Landlord shall have the right to remove same and all costs and expenses incurred shall be immediately payable by the Tenant to the Landlord as an Additional Service Cost.

(f) In addition to the specific obligations elsewhere in this Lease reserved and contained on the part of the Tenant to be observed and performed and without in any way limiting the generality thereof, the condition, maintenance, operation and management of the Leased Premises, and other improvements thereon or therein from time to time, including without limitation all machinery, equipment and other facilities therein or thereon, shall be the sole responsibility of the Tenant, throughout the Term hereof and the Tenant shall make all payments, foreseen, unforeseen, ordinary and/or extraordinary, required to be made not only with respect to the observance and performance of such specific obligations but also with respect to the general obligation in this clause

contained.

SECTION 8.02 - LANDLORD'S APPROVAL OF THE TENANT'S REPAIRS

(a) During the Term of this Lease or any renewal or extension hereof, the Tenant shall not make any repairs, replacements, Leasehold Improvements or install trade fixtures in any part of the Leased Premises without first obtaining the Landlord's written approval, such approval not to be unreasonably withheld, and in connection therewith the Tenant shall, prior to commencing any such work, submit to the Landlord:

(i) for its prior approval (NOT TO BE UNREASONABLY WITHHELD OR DELAYED) details of the proposed work, including drawings and specifications prepared by qualified architects or engineers and conforming to good engineering practice;

(ii) such indemnification against liens, costs, damages and expenses (including its OUT-OF POCKET costs and expenses REASONABLY incurred, or which may be incurred, in reviewing the proposed work and supervising its completion) and such insurance coverages as the Landlord REASONABLY requires; and

(iii) evidence satisfactory to the Landlord that the Tenant has obtained at its expense all necessary consents, permits, licences and inspections from all governmental and regulatory authorities having jurisdiction.

(b) All such repairs, replacements, Leasehold Improvements or trade fixtures made or installed by the Tenant in the Leased Premises and approved by the Landlord shall be performed:

(i) with first class materials owned by the Tenant at the sole cost of the Tenant;

(ii) by competent workmen whose labour union affiliations are compatible with others employed by the Landlord and its contractors;

(iii) in a good and workmanlike manner;

(iv) in accordance with the drawings and specifications approved by the Landlord; and

(v) subject to the reasonable regulations, supervision, controls and inspection of the Landlord.

(c) If any such repairs, replacements, Leasehold Improvements or trade fixtures would affect the structure of the Complex, or any of the electrical, mechanical or other base building systems or their warranties, such work shall, at the option of the Landlord, be performed by the Landlord as an Additional Service. If such would affect such warranties, the LANDLORD may reasonably refuse to allow such work to be done. Upon completion thereof, and thereafter, to the extent requiring ongoing maintenance, repair or replacement, the Tenant shall pay to the Landlord the Additional Service Cost in respect thereof. THE COST OF WORK PERFORMED FOR THE TENANT BY OR ON BEHALF OF THE LANDLORD IN THIS SUB-SECTION (c) SHALL BE COMPETITIVE WITH COSTS CHARGED FOR SIMILAR OR COMPARABLE WORK CARRIED OUT BY COMPARABLE BUILDINGS IN THE CITY OF MISSISSAUGA.

(d) In respect of repairs, alterations or replacements of or to the Leased Premises thereafter during the Term, the Tenant shall pay to the Landlord, as Additional Rent, THE OUT-OF-POCKET ARCHITECTS' AND ENGINEERS' FEES AND COSTS AND ALL OTHER OUT-OF-POCKET FEES AND COSTS INCURRED BY THE LANDLORD WITH RESPECT TO SUCH REPAIRS, ALTERATIONS OR REPLACEMENT OF OR TO THE LEASED PREMISES. In addition, any cost or expense of the Landlord in providing garbage removal to the Complex and, if the Landlord's architects and engineers responsible for the Complex are not retained by the Tenant to complete any improvements in the Leased Premises affecting the structure of the Complex or any of the electrical, mechanical or other base building systems or their warranties, any cost or expense of the Landlord's architects and engineers in respect of approval of plans, and supervision and/or inspection of such work, will each be payable by the Tenant as Additional Rent upon being invoiced by the Landlord.

SECTION 8.03 - MAINTENANCE AND REPAIRS BY THE LANDLORD

(a) The Landlord agrees with the Tenant to MAINTAIN AND keep in a good and reasonable state of repair, and consistent with the general standards of FIRST CLASS industrial buildings of comparable age in the immediate area of the Complex, but subject to Sections 9.01 and 9.02, and with the exception of reasonable wear and tear:

(i) those portions of the Complex consisting of the courts, concourses, lobbies, landscaped areas, entrances, PARKING AREAS and other facilities from time to time provided for common use and enjoyment, and the exterior portions of all buildings and structures from time to time forming part of the Complex and affecting its general appearance;

(ii) those portions of the Complex (other than the Leased Premises and premises of other tenants) comprising the Common Use Equipment, the entrances, stairways, corridors and lobbies; and

(iii) the structural members or elements of the Leased Premises, including its foundations, roof and structural portions of exterior walls, except for repairs caused by the negligent act or negligence of the Tenant or those for whom the Tenant is in law responsible.

(b) Subject to Sections 9.01 and 9.02, the Landlord agrees with the Tenant to repair Insured Damage.

(c) The Tenant acknowledges and agrees that the Landlord is not liable for any damages, direct, indirect or consequential, or for damages for personal discomfort, illness or inconvenience of the Tenant or the Tenant's servants, clerks, employees, invitees or other persons by reason of failure of any equipment, facilities or systems servicing the Complex or of reasonable delays in the performance of any repairs, replacements and maintenance for which the Landlord is responsible pursuant to this Lease and no such delay shall entitle the Tenant to any compensation or abatement whatsoever SO LONG AS THE LANDLORD MAKES ALL NECESSARY REPAIRS AND REPLACEMENTS DILIGENTLY AFTER BECOMING AWARE OF THE NEED FOR SAME.

(d) If the Tenant refuses or neglects to carry out any repairs properly required to be carried out by it under this Lease and to the reasonable satisfaction of the Landlord, the Landlord may, but shall not be obliged to, make such repairs without being liable for any loss or damage that may result to the Tenant's merchandise, fixtures or other property or to the Tenant's business by reason thereof and upon completion thereof, the Tenant shall pay to the Landlord the Additional Service Cost in respect thereof.

SECTION 8.04 - SURRENDER OF THE LEASED PREMISES

At the expiration of the Term or earlier termination of this Lease, the Tenant shall peaceably surrender and yield up the Leased Premises to the Landlord in as good condition and repair as the Tenant is required to maintain the Leased Premises throughout the Term, REASONABLE WEAR AND TEAR EXCEPTED and the Tenant shall surrender all keys for the Leased Premises to the Landlord at the place then fixed for the payment of rent and shall inform the Landlord of all combinations of locks, safes and vaults, if any, in the Leased Premises. The Tenant shall, however, remove all of its trade fixtures if requested by the Landlord as provided in Section 8.08 hereof before surrendering the Leased Premises as aforesaid. The Tenant's obligation under this covenant shall survive the expiration of the Term or earlier termination of this Lease.

SECTION 8.05 - REPAIR WHERE THE TENANT IS AT FAULT

Save for the limitation of liability contained in Section 7.07(a) but notwithstanding any other provision of this Lease, if the Complex or any part thereof, or any equipment, machinery, facilities or improvements contained therein or made thereto, or the roof or outside walls of the Complex or any other structural portions thereof require repair or replacement or become damaged or destroyed by reason of any act, omission to act, neglect or default of the Tenant or those for whom the Tenant is in law responsible or through any of them in any way stopping up or damaging the climate control, heating apparatus, water pipes, drainage pipes or other equipment or facilities or parts of the Complex, the cost of the resulting repairs, replacements or alterations shall be an Additional Service Cost to the Tenant.

SECTION 8.06 - TENANT NOT TO OVERLOAD FACILITIES

The Tenant shall not install any equipment which will alter, exceed or overload the capacity of any utility, electrical or mechanical facilities in the Leased Premises, and the Tenant will not bring into the Leased Premises or install any utility, electrical or mechanical facility or service which the Landlord does not approve. The Tenant agrees that if any changes proposed or used by the Tenant requires additional utility, electrical or mechanical facilities, the Landlord may, in its sole discretion, if they are available, elect to install them in accordance with plans and specifications to be approved in advance in writing by the Landlord and the cost thereof shall be an Additional Service Cost to the Tenant.

SECTION 8.07 - TENANT NOT TO OVERLOAD FLOORS

The Tenant shall not bring upon the Complex or the Leased Premises or any part thereof any machinery, equipment, article or thing that by reason of its weight, size or use might in the opinion of the Landlord damage the Complex or the Leased Premises and shall not at any time overload the floors of the Leased Premises.

SECTION 8.08 - REMOVAL AND RESTORATION BY TENANT

(a) All Leasehold Improvements shall immediately become the property of the Landlord upon affixation or installation without compensation therefor to the Tenant, but the Landlord is under no obligation to repair, maintain or insure any Leasehold Improvements. Leasehold Improvements and trade fixtures shall not be removed from the Leased Premises either during or at the expiration or earlier termination of the Term except that:

(i) the Tenant may during the Term in the usual or normal course of its business and without the prior written consent of the Landlord remove its trade fixtures, and provided that the Tenant is not THEN in default under this Lease; and

(ii) the Tenant shall, immediately prior to the expiration of the Term and at its own cost, remove all trade fixtures and repair any damage to the Leased Premises caused by their installation and removal, failing which such may be completed by the Landlord as an Additional Service to the Tenant. THE TENANT SHALL NOT BE RESPONSIBLE FOR RESTORATION OF THE LEASED PREMISES OR REMOVAL OF ITS LEASEHOLD IMPROVEMENTS IN THE LEASED PREMISES AT THE EXPIRY OR EARLIER TERMINATION OF THIS LEASE OR ANY EXTENSIONS; HOWEVER, THIS DOES NOT ABSOLVE THE TENANT FROM ITS RESPONSIBILITY TO REPAIR DAMAGE AND MAINTAIN THE LEASED PREMISES IN GOOD REPAIR, SUBJECT TO REASONABLE WEAR AND TEAR, AS REQUIRED BY THE TERMS OF THIS LEASE.

(b) If the Tenant does not remove its trade fixtures at the expiration or earlier termination of the Term, the trade fixtures shall, at the option of the Landlord, become the property of the Landlord and, as an Additional Service to the Tenant, may be removed from the Leased Premises and sold or disposed of by the Landlord in such manner as it deems advisable.

All property of the Tenant remaining on the Leased Premises THIRTY (30) DAYS after the termination of the tenancy shall be deemed to have been abandoned by the Tenant in favour of the Landlord and may be disposed of by the Landlord at its discretion without prejudice to the rights of the Landlord to claim damages from the Tenant for failure to remove the same.

SECTION 8.09 - NOTICE BY THE TENANT

The Tenant shall when it becomes aware of same notify the Landlord by Notice of any damage to or deficiency or defect in any part of the Complex, including the Leased Premises, any equipment or utility systems or any installations located therein notwithstanding the fact that the Landlord may have no obligations with respect to same.

SECTION 8.10 - TENANT TO DISCHARGE ALL LIENS

The Tenant shall at all times during the period that the Tenant is engaged in the construction or installation of its improvements or has been given possession of the Leased Premises and throughout the Term promptly pay all its architects, engineers, contractors, materialmen, suppliers and workmen and all charges incurred by or on behalf of the Tenant for any work, materials or services which may be done, supplied or performed at any time in respect of the Leased Premises and the Tenant shall do any and all things necessary so as to ensure that no lien is registered against the Complex or any part thereof or against the Landlord's interest in the Leased Premises and if any lien is made, filed or registered, the Tenant shall discharge OR VACATE it or cause it to be discharged forthwith at the Tenant's expense.

If the Tenant fails to discharge or cause any such lien to be discharged as aforesaid, then in addition to any other right or remedy of the Landlord, the Landlord may but it shall not be obligated to discharge OR VACATE the same by paying the amount claimed to be due into Court and the amount so paid by the Landlord and all costs and expenses, including reasonable legal fees (on a solicitor and his client basis) incurred as a result of the registration of any such lien shall be immediately due and payable by the Tenant to the Landlord as Additional Rent on demand.

SECTION 8.11 - SIGNS AND ADVERTISING

THE LANDLORD SHALL PERMIT THE TENANT TO INSTALL PROMINENT FASCIA SIGNAGE ON THE NORTH AND SOUTH SIDES OF THE COMPLEX (AT THE TENANT'S SOLE EXPENSE) AND SHALL WORK WITH THE TENANT TO ASSIST THE TENANT IN OBTAINING ANY AND ALL REQUIRED PERMITS FOR SUCH SIGNAGE. THE DESIGN OF THE TENANT'S SIGNAGE SHALL BE IN ACCORDANCE WITH THE LANDLORD'S SIGN CRITERIA FOR THE COMPLEX AND THE TENANT'S SPECIFICATIONS AND THE PRECISE LOCATION SHALL BE SUBJECT TO THE LANDLORD'S APPROVAL, NOT TO BE UNREASONABLY WITHHELD OR DELAYED. ALL SIGNAGE SHALL BE SUBJECT TO THE APPROVAL OF THE CITY OF MISSISSAUGA. Other than such identification signs, the Tenant shall not paint, affix or display any sign, picture, advertisement, notice, lettering or decoration on any part of the Complex or the Leased Premises for exterior view without the prior written consent of the Landlord which consent may be unreasonably withheld. Any such signs shall remain the property of the Tenant and shall be maintained at the Tenant's sole cost and expense. At the expiration of the Term or earlier termination of this Lease, the Tenant shall remove any such sign, picture, advertisement, notice, lettering or decoration from the Leased Premises at the Tenant's expense and shall promptly repair all damage caused by any such installation and removal failing which such may be performed by the Landlord as an Additional Service to the Tenant. The Tenant's obligation to observe and perform this covenant shall survive the expiration of the Term or earlier termination of this Lease. In the event that the Landlord provides and installs a pylon board for the Complex, the Tenant shall be entitled at its expense as an Additional Service to have its name shown upon such pylon board. The Landlord shall design the style of such pylon board and shall in its own discretion determine the location of the same.

ARTICLE IX

DAMAGE AND DESTRUCTION

SECTION 9.01 - DESTRUCTION OF THE LEASED PREMISES

(a) If the Leased Premises are at any time destroyed or damaged (including, without limitation, smoke and water damage) as a result of fire, the elements, accident or other casualty required to be insured against by the Landlord pursuant to Section 7.05 hereof or otherwise insured against by the Landlord, and if as a result of such occurrence:

(i) the Leased Premises are rendered untenantable only in part, this Lease shall continue in full force and effect and the Landlord shall, subject to Sections 9.01(b) and 9.02(a) hereof, commence diligently to reconstruct, rebuild or repair the Leased Premises to the extent only of its obligations under Section 8.03, and if the damage is such that the portion of the Leased Premises rendered untenantable is not reasonably capable of use and occupancy by the Tenant for the purposes of its business, Rent shall abate proportionately to the portion of the Leased Premises rendered untenantable from and after THE DATE OF THE DAMAGE AND DESTRUCTION and until the Landlord's repairs have been completed;

(ii) the Leased Premises are rendered wholly untenantable, this Lease shall continue in full force and effect and the Landlord shall, subject to Sections 9.01(b) and 9.02(a) hereof, commence diligently to reconstruct, rebuild or repair the Leased Premises to the extent only of its obligations under Section 8.03 and Rent shall abate entirely from and after THE DATE OF SUCH DAMAGE AND DESTRUCTION and until the Landlord's repairs have been completed;

(iii) the Leased Premises are not rendered untenantable in whole or in part, this Lease shall continue in full force and effect, the Rent and other amounts payable by the Tenant shall not terminate, be reduced or abate and the Landlord shall, subject to Sections 9.01(b) and 9.02(a) hereof, commence diligently to reconstruct, rebuild or repair the Leased Premises to the extent only of its obligations under Section 8.03.

(b) Notwithstanding anything contained in Section 9.01(a), if the Leased Premises are damaged or destroyed by any cause whatsoever, and if, in the opinion of the Landlord reasonably arrived at, the Leased Premises cannot be reconstructed, rebuilt or repaired and made fit for the purposes of the Tenant within one hundred and eighty (180) days of the happening of the damage or destruction, the Landlord, instead of reconstructing, rebuilding or repairing the Leased Premises in accordance with Section 9.01(a), OR THE TENANT may at its option elect to terminate this Lease by giving to the OTHER PARTY Notice of termination within forty-five (45) days after such damage or destruction, and thereupon Rent and other payments for which the Tenant is liable under this Lease shall be apportioned and paid to the date of such damage or destruction, and the Tenant shall immediately deliver up vacant possession of the Leased Premises to the Landlord in accordance with the terms of this Lease.

(c) Upon the Tenant being given Notice by the Landlord that the Landlord's reconstruction, rebuilding or repairs have been substantially completed, the Tenant shall forthwith complete all repairs to the Leased Premises which are the Tenant's responsibility under Section 8.01 and all other work required to fully restore the Leased Premises for business in every case at the Tenant's cost and without any contribution to such cost by the Landlord, whether or not the Landlord has at any time made any contribution to the cost of supply, installation or construction of Leasehold Improvements in the Leased Premises. The Tenant shall diligently complete the Tenant's repairs within sixty (60) days after notice that the Landlord's reconstructing, rebuilding or repairs have been substantially completed.

(d) Nothing in this Section 9.01 requires the Landlord to rebuild the Leased Premises in the condition and state that existed before any such occurrence, provided that the Leased Premises as rebuilt will have reasonably similar facilities and services to those in the Leased Premises prior to the damage or destruction having regard, however, to the age of the Complex at such time.

SECTION 9.02 - DESTRUCTION OF THE COMPLEX

(a) Notwithstanding anything contained in this Lease and specifically notwithstanding the provisions of Section 9.01 hereof, if all or any part of the Complex is damaged or destroyed by any cause whatsoever (irrespective of whether the Leased Premises are damaged or destroyed) and if, in the opinion of the Landlord reasonably arrived at, such area of the Complex so damaged or destroyed cannot be rebuilt or made

fit for the purposes of such space within ninety (90) days of the happening of the damage or destruction; then and so often as any of such events occur, the Landlord may, at its option (to be exercised by Notice to the Tenant within forty-five (45) days

following any such occurrence), elect to terminate this Lease. In the case of such election, the Term and the tenancy hereby created shall expire upon the forty-fifty (45th) day after such notice is given, without indemnity or penalty payable by, or any other recourse against the Landlord, and the Tenant shall, within such forty-five (45) day period, vacate the Leased Premises and surrender them to the Landlord, with the Landlord having the right to re-enter and repossess the Leased Premises discharged of this Lease and to expel all persons and remove all property therefrom. Rent shall be due and payable without deduction or abatement subsequent to the destruction or damage and until the date of termination, unless the Leased Premises shall have been destroyed or damaged as well, in which event Section 9.01 shall apply.

(b) If all or any part of the Complex is at any time destroyed or damaged as set out in Section 9.02(a), and the Landlord does not elect to terminate this Lease in accordance with the rights hereinbefore granted, the Landlord shall, following such destruction or damage, commence diligently to reconstruct, rebuild or repair, if necessary, that part of the Complex which was damaged or destroyed, but only to the extent of the Landlord's responsibilities pursuant to the terms of the various leases for the premises in the Complex and exclusive of any tenant's responsibilities set out therein. If the Landlord elects to repair, reconstruct or rebuild the Complex or any part thereof, the Landlord may repair, reconstruct or rebuild according to plans and specifications and working drawings other than those used in the original construction of the Complex or any part thereof.

SECTION 9.03 - ABROGATION - INTENTIONALLY DELETED

ARTICLE X

TRANSFER AND SALE

SECTION 10.01 - ASSIGNING AND SUBLETTING

The Tenant will not enter into, consent to or permit a Transfer without the prior written consent of the Landlord in each instance, which consent shall not be unreasonably withheld, but shall be subject to the Landlord's rights under Section 10.02. Notwithstanding any statutory provision to the contrary, it shall not be considered unreasonable for the Landlord to take into account the following factors in deciding whether to grant or withhold its consent:

(a) whether any such Transfer is in violation or breach of any covenants or restrictions granted by the Landlord to its Mortgagee, other tenants or occupants or prospective tenants or occupants in the Complex;

(b) whether in the Landlord's opinion the financial background, business history and capability of the proposed transferee is satisfactory;

(c) whether the Landlord has other premises in the Complex which might be suitable for the needs of the proposed person or entity to whom the Transfer is being made;

(d) whether the proposed person or entity to whom the Transfer is being made is an existing tenant in the Complex (i) THAT REQUIRES EXPANSION PREMISES IN THE COMPLEX AND THE LANDLORD HAS OTHER PREMISES IN THE COMPLEX SUITABLE FOR THE NEEDS OF THE PROPOSED TRANSFEREE, AND (ii) WHOSE LEASE OF SPACE IN THE COMPLEX IS EXPIRING AND THE TENANT HAS THE LEASED PREMISES OR A PORTION THEREOF AVAILABLE FOR SUBLEASE OR ASSIGNMENT THAT WOULD BE SUITABLE FOR THE NEEDS OF THE PROPOSED TRANSFEREE; and

(e) whether any such Transfer provides for Rent which is less than the Rent payable under this Lease, OR, IF A SUBLETTING, THE RENT PAYABLE UNDER THE SUBLEASE IS LESS THAN FAIR MARKET RENT FOR SUBLET PREMISES.

The consent by the Landlord to any Transfer, if granted, shall not constitute a waiver of the necessity for such consent to any subsequent Transfer, whether by the Tenant or any sublessee of the Tenant. This prohibition against a Transfer is construed so as to include a prohibition against any Transfer by operation of law and no Transfer shall take place or be deemed to have been consented to or approved by reason of a failure by the Landlord to give notice to the Tenant within FIFTEEN (15) days as required by Section 10.02.

SECTION 10.02 - LANDLORD'S RIGHT TO TERMINATE

The Tenant shall not effect a Transfer unless:

(a) it shall have received or procured a bona fide written offer to effect a Transfer which is not inconsistent with, and the acceptance of which would not breach any provision of this Lease if this Section 10.02 is complied with and which the Tenant has accepted subject only to compliance with this Section 10.02, and

(b) it shall have first requested and obtained the consent in writing of the Landlord thereto.

Any request for such consent shall be in writing and accompanied by a true copy of such offer, and the Tenant shall furnish to the Landlord all information available to the Tenant and requested by the Landlord as to the responsibility, reputation, financial standing and business of the proposed person or entity to whom the Transfer is being made. The Landlord shall within FIFTEEN (15) days after having received such notice and all such necessary information, notify the Tenant in writing either that:

(i) it consents or does not consent to the Transfer in accordance with the provisions and qualifications in this Article X, or

(ii) it elects to terminate this Lease in preference to giving such consent.

If the Landlord elects to terminate this Lease it shall stipulate in its notice the date of termination of this Lease, which date shall be no less than thirty (30) days nor more than ninety (90) days following the giving of such notice of termination. If the Landlord elects to terminate this Lease as aforesaid, the Tenant shall notify the Landlord in writing within five (5) days thereafter of the Tenant's intention either to refrain from such Transfer or to accept the termination of this Lease. If the Tenant fails to deliver such notice within such period of five (5) days or notifies the Landlord that it accepts the Landlord's termination, this Lease will thereby be terminated on the date of termination stipulated by the Landlord in its notice. If the Tenant advises the Landlord it intends to refrain from such Transfer, the Landlord's election to terminate this Lease as aforesaid shall become null and void in such instance.

SECTION 10.03 - CONDITIONS OF TRANSFER

(a) If there is a permitted Transfer WHICH IS AN ASSIGNMENT, the Landlord may collect rent from the transferee and apply the net amount collected to the Rent required to be paid pursuant to this Lease, but no acceptance by the Landlord of any payments by the transferee shall be deemed a waiver of the provisions of Article X hereof or the acceptance of the transferee as tenant or a release of the Tenant from the further performance by the tenant of the covenants or obligations on the part of the Tenant herein contained. Any consent by the Landlord shall be subject to the Tenant executing and causing any such transferee to promptly execute an agreement directly with the Landlord agreeing SAVE AND EXCEPT FOR PAYMENT OF BASIC RENT IN THE CASE OF A SUBLETTING, to be bound by all of the terms, covenants and conditions contained in this Lease as if such transferee had originally executed this Lease as tenant.

(b) Notwithstanding any such Transfer permitted or consented to by the Landlord, the Tenant shall be jointly and severally liable with the transferee under this Lease and shall not be released from performing any of the terms, covenants and conditions of this Lease.

(c) The Tenant agrees that if this Lease is ever disclaimed or terminated in a bankruptcy proceeding relating to a transferee, or if the Landlord terminates this Lease as a result of any act or default of any transferee, the Tenant shall, at the Landlord's option exercised by Notice to the Tenant, enter into a new lease of the Leased Premises on terms identical to this Lease for a term commencing on the date which the Landlord exercises its right to require the Tenant to enter into such new lease and expiring upon the date of expiry of this Lease; in such event, the Tenant will accept the Leased Premises in an "as is" condition.

(d) The Landlord's consent to any Transfer shall be subject to the condition that the Basic Rent payable by the transferee thereafter shall be the greater of (i) the Basic Rent payable hereunder or (ii) the Basic Rent payable under the Transfer agreement.

(e) Any document evidencing CONSENT TO any Transfer permitted by the Landlord or setting out any terms applicable to such Transfer or the rights and obligations of the Tenant or the transferee thereunder, shall be prepared by the Landlord or its solicitors, and all reasonable legal and other costs with respect thereto shall be paid by the Tenant to the Landlord or its solicitors forthwith upon demand as Additional Rent, together with an administrative fee payable to the Landlord in the amount of Three Hundred Dollars ($300).

SECTION 10.04 - NO ADVERTISING OF THE LEASED PREMISES

The Tenant shall not print, publish, post, display or broadcast any notice or advertisement or otherwise advertise the whole or any part of the Leased Premises for the purpose of any Transfer and it shall not permit any broker or other person to do any of the foregoing, unless the complete text and format of any such notice or advertisement is first approved in writing by the Landlord WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD. Without in any way restricting or limiting the Landlord's right to refuse any text or format on other grounds, any text or format proposed by the Tenant shall not contain any reference to the Rent of and for the Leased Premises.

SECTION 10.05 - CORPORATE OWNERSHIP

If the Tenant is a corporation or partnership or if the Landlord has consented to a Transfer to a corporation or a partnership, any actual or proposed Change of Control in such corporation (other than that occurring as the result of trading in shares listed upon a recognized stock exchange where such trading is not for the purpose of acquiring effective control) or partnership shall be deemed to be a Transfer and subject to all of the provisions of this Article X.

The Tenant shall make available to the Landlord, or its representatives, all of its corporate or partnership books and records, as the case may be, for inspection at all reasonable times, to enable the Landlord to ascertain whether there has been any Change of Control of the Tenant from time to time. Similarly, any Indemnifier shall make the same information available to the Landlord in respect of its records and, if there shall be a Change of Control of the Indemnifier the Landlord may terminate this Lease upon notice to the Tenant unless it consents to such Change of Control.

For the purposes of this Section, "Change of Control" means the transfer or issue by sale, assignment, transmission on death, encumbrance, issuance from treasury, operation of law or otherwise, of any shares, voting rights or interest which would result in any change in the identity of the person or entity exercising, or who might exercise, effective control of the corporation or partnership and, in the case of a partnership, includes a change in any of its partners.

NOTWITHSTANDING THE FOREGOING, THE PROVISIONS OF THIS SECTION 10.05 SHALL NOT APPLY PROVIDED THAT:

(a) THE TENANT IN OCCUPANCY OF THE WHOLE OF THE LEASED PREMISES IS LOYALTY MANAGEMENT GROUP CANADA INC. OR A PERMITTED TRANSFEREE PURSUANT TO SECTION 10.07A;

(b) THE TENANT IS NOT IN DEFAULT UNDER THE LEASE; AND

(c) LOYALTY MANAGEMENT GROUP CANADA INC. IS NOT RELEASED FROM ITS OBLIGATIONS UNDER THE LEASE.

SECTION 10.06 - ASSIGNMENT BY THE LANDLORD

The Landlord, at any time and from time to time, may sell, transfer, lease, assign or otherwise dispose of the whole or any part of its interest in the Complex, and at any time and from time to time may enter into any Mortgage of the whole or any part of its interest in the Complex. If the party acquiring such interest shall have agreed, so long as it holds such interest, to assume and to perform each of the covenants, obligations and agreements of the Landlord under this Lease in the same manner and to the same extent as if originally named as the Landlord in this Lease, the Landlord shall thereupon be released from all of its covenants and obligations under this Lease.

SECTION 10.07 - TRANSFER WITHOUT CONSENT

A. NOTWITHSTANDING ANYTHING CONTAINED IN THIS ARTICLE X AND PROVIDED THAT:

(a) THE TENANT IS LOYALTY MANAGEMENT GROUP CANADA INC.;

(b) THE TENANT IS NOT IN DEFAULT UNDER THE LEASE;

(c) ANY PROPOSED TRANSFEREE DIRECTLY COVENANTS WITH THE LANDLORD TO BE BOUND BY THE TERMS OF THE LEASE SAVE AND EXCEPT FOR THE PAYMENT OF BASIC RENT IN THE CASE OF A SUBLETTING;

(d) LOYALTY MANAGEMENT GROUP CANADA INC. IS NOT RELEASED FROM ITS OBLIGATIONS UNDER THE LEASE;

(e) THE LANDLORD RECEIVES PRIOR NOTICE OF SUCH TRANSFER; AND

(f) THE LANDLORD AND THE TENANT SHALL HAVE EXECUTED THE LEASE

THE TENANT SHALL NOT REQUIRE THE CONSENT OF THE LANDLORD PURSUANT TO SECTION 10.02 HEREOF WITH RESPECT TO A TRANSFER PROVIDED THE TRANSFEREE IS AN AFFILIATE (AS SUCH TERM IS DEFINED IN THE ONTARIO BUSINESS CORPORATIONS ACT) OF THE TENANT. IN THE CASE OF ANY SUCH ASSIGNMENT OR SUBLETTING UNDER THIS SECTION 10.07A, IF, AS AND WHEN THE TRANSFEREE CEASES TO BE AN AFFILIATE OF LOYALTY MANAGEMENT GROUP CANADA INC., THE TENANT SHALL BE DEEMED TO HAVE EFFECTED A TRANSFER AT THAT TIME TO WHICH THE PROVISIONS OF THIS ARTICLE X SHALL APPLY.

B. NOTWITHSTANDING ANYTHING CONTAINED IN THIS ARTICLE X AND PROVIDED THAT:

a) THE TENANT IS LOYALTY MANAGEMENT GROUP CANADA INC. OR A PERMITTED TRANSFEREE PURSUANT TO SECTION 10.07A;

b) THE TENANT IS NOT IN DEFAULT UNDER THE LEASE;

c) LOYALTY MANAGEMENT GROUP CANADA INC. IS NOT RELEASED FROM ITS OBLIGATIONS UNDER THE LEASE; AND

d) THE LANDLORD AND THE TENANT SHALL HAVE EXECUTED THE LEASE

THE TENANT SHALL NOT REQUIRE THE CONSENT OF THE LANDLORD PURSUANT TO SECTION 10.02 HEREOF WITH RESPECT TO A TRANSFER PROVIDED THAT THE TRANSFEREE IS A LENDER ENCUMBERING ALL OR SUBSTANTIALLY ALL OF THE TENANT'S LEASEHOLD INTERESTS IN CANADA, PROVIDED THAT THE RIGHTS OF SUCH LENDER TO TRANSFER THIS LEASE SHALL BE SUBJECT TO THE PROVISIONS OF THIS ARTICLE X.

ARTICLE XI

ACCESS AND ALTERATIONS

SECTION 11.01 - RIGHT OF ENTRY

The Landlord and its agents have the right to enter the Leased Premises at all times to examine the same and to make such repairs, alterations, changes, checks, adjustments, calibrations, improvements or additions to the Leased Premises or the Complex or any part thereof or systems therein or any adjacent to the Leased Premises. The Tenant shall not obstruct any pipes, conduits, ducts, mechanical shafts or electrical equipment so as to prevent reasonable access thereto.

SECTION 11.02 - RIGHT TO SHOW LEASED PREMISES

The Landlord and its agents have the right to enter the Leased Premises at all times during Business Hours to show them to prospective purchasers, lessees or Mortgagees and during the twelve (12) months prior to the expiration of the Term, the Landlord may place upon the Leased Premises the usual "For Rent" notices which the Tenant shall permit to remain thereon without molestation or complaint.

SECTION 11.03 - ENTRY NOT FORFEITURE

No entry into the Leased Premises or anything done therein by the Landlord pursuant to a right granted by this Lease shall constitute a breach of any covenant for quiet enjoyment, or (except where expressed by the Landlord in writing) shall constitute a re-entry or forfeiture, or any actual or constructive eviction. The Tenant shall have no claim for injury, damages or loss suffered as a result of any such entry or thing done by the Landlord. The Rent required to be paid pursuant to this Lease shall not abate or be reduced due to loss or interruption of business of the Tenant or otherwise while any repairs, alterations, changes, adjustments, improvements or additions permitted by this Lease are being made by the Landlord.

SECTION 11.04 - LANDLORD'S COVENANT FOR QUIET ENJOYMENT

The Landlord hereby agrees to perform or cause to be performed all of the obligations of the Landlord under this Lease, and further agrees that if the Tenant pays the Basic Rent and Additional Rent and continuously performs all its obligations under this Lease, the Tenant shall, subject to the terms and conditions of this Lease, peaceably possess and enjoy the Leased Premises throughout the Term without any interruption or disturbance from the Landlord or any other person or persons lawfully claiming by, through or under the Landlord.

SECTION 11.05 - INSPECTION

The Landlord and its agents have the right to enter the Leased Premises ON REASONABLE PRIOR NOTICE TO THE TENANT to inspect the condition thereof and where an inspection reveals repairs are necessary that are the obligation of the Tenant under this Lease, the Landlord may give the Tenant Notice and thereupon the Tenant will, at the Tenant's sole expense and within THIRTY (30) days of the giving of such Notice, complete the necessary repairs and replacements, in a good and workmanlike manner to the satisfaction of the Landlord, acting reasonably. Provided always that if the Tenant shall not within the TEN (10) days after the giving of such Notice OR SUCH GREATER LENGTH OF TIME AS MAY BE REASONABLY NECESSARY IN THE CIRCUMSTANCES, be proceeding diligently with the execution of the repairs and replacements mentioned in such Notice, it shall be lawful for the Landlord to enter upon the Leased Premises and execute such repairs and replacements and the cost thereof shall immediately be due and be paid by the Tenant to the Landlord as an Additional Service Cost. Notwithstanding what is hereinbefore set out, should such inspection reveal repairs which are the obligation of the Tenant and which in the reasonable exercise of the Landlord's judgment result in an emergency then the Landlord, at its option, shall immediately and without Notice have the right to enter on and into the Leased Premises and the Tenant shall pay the reasonable costs involved immediately upon demand as an Additional Service Cost.

ARTICLE XII

STATUS STATEMENT, ATTORNMENT AND SUBORDINATION

SECTION 12.01 - STATUS STATEMENT

(1) Within ten (10) days after request by Notice therefor by the Landlord, the Tenant shall deliver, in a form supplied by the Landlord, a status statement or a certificate to the Landlord, or to the Mortgagee, or to any proposed Mortgagee or purchaser, or as the Landlord may otherwise direct stating (if such is the case):

(a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified and identifying the modification agreements);

(b) the Commencement Date;

(c) the date to which Basic Rent and Additional Rent have been paid under this Lease;

(d) TO THE BEST OF THE KNOWLEDGE OF THE TENANT (OR THE LANDLORD AS THE CASE MAY BE) whether there is any other existing or alleged default by either party under this Lease with respect to which a notice of default has been served and if there is any such default, specifying the nature and extent thereof;

(e) whether there are any defences or counterclaims against enforcement of the obligations to be performed by the Tenant under this Lease; and

(f) INTENTIONALLY DELETED.

(2) WITHIN TEN (10) BUSINESS DAYS AFTER REQUEST THEREFOR BY NOTICE BY THE TENANT, THE LANDLORD SHALL DELIVER A STATUS STATEMENT OR CERTIFICATE TO THE TENANT, OR TO ANY PROPOSED TRANSFEREE, OR AS THE TENANT MAY DIRECT, STATING (IF SUCH IS THE CASE) THOSE MATTERS SET OUT IN SECTION 12.01 (1) (a) TO (e), inclusive.

SECTION 12.02 - SUBORDINATION AND ATTORNMENT

SUBJECT TO THE PROVISIONS OF THE FOLLOWING PARAGRAPH OF THIS SECTION 12.02, it is a condition of this Lease and the Tenant's rights granted hereunder that this Lease and all of the rights hereunder are and shall at all times be subject and subordinate to any and all Mortgages from time to time in existence against the Lands. Upon request, the Tenant shall subordinate the Lease and all of its rights hereunder in such form as the Landlord reasonably requires to any and all Mortgages, and to all advances made or hereafter to be made upon the security thereof and, if requested, the Tenant shall attorn to the holder thereof. Any subordination will provide that the rights of the Tenant under this Lease shall not be interfered with so long as the Tenant is not in default hereunder. The form of such subordination shall be as required by the Landlord or any Mortgagee.

The Landlord shall use reasonable efforts to obtain a non-disturbance agreement in writing from any Mortgagee. such non-disturbance agreement shall be provided to the Tenant, provided the Tenant is not then in material default, the Tenant having been provided sufficient Notice of such default with an adequate opportunity to rectify same, as provided in the Lease, and shall entitle the Tenant to remain undisturbed in its possession of the Leased Premises subject to the terms and conditions of this Lease, notwithstanding the exercise of any and all of the rights of any such Mortgagee and the Tenant shall not be bound to subordinate or postpone to any future Mortgage unless a non-disturbance agreement is provided.

SECTION 12.03 - ATTORNEY - INTENTIONALLY DELETED

SECTION 12.04 - FINANCIAL INFORMATION

ONLY IN THE EVENT OF ARREARS OF RENT, the Tenant shall, upon request, provide the Landlord with such information as to the Tenant's or any Indemnifier's financial standing and corporate organization as the Landlord or the Mortgagee requires. Failure by the Tenant to comply with the Landlord's request herein shall constitute a default under the terms of this Lease and the Landlord shall be entitled to exercise all of its rights and remedies provided for in this Lease.

SECTION 12.05 - ACKNOWLEDGEMENT OF TITLE

The Tenant acknowledges that its interest under this Lease is subject to:

(a) covenants, restrictions, easements, agreements and reservations of record, and any easements, licences, rights-of-way and cost sharing arrangements and agreements respecting the same hereafter made in connection with the provision of access or services to the Complex or otherwise in connection with the Common Facilities and which may affect the Landlord's title;

(b) all laws, by-laws, ordinances, regulations and orders of the City of Mississauga, Province of Ontario and Government of Canada, and of all statutory commissions, boards and bodies having jurisdiction over the Leased Premises;

(c) the condition of the Landlord's tide existing at the date hereof; and

(d) municipal realty taxes, local improvement rates, duties, assessments, water and sewer rates and other impositions accrued or unaccrued.

ARTICLE XIII

DEFAULT

SECTION 13.01 - RIGHT TO RE-ENTER

If and whenever:

(a) the Tenant fails to pay any Basic Rent or Additional Rent or other sums due hereunder on the day or dates appointed for the payment thereof (providing the Landlord first gives five (5) days' Notice to the Tenant of any such failure); or

(b) the Tenant fails to observe or perform any other of the terms, covenants or conditions of this Lease to be observed or performed by the Tenant (other than the terms, covenants or conditions set out below in subparagraphs (c) to (1), inclusive, for which no Notice shall be required), provided the Landlord first gives the Tenant ten (10) BUSINESS days' (or such shorter period of time as is otherwise provided herein) Notice of any such failure to perform and the Tenant within such period of ten (10) BUSINESS days (or such shorter period, as aforesaid) fails to commence diligently and, thereafter, to proceed diligently to cure any such failure to perform; or

(c) the Tenant or any agent of the Tenant FRAUDULENTLY falsifies any report or statement required to be furnished to the Landlord pursuant to this Lease PROVIDED THE LANDLORD FIRST GIVES THE TENANT TEN (10) BUSINESS DAYS NOTICE OF ANY SUCH FAILURE AND THE TENANT WITHIN SUCH TEN (10) BUSINESS DAYS FAILS TO CURE SUCH REPORT OR STATEMENTS; or

(d) the Tenant or any Indemnifier of this Lease or any person occupying the Leased Premises or any part thereof or any licensee, concessionaire or franchisee operating any business in the Leased Premises becomes bankrupt or insolvent or takes the benefit of any act now or hereafter in force for bankrupt or insolvent debtors or files any proposal or makes any assignment for the benefit of creditors or any arrangement or compromise; or

(e) a receiver or a receiver and manager is appointed for all or a portion of the property of the Tenant, any Indemnifier or any such occupant, licensee, concessionaire or franchisee AND SUCH APPOINTMENT IS NOT CONTESTED IN GOOD FAITH or a material adverse change in the financial status of the Indemnifier occurs; or

(f) any steps are taken or any action or proceedings are instituted by the Tenant or by any other party including, without limitation, any court or governmental body of competent jurisdiction for the dissolution, winding-up or liquidation of the Tenant or its assets OTHER THAN IN CONNECTION WITH A BONA FIDE CORPORATE REORGANIZATION OF THE TENANT; or

(g) the Tenant makes a sale in bulk of any of its assets wherever situate (other than a bulk sale made pursuant to a permitted Transfer hereunder and pursuant to the Bulk Sales Act of Ontario); or

(h) the Tenant abandons or attempts to abandon the Leased Premises; or

(i) the Leased Premises become and remain vacant for a period of five (5) consecutive days or are used by any persons other than such as are entitled to use them hereunder PROVIDED THAT IF THE TENANT GIVES NO LESS THAN THIRTY (30) DAYS' PRIOR NOTICE TO THE LANDLORD, SUCH NOTICE STATING THE TENANT'S BUSINESS REASONS FOR VACATING THE LEASED PREMISES AND CONTAINING AN ACKNOWLEDGEMENT THAT THE TENANT IS NOT RELEASED FROM ITS OBLIGATIONS UNDER THE LEASE, THE TENANT MAY SO VACATE; or

(j) the Tenant purports to make a Transfer, except in a manner permitted by this Lease; or

(k) this Lease or any of the Tenant's assets IN THE LEASED PREMISES are taken under any writ of execution AND SUCH TAKING IS NOT CONTESTED IN GOOD FAITH; or

(l) re-entry is permitted under any other terms of this Lease

then and in every such case, the Landlord, in addition to any other rights or remedies it has pursuant to this Lease or by law, has the immediate right of re-entry upon the Leased Premises and it may repossess the Leased Premises and enjoy them as of its former estate and may expel all persons and remove all property from the Leased Premises and such property may be removed and sold or disposed of by the Landlord as it deems advisable or may be stored in a public warehouse or elsewhere at the cost and for the account of the Tenant, all without service of notice or resort to legal process and without the Landlord being considered guilty of trespass or becoming liable for any loss or damage which may be occasioned thereby.

SECTION 13.02 - RIGHT TO RE-LET

If the Landlord elects to re-enter the Leased Premises as herein provided or it takes possession pursuant to legal proceedings or pursuant to any notice provided for by law, it may either terminate this Lease or it may from time to time without terminating this Lease, make such alterations and repairs as are necessary to re-let the Leased Premises or any part thereof for such term or terms (which may be for a term extending beyond the Term) and at such rent and upon such other terms, covenants and conditions as the Landlord in its sole discretion, acting reasonably, considers advisable. Upon each such reletting, all rent received by the Landlord from such re-letting shall be applied, first, to the payment of any indebtedness other than Basic Rent or Additional Rent due hereunder from the Tenant to the Landlord; second, to the payment of any brokerage fees and legal fees and of costs of such alterations, repairs and re-letting (including tenant inducements); third, to the payment of Basic Rent and Additional Rent due and unpaid hereunder; and the residue, if any, to the extent applicable to any period of time within the Term, shall be held by the Landlord and applied in payment of future rent as the same becomes due and payable hereunder. If such rent to be received from such re-letting during any month is less than that to be paid during that month by the Tenant hereunder, the Tenant shall pay any such deficiency which shall be calculated and paid monthly in advance on or before the first day of each and every month. No such re-entry or taking possession of the Leased Premises by the Landlord shall be construed as an election on its part to terminate this Lease unless a Notice of such intention is given to the Tenant. Notwithstanding any such re-letting without termination, the Landlord may at any time thereafter elect to terminate this Lease for such previous breach.

SECTION 13.03 - TERMINATION

If the Landlord at any time terminates this Lease for any breach, in addition to any other remedies it may have, it may recover from the Tenant all damages it incurs by reason of such breach, including the cost of recovering the Leased Premises, legal fees (on a solicitor and his client basis) and including the worth at the time of such termination of the excess, if any, of the amount of Basic Rent, Additional Rent and charges equivalent to the Basic Rent, Additional Rent and other charges required to be paid pursuant to this Lease for the remainder of the stated Term over the then reasonable rental value of the Leased Premises for the remainder of the stated Term, all of which amounts shall be immediately due and payable by the Tenant to the Landlord. THE LANDLORD SHALL USE ALL REASONABLE EFFORTS TO MITIGATE ITS DAMAGES.

SECTION 13.04 - ACCELERATED RENT

In any of the events referred to in Section 13.01, in addition to any and all other rights available to the Landlord, the full amount of the current month's instalment of Basic Rent and of all Additional Rent for the current month, together with the next three (3) months' instalments of Basic Rent and of all Additional Rent for the next three (3) months, all of which shall be deemed to be accruing due on a day-to-day basis, shall immediately become due and payable as accelerated rent, and the Landlord may immediately distrain for the same, together with any arrears then unpaid.

SECTION 13.05 - EXPENSES

If legal action is brought for recovery of possession of the Leased Premises, for the recovery of Basic Rent or Additional Rent or any other amount due under the Lease, or because of the breach of any other terms, covenants or conditions herein contained on the part of the Tenant to be kept or performed, and such breach is established, the Tenant shall pay to the Landlord all expenses incurred therefor, including legal fees (on a solicitor and client basis).

SECTION 13.06 - WAIVER OF EXEMPTION FROM DISTRESS

The Tenant hereby agrees with the Landlord that notwithstanding anything contained in Section 30 of R.S.O. 1990, c. L. 7, or any Statute subsequently passed to take the place of or amend the said Act, none of the goods and chattels of the Tenant at any time during the continuance of the Term on the Leased Premises shall be exempt from levy by distress for Basic Rent or Additional Rent in arrears and the Tenant waives any such exemption. If any claim is made for such exemption by the Tenant or if a distress is made by the Landlord, this provision may be pleaded as an estoppel against the Tenant in any action brought to test the right of the Landlord to levy such distress.

SECTION 13.07 - LANDLORD MAY CURE TENANT'S DEFAULT OR PERFORM TENANT'S COVENANTS

If the Tenant fails to pay when due any amounts or charges required to be paid pursuant to this Lease, the Landlord after giving five (5) days' Notice to the Tenant may, but shall not be obligated to, pay all or any part of the same. If the Tenant is in default in the performance of any of its covenants or obligations hereunder (other than the payment of Basic Rent, Additional Rent or other sums required to be paid pursuant to this Lease), the Landlord may, but shall not be obligated to, from time to time after giving such Notice as is

REQUIRED BY THIS LEASE (or without notice in the case of an emergency) having regard to the circumstances applicable, perform or cause to be performed any of such covenants or obligations, or any part thereof, and for such purpose may do such things as may be required, including, without limitation, entering upon the Leased Premises and doing such things upon or in respect of the Leased Premises or any part thereof as the Landlord reasonably considers requisite or necessary. All OUT-OF-POCKET expenses incurred and expenditures made pursuant to this Section 13.07 including the Landlord's overhead in connection therewith plus a sum equal to FIFTEEN (15%) thereof shall be paid by the Tenant as Additional Rent forthwith upon demand.

SECTION 13.08 - ADDITIONAL RENT

If the Tenant is in default in the payment of any amounts or charges required to be paid pursuant to this Lease, they shall, if not paid when due, be collectible as Additional Rent forthwith on demand, but nothing herein contained is deemed to suspend or delay the payment of any amount of money at the time it becomes due and payable hereunder, or limit any other remedy of the Landlord. The Tenant agrees that the Landlord may, at its option, apply or allocate any sums received from or due to the Tenant against any amounts due and payable hereunder in such manner as the Landlord sees fit. All such monies payable to the Landlord hereunder shall bear interest at a rate per annum which is THREE (3) percentage points in excess of the Bank Rate calculated on a daily basis from the time such sums become due until paid by the Tenant.

SECTION 13.09 - REMEDIES GENERALLY

Mention in this Lease of any particular remedy of the Landlord in respect of the default by the Tenant does not preclude the Landlord from any other remedy in respect thereof, whether available at law or in equity or by statute or expressly provided in this Lease. No remedy shall be exclusive or dependant upon any other remedy, but the Landlord may from time to time exercise any one or more of such remedies generally or in combination, such remedies being cumulative and not alternative. In the event of a breach or threatened breach by THE LANDLORD or the Tenant of any of the covenants, provisions or terms hereof, the Landlord OR THE TENANT shall have the right to invoke any remedy allowed at law or in equity (including injunction).

SECTION 13.10 - HOLDING OVER

If the Tenant shall hold over after the original Term or any extended term hereof WITHOUT the consent of the Landlord, such holding over shall be construed to be a tenancy from month to month only and shall have no greater effect, any custom, statute, law or ordinance to the contrary notwithstanding. Such month-to-month tenancy shall be governed by the terms and conditions hereof, notwithstanding any statutory provision or rule of law to the contrary. During any such period of holding over, the Tenant shall be required to pay the monthly Basic Rent payable during the month immediately preceding the expiration or termination of this Lease times ONE HUNDRED AND FIFTY PERCENT (150%), plus all Additional Rent payable hereunder. The rights of the Landlord under this section shall be in addition to all other remedies available to the Landlord under this Lease or otherwise at law or in equity arising as a result of such holding over.

SECTION 13.11 - NO WAIVER

The failure of the Landlord to insist upon a strict performance of any of the covenants and provisions herein contained shall not be deemed a waiver of any rights or remedies that the Landlord may have and shall not be deemed a waiver of any subsequent breach or default in the covenants and provisoes herein contained.

ARTICLE XIV

MISCELLANEOUS

SECTION 14.01 - RULES AND REGULATIONS

The Landlord shall have the right at its discretion to make reasonable rules and regulations (the "Rules and Regulations"), including without limitation, those set out in Schedule "C" attached not contrary to the spirit and intent of this Lease which may from time to time be needful for the safety, care, cleanliness and proper administration of the Complex including the Leased Premises, and for the preservation of good order therein. The Rules and Regulations are hereby made a part of this Lease as if they were embodied herein, and the Tenant, its agents, invitees, servants, employees and licensees shall comply with and observe the same. Failure by the Tenant to keep and observe any of the Rules and Regulations now or from time to time in force constitutes a default under this Lease in such manner as if the same were contained herein as covenants. The Landlord reserves the right from time to time to amend or supplement the Rules and Regulations and Notice of the Rules and Regulations and amendments and supplements, if any, shall be given to the Tenant and the Tenant shall thereupon comply with and observe all such Rules and Regulations, provided that no Rule or Regulation shall contradict any terms, covenants and conditions of this Lease.

The Landlord is not responsible to the Tenant in the event of non-observance or violation of any of such Rules and Regulations or of the terms, covenants or conditions of any other lease of the premises in the Complex BUT SHALL USE REASONABLE EFFORTS TO enforce any such Rules and Regulations or terms, covenants or conditions AGAINST ALL TENANTS OF THE COMPLEX.

SECTION 14.02 - SECURITY DEPOSIT

The Landlord acknowledges receipt from the Tenant of the Security Deposit which shall BE HELD BY THE LANDLORD IN AN INTEREST BEARING ACCOUNT (WITH INTEREST ACCRUING TO THE BENEFIT OF THE TENANT) AS SECURITY FOR THE FAITHFUL PERFORMANCE BY THE TENANT OF ALL OF THE TERMS, COVENANTS, CONDITIONS AND OBLIGATIONS OF THE LEASE BY THE TENANT TO BE KEPT, OBSERVED AND PERFORMED FOR THE FIRST TWO (2) YEARS OF THE TERM. IF AT ANY TIME DURING THE FIRST TWO (2) YEARS OF THE TERM, THE BASIC RENT OR ADDITIONAL RENT OR ANY OTHER SUMS PAYABLE BY THE TENANT TO THE LANDLORD UNDER THE LEASE ARE OVERDUE AND UNPAID, OR IF THE TENANT FAILS TO KEEP AND PERFORM ANY OF THE TERMS, COVENANTS, CONDITIONS AND OBLIGATIONS OF THIS LEASE TO BE KEPT, OBSERVED AND PERFORMED BY THE TENANT, THEN THE LANDLORD AT ITS OPTION MAY APPROPRIATE AND APPLY THE SECURITY DEPOSIT, OR SO MUCH THEREOF AS IS NECESSARY TO COMPENSATE THE LANDLORD FOR LOSS OR DAMAGE SUSTAINED OR SUFFERED BY THE LANDLORD DUE TO SUCH BREACH ON THE PART OF THE TENANT. IF THE SECURITY DEPOSIT, OR ANY PORTION THEREOF, IS APPROPRIATED AND APPLIED BY THE LANDLORD FOR THE PAYMENT OF OVERDUE BASIC RENT OR ADDITIONAL RENT OR OTHER SUMS DUE AND PAYABLE TO THE LANDLORD BY THE TENANT UNDER THE LEASE, THEN THE TENANT SHALL FORTHWITH REMIT TO THE LANDLORD A SUFFICIENT AMOUNT IN CASH TO RESTORE THE SECURITY DEPOSIT TO THE ORIGINAL AMOUNT OF THE SECURITY DEPOSIT AND THE TENANT'S FAILURE TO DO SO WITHIN FIVE (5) DAYS AFTER RECEIPT OF SUCH DEMAND CONSTITUTES A BREACH OF THE LEASE. AT THE EXPIRY OF THE SECOND YEAR OF THE TERM, AT THE LANDLORD'S OPTION, THE SECURITY DEPOSIT SHALL EITHER BE APPLIED TO RENT DUE BY THE TENANT IMMEDIATELY FOLLOWING THE EXPIRY OF THE SECOND YEAR OF THE TERM OR RETURNED TO THE TENANT, PROVIDED THAT IF, AT THE EXPIRY OF THE SECOND YEAR OF THE TERM, THE TENANT IS IN DEFAULT UNDER THE TERMS OF THE LEASE, THE LANDLORD SHALL BE ENTITLED TO RETAIN THE SECURITY DEPOSIT UNTIL SUCH TIME AS THE TENANT IS NO LONGER IN DEFAULT UNDER THE TERMS OF THE LEASE.

SECTION 14.03 - PEST CONTROL

In accordance with Section 5.03, the Tenant shall enter into a service contract for the control and extermination of pests and vermin providing for regular inspections and spraying of the Leased Premises in order to control pests and vermin in accordance with all applicable laws, by-laws, ordinances and regulations of any governmental or other authority having jurisdiction. All amounts incurred under such service contract shall be for the Tenant's sole cost.

SECTION 14.04 - OBLIGATIONS AS COVENANTS

Each obligation or agreement of the Landlord or the Tenant expressed in this Lease, even though not expressed as a covenant, is considered to be a covenant for all purposes.

SECTION 14.05 - AMENDMENTS AND SUPPLEMENTARY LEASE PROVISIONS

This Lease shall not be modified or amended except by an instrument in writing of equal formality herewith and signed by the parties hereto or by their permitted successors or assigns. Each of the Landlord and Tenant agrees that, if a Schedule "E" is annexed to this Lease, the terms and provisions thereof shall be binding upon the parties hereto as part of the Lease.

SECTION 14.06 - CERTIFICATES

The following certificates shall be conclusive and binding upon the parties to this Lease in respect of any question of fact or opinion in dispute with respect to the matters stipulated UNLESS SHOWN TO BE ERRONEOUS IN SOME MATERIAL RESPECT:

(a) a certificate procured by the Landlord from an INDEPENDENT architect, professional engineer, quantity surveyor or other individual qualified in the Landlord's sole opinion, as to the Rentable Area of the Leased Premises, or the Total Rentable Area, any question of fact concerning the completion of any construction or other work either by the Landlord or the Tenant, the extent to which the completion of any such work has been delayed by Unavoidable Delay, the time necessary to complete repairs, the allocation of insurance proceeds, whether the Complex or any part thereof is being kept in good repair, order and condition as required by this Lease, the appropriateness of costs and expenses included in Operating Costs, the allocation of Taxes to the Leased Premises, the aggregate of the cost of the Complex and the costs of additional improvements of a capital nature, the cause of any destruction or damage, the extent to which rentable premises in the Complex are incapable of being used for their intended purposes by reason of any destruction or damage; and

(b) a certificate procured by the Landlord from AN INDEPENDENT licensed public accountant, who may be the Landlord's auditor, as to any question of fact or opinion concerning the computation of Taxes and Operating Costs and the proper amount of any payment to the Landlord or the Tenant under this Lease.

Any certificate procured by the Landlord shall be prepared using generally accepted practices and procedures appropriate to such certificate.

SECTION 14.07 - TIME

Time shall in all respects be of the essence of this Lease.

SECTION 14.08 - SUCCESSORS AND ASSIGNS

This Lease and everything contained shall extend to and bind and enure to the benefit of the Landlord and its successors and assigns and the Tenant and the Indemnifier, if any, and their respective heirs, executors, administrators and permitted successors and assigns. No rights shall enure to the benefit of any transferee unless the provisions of Article X hereof are complied with.

SECTION 14.09 - GOVERNING LAW

This Lease shall be construed and governed by the laws of the Province of Ontario.

SECTION 14.10 - HEADINGS

The Section numbers, article numbers, headings and table of contents appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of such paragraphs or articles of this Lease nor in any way affect this Lease.

SECTION 14.11 - ENTIRE AGREEMENT

This Lease and the schedules attached hereto and forming a part hereof and THOSE PROVISIONS OF THE AGREEMENT TO LEASE SET FORTH IN SECTION 2.03 OF THIS LEASE set forth all the covenants, promises, agreements, conditions and understandings between the Landlord and the Tenant concerning the Leased Premises and there are no covenants, promises, agreements, conditions or understandings, either oral or written, between them, other than as are herein and therein set forth; for greater certainty, the Tenant acknowledges that it has not entered into the Agreement to Lease or this Lease on the basis of any information contained in the promotional brochure for the Complex. In the event of a conflict between the provisions of this Lease and the provisions of THOSE PARAGRAPHS OF THE AGREEMENT TO LEASE SET OUT IN SECTION 2.03, THOSE PARAGRAPHS OF THE AGREEMENT TO LEASE SET OUT IN SECTION 2.03 SHALL PREVAIL, EXCEPT AS AFORESAID, THE PROVISIONS OF THE AGREEMENT TO LEASE SHALL MERGE UPON EXECUTION OF THE LEASE.

SECTION 14.12 - SEVERABILITY

If any term, covenant or condition of this Lease or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease or the application of such term, covenant or condition to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby and each term, covenant or condition of this Lease shall be valid and enforced to the fullest extent permitted by law.

SECTION 14.13 - NO OPTION

The submission of this Lease for examination does not constitute a reservation of or option for the Leased Premises and this Lease becomes effective as a lease only upon execution and delivery thereof by Landlord and Tenant.

SECTION 14.14 - OCCUPANCY PERMIT

Provided further that notwithstanding the Commencement Date of the Lease as hereinbefore set out, the Tenant shall not be permitted to enter into possession of the Leased Premises until the Tenant has obtained, at its sole expense, any required occupancy permit from the proper governmental authority. The Landlord in its sole discretion may waive this provision, provided further the Tenant agrees to use its best efforts to obtain same prior to occupancy.

SECTION 14.15 - PLACE FOR PAYMENTS

All payments required to be made by the Tenant herein shall be made to the Landlord at the Landlord's Address or to such agent or agents of the Landlord or at such other place IN CANADA as the Landlord shall hereafter from time to time direct by Notice.

SECTION 14.16 - EXTENDED MEANINGS

The words "hereof", "herein", "hereunder" and similar expressions used in any section or subsection of this Lease relate to the whole of this Lease and not to that section or subsection only, unless otherwise expressly provided. The use of the neuter singular pronoun to refer to the Landlord or the Tenant is deemed a proper reference, even though the Landlord or the Tenant is an individual, a partnership, a corporation or a group of two or more individuals, partnerships or corporations. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Landlord or Tenant and to either corporations, associations, partnerships or individuals, males or females, shall in all instances be assumed as though in each case fully expressed.

SECTION 14.17 - NO PARTNERSHIP OR AGENCY

The Landlord does not in any way or for any purpose become a partner of the Tenant in the conduct of its business or otherwise or a joint venture or a member of a joint enterprise with the Tenant, nor is the relationship of principal and agent created.

SECTION 14.18 - UNAVOIDABLE DELAY

Notwithstanding anything to the contrary contained in this Lease, if either party hereto is bona fide delayed, or hindered in or prevented from the performance of, any term, covenant or act required hereunder by reason of Unavoidable Delay, then performance of such term, covenant or act is excused for the period of the delay and the party so delayed, hindered or prevented shall be entitled to perform such term, covenant or act within the appropriate time period after the expiration of the period of such delay. However, the provisions of this Section do not operate to excuse the Tenant from the prompt payment of Basic Rent, Additional Rent or any other payments required by this Lease.

SECTION 14.19 - REGISTRATION

(a) The Tenant hereby covenants and agrees that neither the Tenant nor anyone on the Tenant's behalf or claiming under the Tenant shall register this Lease or any assignment or sublease of this Lease or any document evidencing any interest of the Tenant in the Lease or the Leased Premises. If the covenant contained in this Section 14.19(a) is breached, this Lease and the Term shall, at the option of the Landlord upon Notice to the Tenant, forthwith become forfeited and terminated and the Landlord may thereupon re-enter and repossess the Leased Premises. The Tenant acknowledges that any breach of such covenant may occasion substantial costs to the Landlord. The Tenant shall indemnify the Landlord and save it harmless from and against any loss, claim,

action, damages, liability and expenses arising in connection with any breach by the Tenant of such covenant.

(b) Notwithstanding Section 14.19(a), if either party intends to register a document for the purpose only of giving notice of this Lease or of any permitted Transfer, then upon request of such party the Landlord shall cause to be executed a short form of this Lease ("Short Form"), and the Tenant shall join therein, solely for the purpose of supporting an application for registration of notice of this Lease or of any permitted Transfers. The form of the Short Form and of the application to register notice of this Lease or of any permitted Transfer shall:

(i) be prepared by the Landlord or its solicitors at the Tenant's expense; and

(ii) only describe the registered owner of the Lands, the Tenant, the Leased Premises, the Commencement Date and the expiration of the Term, RENEWAL RIGHTS, RIGHT TO LEASE ADDITIONAL SPACE AND ANY OTHER ESSENTIAL TERMS A DESCRIPTION OF WHICH MUST BE REGISTERED IN ORDER FOR PROPER NOTICE THEREOF TO BE PROVIDED AT LAW.

(c) All costs, expenses and taxes necessary to register or file the application to register notice of this Lease or of any permitted Transfer shall be the sole responsibility of the Tenant, and the Tenant will complete any necessary affidavits required for registration purposes, as may be required to give effect to this Section.

(d) Notwithstanding that the Short Form may be executed and delivered after the execution and delivery of this Lease, none of the terms of this Lease shall be considered to have been superseded thereby or no longer in effect, but rather this Lease shall continue in full force and effect and continue to enure to the benefit of and be binding upon the parties to this Lease. To the extent that the terms of the Short Form are inconsistent with the terms of this Lease, the terms of this Lease shall govern.

SECTION 14.20 - JOINT AND SEVERAL LIABILITY

The liability to pay Rent and perform all other obligations under this Lease of each individual, corporation, group, partnership or business association signing this Lease or otherwise agreeing to be bound by the terms hereof and of each partner or member of any such group, partnership or business association, the partners or members of which are by law subject to personal liability, shall be deemed to be joint and several (including, in any event, any person who ceases to be a partner or member or any person who becomes a partner or member, in each case following the execution of this Lease).

SECTION 14.21 - NAME OF COMPLEX

The Landlord may designate, change, alter or remove the name of the Complex or any part thereof at any time without requiring the Tenant's consent thereto or incurring any liability to the Tenant thereby.

Any trade name or mark adopted by the Landlord for the Complex shall be used by the Tenant only in association with its business conducted in or from the Leased Premises and subject to such limitations, regulations and restrictions as the Landlord may from time to time impose on its use. The Tenant will not acquire any rights to or interest in any such trade name or mark and shall cease all use thereof upon ceasing to be a permitted occupant of the Leased Premises.

SECTION 14.22 - CHANGES IN THE COMPLEX

This Lease shall affect only the Lands from time to time comprising the Complex as designated by the Landlord and as such Lands may from time to time be altered, varied, diminished, enlarged or supplemented by the Landlord. The Tenant shall, at the request of the Landlord, enter into such further assurances, releases or other documents as may reasonably be required by the Landlord to give effect to such alteration, variation, diminution, enlargement or supplementation, provided such does not unreasonably affect access to the Leased Premises.

SECTION 14.23 - COMPLIANCE WITH THE PLANNING ACT

It is an expressed condition of this Lease and the Landlord and the Tenant so agree and declare that the provisions of Section 50(3), R.S.O. 1990, c. P. 13, and amendments thereto, be complied with if applicable in law. Until any necessary consent to the Lease is obtained, the term of this Lease and the Tenant's rights and entitlement granted by this Lease are deemed to extend for a period not exceeding twenty-one (21) years less one (1) day. The Tenant shall apply diligently to prosecute such application for such consent forthwith upon the execution of the Lease by both the Landlord and the Tenant and the Tenant shall be responsible for all costs, expenses, taxes and levies imposed, charged or levied as a result of such application and in order to obtain such consent. The Tenant shall keep the Landlord informed, from time to time, of its progress in obtaining such

consent and the Landlord shall co-operate with the Tenant in regard to such application. Notwithstanding the foregoing provisions of this Section 14.23, the Landlord reserves the right at any time, to apply for such consent in lieu of the Tenant (on behalf and at the expense of the Tenant) and the Tenant's application is hereby expressly made subject to any application which the Landlord intends to make.

ARTICLE XV

IDEMNITY AGREEMENT - INTENTIONALLY DELETED

SECTION 15.01 - INDEMNITY - INTENTIONALLY DELETED

SECTION 15.02 - FURTHER ASSURANCES - INTENTIONALLY DELETED

IN WITNESS WHEREOF the Landlord and the Tenant have executed this Lease.

LANDLORD:- CIBC DEVELOPMENT CORPORATION

By: /s/ Jane McGuire

Jane McGuire
VP, Finance & Corporate Services

And: /s/ Don Harrison

Don Harrison
VP Leasing & Business Development

TENANT:- LOYALTY MANAGEMENT GROUP CANADA INC.

By: /s/ John Scullion

John Scullion
Chief Operating Officer

And: /s/ Michael Kline

Michael Kline
Vice President, Legal Services

SCHEDULE "A"

5055 SATELLITE DRIVE, MISSISSAUGA

ALL AND SINGULAR that certain parcel or tract of land and premises, situate, lying and being in the City of Mississauga, in the Regional Municipality of Peel, and being composed of the part of Block 8 according to a Plan registered in the Land Registry Office for the Land Titles Division of Peel Region as Plan 43M-793 being parts 1 to 12 on Plan 43R-23160, part of PIN 13297-0243.

SCHEDULE "B"

The Floor Plan is for identification purposes only and is not to be interpreted as being a representation or warranty on the part of the Landlord as to the exact location, configuration and layout.

[MAP]

INITIALLED FOR IDENTIFICATION:

CIBC DEVELOPMENT CORPORATION	LOYALTY MANAGEMENT GROUP CANADA INC.
[ILLEGIBLE]	[ILLEGIBLE]
_____	_____
[ILLEGIBLE]	[ILLEGIBLE]
_____	_____

SCHEDULE "C"

RULES AND REGULATIONS

1. The sidewalks, driveways, parking areas, entry passages, fire escapes and stairways, if any, shall not be obstructed by any of the tenants, or used by them for any purpose other than ingress and egress to and from their respective premises. Tenants shall not place or allow to be placed in the Complex or Common Facilities any waste paper, dust, garbage, refuse or anything whatever that would tend to make them unclean or untidy.

2. The water closets or other water apparatus shall not be used for any purpose other than those for which they were constructed, and no sweepings, rubbish, rags, ashes or other substances shall be thrown therein. Any damage resulting from misuse shall be borne by the Tenant by whom or by whose agents, servants or employees the same is caused. Tenants shall not let the water run unless it is in actual use, nor shall they deface any part of the Complex.

3. No tenant shall do or permit anything to be done in their respective premises or bring or keep anything therein which will in any way increase the risk of fire or obstruct or interfere with the rights of other tenants or violate or act at variance with the laws relating to fires or with the regulations of any fire department or any board of health.

4. Tenant, their clerks or servants shall not interfere with other tenants or those having business with them.

5. Nothing shall be thrown by the tenants, their clerks or servants out of the windows or doors or down the passages of the Complex.

6. No birds or animals shall be kept in or about the Complex nor shall the tenants operate or permit to be operated any musical or sound producing instrument or device inside or outside their respective premises which may be heard outside their premises, or which may be deemed to be a nuisance to other tenants of the Complex.

7. No one shall use the Complex or any part thereof for sleeping apartments or residential purposes or for the storage of personal effects or articles other than those required for business purposes.

8. All tenants must observe strict care not to allow their windows or doors to remain open so as to admit rain or snow or so as to interfere with the heating of the Complex. Any injury or damage caused to the Complex or its appointments, furnishings, heating and other appliances or to any other tenant by reason of windows or doors being left open so as to admit rain or snow or by interferences with or neglect of the heating appliances or by reason of the tenant or other person or servant subject to it shall be made good by the tenant in whose premises the neglect, interference or misconduct occurred.

9. It shall be the duty of the respective tenants to assist and co-operate with the Landlord in preventing injury to the premises demised to them respectively.

10. No inflammable oils or other inflammable, dangerous or explosive materials shall be kept or permitted to be kept in any tenant's premises. Nothing shall be placed on the outside of window sills or projections.

11. No bicycles or other vehicles shall be brought within the Complex except in the parking garage, if any.

12. The parking of cars, shall be subject to the reasonable regulations of the Landlord.

13. Tenants shall not mark, paint, drill into or in any way deface the walls, ceilings, partitions, floors or other parts of their respective premises or the Complex except with the prior written consent of the Landlord as it may direct, OTHER THAN IN CONNECTION WITH SUCH DECORATION AS IS USUAL IN THE OCCUPATION OF PREMISES LIKE THE LEASED PREMISES, OR OTHERWISE IN ACCORDANCE WITH THIS LEASE.

14. The Tenant agrees to surrender to the Landlord on the termination of the Lease all keys to the said premises.

15. SUBJECT TO PARAGRAPH 5 OF SCHEDULE "E, if the Tenant desires telegraph or telephone, it shall be the Tenant's responsibility to call Bell or other private signal connectors and the Landlord reserves the right to direct the electricians or other workmen as to where and how the wires are to be introduced, and without such directions no boring or cutting for wires shall take place. No other wires of any kind shall be introduced without the written consent of the Landlord.

16. Nothing shall be placed on the outside of windows or projections of the Leased Premises. No airconditioning equipment shall be placed at the windows of the Leased Premises without the prior written consent of the Landlord.

17. All glass, locks and trimmings in or upon the doors or windows of the Leased Premises shall be kept whole and whenever any part thereof shall become broken, the same shall be immediately replaced or repaired under

the direction and to the satisfaction of the Landlord, and such replacements and repairs shall be paid for by the Tenant.

18. No heavy equipment of any kind shall be moved within the Complex without skids being placed under the same, and without the consent of the Landlord in writing.

19. Any person entering upon the roof of the Complex does so at his own risk.

20. No tenant shall be permitted to do cooking or to operate cooking apparatus except in a portion of the Complex leased for that purpose.

21. The Tenant shall leave the Leased Premises in a condition suitable for the performance by the Landlord or its janitorial services, if any.

22. The Tenant shall not install or cause to be installed any vending machines in the Leased Premises SAVE AND EXCEPT ANY VENDING MACHINES FOR THE EXCLUSIVE USE OF THE TENANT IN THE LEASED PREMISES.

23. THE LANDLORD SHALL PROVIDE THE TENANT ACCESS TO THE LEASED PREMISES DURING HOURS OUTSIDE THE NORMAL HOURS OF BUSINESS SUBJECT TO THE LANDLORD'S REASONABLE SECURITY REQUIREMENTS FOR THE COMPLEX.

24. The Landlord reserves the right to close or otherwise restrict the use of the parking areas after the normal hours of business PROVIDED THAT THE LANDLORD SHALL NOT MATERIALLY IMPEDE THE TENANT'S ACCESS TO THE LEASED PREMISES AND ITS USE OF THE PARKING AREAS.

25. The Landlord shall have the right to make such other and further reasonable rules and regulations as in its judgement may from time to time be needful for the safety, care, cleanliness and appearance of the Complex and premises therein, and for the preservation of good order therein and the same shall be kept and observed by the tenants, their clerks and servants. The Landlord is not liable to the Tenant for breaches thereof by other tenants.

SCHEDULE "D"

ACKNOWLEDGMENT OF COMMENCEMENT DATE

TO: CIBC DEVELOPMENT CORPORATION
(THE "LANDLORD").

AND TO:

The undersigned Tenant under a certain lease between the undersigned and the Landlord dated (the "Lease"), hereby acknowledges and certifies to you that:

1. The Commencement Date of the Lease was _____, 19__.

2. We have accepted possession of the Leased Premises pursuant to the terms of the Lease and are now in possession thereof.

3. The Leased Premises have been erected and delivered in accordance with the terms of the Lease.

4. The Leased Premises have been fixtured and our normal business operations are being conducted therein.

5. There has been no violation of any of the terms of the Lease, there is no set-off of Rent or any other payment under the Lease, and none of the Rent reserved under the Lease has been prepaid.

6. There is no violation of any of the terms of the Lease either on the part of the Landlord or the Tenant.

7. The Lease is now in full force and effect in accordance with the terms, and there are no oral or written modifications, violations or alterations thereof.

8. We have no knowledge of any assignment of the Lease.

DATED at _____ this _____ day of _____, 19__.

Tenant:

Per:

Title:

(c/s)

Per:

Title:

SCHEDULE "E"

SUPPLEMENTARY LEASE PROVISIONS

With reference to the Lease dated the 19th day of October, 1998 made between CIBC Development Corporation, as Landlord, and Loyalty Management Group Canada Inc., as Tenant, pertaining to Leased Premises at 5055 Satellite Drive, and with specific reference to Section 14.05 therein, the following supplementary provisions shall be a part of the Lease:

1. TENANT'S OPTION TO TERMINATE:

The Landlord hereby agrees to grant to the Tenant the one time option to terminate the Lease with respect to the whole of the Leased Premises (the "Termination Option") effective the last day of the fifth (5th) year of the Term (the "Termination Date") provided the Tenant has fulfilled the following provisions:

(a) the Tenant has provided the Landlord with at least twelve (12) months' Notice prior to the Termination Date of its intention to exercise its Termination Option failing which this Termination Option shall be deemed to be of no further force or effect; and

(b) the Tenant shall pay to the Landlord an amount equal to $40.00 per square foot of Rentable Area of the Leased Premises, such amount to be paid to the Landlord by certified cheque on the Termination Date; and

(c) the Tenant is not THEN in default under the Lease;

(d) the Termination Option as contemplated herein shall apply only so long as the Tenant is Loyalty Management Group Canada Inc. or a permitted assignee pursuant to Section 10.07A of this Lease, it being understood that such Termination Option is personal to Loyalty Management Group Canada Inc. or a permitted assignee pursuant to Section 10.07A of this Lease and may not be transferred to any other assignee, subtenant or other transferee; and

(e) the Landlord and the Tenant shall execute a surrender of lease, and any other documents reasonably required by the Tenant's or Landlord's solicitor upon the Termination Date provided payment has been made by the Tenant to the Landlord pursuant to sub-section (b) above; and

(f) the Termination Option as contemplated in this Paragraph 1 of Schedule "E" is only exercisable once and as detailed herein.

2. TENANT'S OPTION TO RENEW:

(1) The Landlord hereby agrees to extend the Term for a period of five (5) years (the "Renewal Term") beginning on the expiry of the Term of the Lease, with respect to the Leased Premises, subject to the following:

(a) such option shall be exercisable by Notice by the Tenant delivered to the Landlord not more than twelve (12) months and not less than nine (9) months prior to the expiry of the Lease (and failing such timely exercise by the Tenant such option shall expire and be of no further force or effect) and shall only be exercisable if the Tenant is not then in default of the provisions of this Lease; and

(b) the extension of the Term upon the exercise of such option shall be upon and subject to the terms of this Lease except:

(i) there shall be no further renewal option of the Tenant to extend the Term beyond the expiration of the Renewal Term;

(ii) the annual amount of Basic Rent per square foot of Rentable Area payable under Section 2.06 of this Lease throughout the Renewal Term shall be the then Fair Market Rent for the Leased Premises; and

(iii) there shall not exist during the Renewal Term, and no renewal or extension lease shall contain any reference to any rights to Landlord's work or leasehold improvement allowances such as those contained in Paragraphs 9 and 11 of the Agreement to Lease or options to acquire further space such as that contained in Paragraph 3 of this Schedule "E", such rights being deemed to have expired with the expiry of the original Term of this Lease, or as otherwise therein expressly set out.

(2) In this Paragraph 2 of Schedule "E", the "then Fair Market Rent for the Leased Premises" means that annual amount of basic rent which the Landlord and the Tenant agree to be the fair market rent then prevailing for the Leased Premises as at the Renewal Term commencement date, having regard to leasing commissions, tenant inducements and improved office premises similar to the Leased Premises which are comparable in size, location, type and condition and leased for a similar term as at the Renewal Term commencement date.

(3) If, by the date four (4) months prior to the date upon which the Renewal Term is to begin, the Landlord and the Tenant have been unable to agree in writing upon the then Fair Market Rent for the Leased Premises, the then Fair Market Rent for the Leased Premises (the "Issue") shall be determined by arbitration and the following shall apply:

(a) upon Notice by either party to the other, the parties shall meet and attempt to appoint a single arbitrator. If either party shall fail to name an arbitrator, then the arbitrator shall be appointed by a Judge of the Ontario Court of Justice, General Division, pursuant to Section 8 of the ARBITRATIONS ACT (ONTARIO) upon application of the parties. The provisions of the ARBITRATIONS ACT (ONTARIO) shall apply to any such application;

(b) the arbitrator shall forthwith hear and determine the Issue. The decision of the arbitrator, shall be made within thirty (30) days after the appointment of the arbitrator, subject to any reasonable delay due to unforeseen circumstances;

(c) the decision of the arbitrator shall be signed and shall be final and binding upon the parties hereto;

(d) the arbitrator will have the power to obtain the assistance of any expert and to act upon such assistance;

(e) the compensation and expenses of the arbitrator shall be paid in equal proportions by the parties hereto unless the arbitrator determines otherwise, except that each party shall be responsible for its respective solicitor's fee and witnesses; and

(f) in no event may the award of the arbitrator be lower than the amount offered by the Tenant to resolve the Issue nor higher than the amount offered by the Landlord to resolve the Issue.

(4) If the Issue has not been determined by the commencement date of the Renewal Term, pending such determination the Tenant shall pay Basic Rent at the rate specified for the last year of the Term, and the parties shall readjust as of such date from such commencement date promptly upon such determination having been made with interest at the Bank Rate.

(5) This Option to Renew contemplated herein shall apply only so long as Loyalty Management Group Canada Inc. or a permitted transferee pursuant to Section 10.07A herein, is in occupation of the whole of the Leased Premises, it being understood that such option is personal to Loyalty Management Group Canada Inc. or a permitted transferee pursuant to Section 10.07A herein and may not be OTHERWISE transferred to any assignee, subtenant or other transferee.

3. TENANT'S FIRST RIGHT TO LEASE:

(1) Provided that the Tenant is not THEN in default of the provisions of the Lease and has not been in default hereunder on a consistent basis the Landlord hereby grants to the Tenant a one time right during the Term to lease the premises immediately adjacent to the Leased Premises (the "Additional Premises") as identified on Schedule "B" of this Lease as Area "A" and Area "B" and outlined in blue.

(2) PROVIDED THAT THE TENANT IS NOT THEN IN DEFAULT OF THE PROVISIONS OF THE LEASE, the Landlord will notify the Tenant in writing as to the availability of the Additional Premises, the proposed basic rent (which shall be the then Fair Market Rent (as defined in Paragraph 2 (2) above) for the Additional Premises as at the commencement date of the Additional Premises and the Tenant will have five (5) business days following receipt of notification from the Landlord within which to exercise such first right to lease. The term shall be coterminous with the Term of this Lease.

(3) If, by the date four (4) months prior to the commencement date for the Additional Premises the Landlord and the Tenant have been unable to agree in writing upon the then Fair Market Rent for the Additional Premises, the then Fair Market Rent for the Additional Premises, shall be determined by arbitration in accordance with the terms of Paragraph 2 (3) of this Schedule "E".

(4) If the Fair Market Rent for the Additional Premises has not been determined by the commencement date of the Additional

Premises pending such determination the Tenant shall pay Basic Rent in the amount setout in Section 1.01 (10) of this Lease beginning with that prevailing for the year of the Term during which the Additional Premises commencement date occurs and the parties shall readjust

as of such date from such commencement date promptly upon such determination having been made with interest at the Bank Rate.

(5) If the Tenant advises the Landlord that it does not wish to lease the Additional Premises pursuant to this first right to lease, then the Tenant's first right to lease shall be null and void and of no further force or effect and the Landlord shall be entitled to lease any or all of the Additional Premises without further obligation to the Tenant.

(6) Save as set out in this Paragraph 3 of Schedule "E", the terms and conditions for such Additional Premises shall be on the same terms and conditions as the Leased Premises, and the Landlord shall prepare an addendum to the Lease in respect of such Additional Premises for signature by the Tenant and the Landlord if the Tenant does so exercise its first right to lease.

4. PARKING:

(1) The Landlord grants to the Tenant during the Term and any renewal thereof a license to park in AT LEAST 200 unreserved parking spaces IN THE COMPLEX based on the Tenant occupying 40,000 square feet of Rentable Area. It is understood that the Landlord shall be entitled at any time during the Term or any renewal thereof to re-allocate not more than 40 of the above-noted spaces to other tenants of the Complex if so required in the Landlord's opinion. If during the Term or any renewal thereof the Tenant leases additional space in the Complex the Landlord shall make available to the Tenant additional unreserved parking on a ratio of 1.75 spaces per 1,000 square feet of Rentable Area.

(2) The Tenant agrees to comply with such reasonable parking rules as may be established from time to time by the Landlord governing the use of the parking area (the "Parking Rules").

(3) SUBJECT TO SECTION 7.07(a), the Tenant agrees to indemnify the Landlord against all liabilities, claims, damages or expenses due to or arising out of any act, omission or neglect by the Tenant or those form whom it is at law responsible in or about the parking area or due to or arising out of any breach by either or any of them of the provisions of the Parking Rules. The Landlord shall not be liable for any loss, injury or damage caused to persons using the parking area or to automobiles, their accessories or their contents or any other property therein or thereon and the Tenant agrees that such vehicles as are parked under rights derived from this Paragraph 4 of Schedule "E", their accessories, contents and property shall be in the parking area at the sole risk of the Tenant and agrees to indemnify the Landlord against all claims, damages and expenses due to or arising out of the foregoing.

(4) All parking spares allocated to the Tenant pursuant to Paragraph 4 (1) of this Schedule "E" shall be free of charge during the Term.

(5) The Tenant acknowledges the existence of an easement in favour of the City of Mississauga that runs through a portion of the Lands that is designated by the Landlord for approximately 55 parking spaces. In the event that the City of Mississauga elects to utilize such portion of the Lands as may be permitted pursuant to the easement agreement, then the Tenant acknowledges and agrees that the Landlord shall have the right to reduce the parking area serving the Complex by up to 55 parking spaces from those existing as at the completion of the initial construction of the Complex. The Tenant further acknowledges and agrees that, as a result of the exercise by the Landlord of its right to reduce the parking areas serving the Complex, the number of parking spaces made available to the Tenant may be reduced by up to 20 spaces, being the Tenant's proportionate share of the 55 parking spaces based upon the Tenant leasing 40,000 square feet. In the event the Tenant leases an area of greater than 40,000 square feet (and has proportionately more parking than outlined above), the Tenant's proportionate share of the 55 parking spaces shall be greater than 20 stalls. The Landlord shall not be liable for, nor shall the Tenant be entitled to, any compensation nor shall any such reduction be deemed to be a breach of any covenant for quiet enjoyment contained in this Lease, provided however, that in not event shall the Landlord reduce the number of parking spaces allocated to the Tenant to less than the number required by the zoning bylaws or regulations governing parking requirement for the Complex.

5. COMMUNICATIONS EQUIPMENT:

The Landlord agrees to grant to the Tenant for and during the Term of the Lease the non-exclusive license to install Communications equipment (the "Equipment") in an area on the roof of the Complex to be approved by the Landlord, for the Tenant's own use only. The Tenant's installation of the Equipment is subject to the following provisions:

(1) The installation of the Equipment shall be conducted solely at the expense, risk and option of the Tenant and shall be in accordance with all requirements of regulatory agencies

(including municipal zoning, building, height control and other applicable by-laws). The Tenant shall furnish particulars of the Equipment to be installed to the Landlord, including drawings which shall be reviewed and approved by the Landlord. The Landlord shall have rights of approval with respect to the size, location and method of installation of the Equipment, such approval not to be unreasonably withheld or

delayed. During installation, the Tenant shall take all reasonable precautions to minimize interference with the Landlord and other tenants of the Complex and to avoid damage to any portions of the Complex and shall comply with the Landlord's directions as to the means by which and times at which equipment and supplies are to be moved.

(2) It shall be the sole obligation of the Tenant and at the Tenant's sole expense, to maintain and repair the Equipment in accordance with the best standards so that it shall be at all time in good, safe and sound condition, of good appearance, properly grounded and in compliance with all required desirable standards of good maintenance. Further, it shall be the sole obligation and at the Tenant's sole expense, to repair any and all damage to the Complex caused by the installation, replacement, repair and removal of the Equipment failing which such may be completed by the Landlord as an Additional Service to the Tenant.

(3) The Tenant shall indemnify the Landlord and save it harmless from all actions, proceedings, costs, claims, demands, losses and damages of any nature whatsoever for which the Landlord may become liable or suffer, by reason of or arising directly or indirectly out of the installation, maintenance, repair, alteration, removal, use or condition from time to time of the Equipment or in consequence of damage or interference to property or injury to or death of persons occasioned thereby.

(4) The Tenant shall ensure that its use and operation of the Equipment shall not cause or contribute to any interference with or damage to the effective use or normal operation of any other existing electrical equipment or apparatus installed or used in or on the Complex by the Landlord, its tenants or any other person, firm or corporation whatsoever and that if and whenever such interference or damage is caused by the Tenant's Equipment to any such use or operation of such equipment or apparatus the Tenant shall be responsible for and will forthwith carry out at its own expense all acts, matters and things that may be necessary to establish the cause, and if deemed responsible therefor, to take expedient action to remedy such situation or condition and thereafter prevent a recurrence of any such damage or interference as aforesaid. The Tenant agrees that if it is unable to remedy or prevent a recurrence of any such damage or interference for which the Tenant is responsible as aforesaid, the Tenant shall, upon Notice from the Landlord forthwith remove the Equipment in accordance with the provisions of this Paragraph 5 of Schedule "E".

(5) The Tenant shall, immediately prior to the expiration or sooner termination of the Term and at its own cost, remove the Equipment and repair any damage to the Complex caused by such removal, failing which such repairs may be completed by the Landlord as an Additional Service to the Tenant.

(6) The Tenant shall at its cost and expense insure and keep insured the Equipment during the Term and any renewal hereof and during the removal thereof in accordance with Article VII of this Lease.

(7) The Tenant covenants that it shall comply with the provisions of Section 8.02 of this Lease with respect to the installation, replacement, repair and removal of the Equipment.

(8) There shall be no license fee or other charges associated with the grant of this license in favour of the Tenant. However, the Tenant shall pay to the Landlord any taxes, utility costs or other costs as may be directly attributable to the Equipment and its erection, installation, operation and maintenance upon receipt of invoice(s) therefor.

(9) The granting of this license shall apply only so long as Loyalty Management Group Canada Inc. or a permitted transferee pursuant to Section 10.07A herein is THE TENANT, it being understood that the granting of this license is personal to Loyalty Management Group Canada Inc. or a permitted transferee pursuant to Section 10.07A and may not be transferred to any assignee, subtenant or other transferee.

6. ACCESS TO THE LEASED PREMISES:

From and after the ACCESS DATE (AS SUCH TERM IS DEFINED IN PARAGRAPH 11C OF THE AGREEMENT TO LEASE), the Landlord shall permit the Tenant, its agents, clerks, servants, employees and other persons transacting business with it to have access to the Leased Premises by the main entrance or entrances to the Complex and the Leased Premises and to use passages therefrom at all times, 365 days a year, on a 24 hour basis, subject to the Rules and Regulations, and subject to emergencies.

7. BUSINESS DAYS:

For the purposes of this Lease, "business day" means any day which is not a Saturday, Sunday or a statutory holiday.

YONGE CORPORATE CENTRE

OFFICE LEASE

BETWEEN

YCC LIMITED
AND
LONDON LIFE INSURANCE COMPANY

-AND-

LOYALTY MANAGEMENT GROUP CANADA INC.

YONGE CORPORATE CENTRE

LEASE

TABLE OF CONTENTS

THIS LEASE IS DATED THE 28TH DAY OF MAY, 1997

BETWEEN:

YCC LIMITED
AND
LONDON LIFE INSURANCE COMPANY
(collectively the "Landlord")

-and-

xxxLOYALTY MANAGEMENT GROUP CANADA INC.
(the "Tenant")

ARTICLE I - PREMISES - TERM AND USE

SECTION 1.01 GRANT AND PREMISES

In consideration of the performance by the Tenant of its obligations under this Lease, the Landlord leases the Premises to the Tenant for the Term. The Premises are located on the xxxxx xxxxxx 2ND AND 3RD FLOORS of the Building and are shown outlined in red on the floor plan attached as xxxx xxx xxxx SCHEDULES "B-1" AND "B-2". THE Rentable Area of the Premises is approximately xxxxx xxxxx xxxx xxx xxx xxxx xx xxx xx xxxx xxxxxx xxxxxx 73,534 SQUARE FEET.

FROM AND AFTER SEPTEMBER 1, 1998, THE LANDLORD SHALL LEASE TO THE TENANT ADDITIONAL OFFICE SPACE ("FIRST ADDITIONAL PREMISES") CONTAINING APPROXIMATELY 18,000 SQUARE FEET OF RENTABLE AREA ON THE 4TH FLOOR OF THE BUILDING AS SHOWN OUTLINED IN RED ON THE FLOOR PLAN ATTACHED HERETO AS SCHEDULE "B-3" FOR AN AGGREGATE RENTABLE AREA OF APPROXIMATELY 91,534 SQUARE FEET FOR THE BALANCE OF THE TERM SUCH THAT THE TERM IN RESPECT OF THE FIRST ADDITIONAL PREMISES SHALL BE CO-TERMINUS WITH THE TERM AND THE PREMISES SHALL FROM AND AFTER SUCH DATE BE DEEMED TO INCLUDE THE FIRST ADDITIONAL PREMISES. SUBJECT THE PROVISIONS OF THE LEASE, THE LANDLORD AGREES TO PROVIDE VACANT POSSESSION OF THE FIRST ADDITIONAL PREMISES ON SEPTEMBER 1, 1998.

SECTION 1.02 TERM

The Term of this Lease is TEN (10) years NIL months, and NIL days from and including the 1ST day of SEPTEMBER, 1997 to and including the 31ST DAY OF AUGUST, 2007 (BUT SUBJECT TO SECTION 12.04).

SECTION 1.03 CONSTRUCTION OF PREMISES

The Tenant shall abide by the provisions of this Lease and the tenant leasehold improvement manual supplied by the Landlord for any construction it proposes to do prior to or upon occupancy of the Premises, and any Alterations to the Premises after it takes occupancy (PROVIDED THAT SUCH LEASEHOLD IMPROVEMENT MANUAL SHALL NOT BE INCONSISTENT WITH THE TERMS OF THIS LEASE). The Tenant agrees to accept the Premises in their current "as is" condition, subject to any Landlord's work expressly set out in this Lease. THE LEASEHOLD IMPROVEMENT MANUAL WILL BE AMENDED TO DELETE FOR THE TENANT'S INITIAL WORK ONLY WITH RESPECT TO THE PREMISES, THE FIRST ADDITIONAL PREMISES AND, IF APPLICABLE, THE SPECIAL REFUSAL SPACE ALL LANDLORD'S CONSULTANT FEES, RESTRICTIONS ON WORKING HOURS (SUBJECT TO LANDLORD'S REASONABLE SECURITY REQUIREMENTS) COSTS OF LOADING DOCK FACILITIES AND FREIGHT ELEVATOR, COSTS OF EXTRA CLEANING, COSTS OF HOISTING AND LANDLORD'S SUPERVISION FEES. IN THE EVENT THE TENANT DOES NOT RETAIN THE LANDLORD'S BASE

BUILDING ELECTRICAL ENGINEER, THEN WITH RESPECT TO THE APPROVAL BY THE LANDLORD'S ELECTRICAL ENGINEER OF THE TENANT'S INITIAL WORK WITH RESPECT TO THE PREMISES, THE FIRST ADDITIONAL PREMISES AND, IF APPLICABLE, THE SPECIAL REFUSAL SPACE PURSUANT TO SECTION 12.03, THE TENANT SHALL PAY THE LANDLORD'S CURRENT SUPERVISION FEE OF ONE THOUSAND, FIVE HUNDRED ($1,500.00) DOLLARS PLUS ALL APPLICABLE TAXES FOR REVIEW OF THE TENANT'S PLANS AND THE MAXIMUM OF TWO SITE VISITS. FOR ANY ADDITIONAL REVIEWS OR SITE VISITS, THE TENANT SHALL PLAY THE LANDLORD'S CURRENT RATE OF SIXTY-FIVE ($65.00) DOLLARS. AFTER COMPLETION OF THE TENANT'S INITIAL WORK WITH RESPECT TO THE PREMISES, THE FIRST ADDITIONAL PREMISES AND, IF APPLICABLE, THE SPECIAL REFUSAL SPACE, THE TENANT SHALL PAY THE LANDLORD'S NORMAL FEES IN CONNECTION WITH ANY ALTERATIONS.

SECTION 1.04 USE AND CONDUCT OF BUSINESS

The Premises shall be used only as xxxxxxxxxx xxxxxxxGENERAL BUSINESS OFFICES AND THE BUSINESS OF AN OUT-BOUND AND IN-BOUND CALL CENTRE, INCLUDING THE PROVISION OF EXISTING TRAVEL SERVICES AS PREVIOUSLY DISCLOSED TO THE LANDLORD BY THE TENANT and for no other purpose. The Tenant shall conduct its business in the Premises in a reputable and first class manner. THE LANDLORD ACKNOWLEDGES THAT THE TENANT MAY USE THE PREMISES DURING THE TENANT'S BUSINESS HOURS AND OUTSIDE NORMAL BUSINESS HOURS SUBJECT TO THE LANDLORD'S REASONABLE SECURITY REQUIREMENTS AND PRECAUTIONS FROM TIME TO TIME.

ARTICLE II - RENT

SECTION 2.01 COVENANT TO PAY

xxxxx Except as otherwise expressly provided in this Lease, the Tenant shall pay Rent from the Commencement Date without prior demand and without any deduction, abatement, setoff or compensation. If the Commencement Date is not on the first day of a calendar month, or the period of time from the Commencement Date to the end of the first Fiscal Year during the Term is less than 12 calendar months, or the period of time from the last Fiscal Year end during the Term to the end of the Term is less than 12 calendar months, then Rent for such month and such periods shall be pro-rated on a per diem basis, based upon a period of 365 days.

xxxx xxx xxxxxx xxxx xxxxxxx xx xxx xxxxxxxx xx xxxx xxxxxx
xxxx xxx xx xxx xxxxxx xxxxxx xx xxxxxxx xxx xxx xxxx xxxxxx xxxxx xxx xxx
xxxxx xx xxx xxxxxxx xxxxxxxx xx xxx xxxx xxx xxx xxxxxxxxxx xxxx xx xx xxx
xxxxxxxx xx xxxxxxxx

SECTION 2.02 NET RENT

The Tenant shall pay Net Rent AS FOLLOWS:

(a) FROM SEPTEMBER 1, 1997 TO AUGUST 31, 1998, (BEING THE FIRST YEAR OF THE TERM) BOTH INCLUSIVE, THE SUM OF SEVEN HUNDRED AND FIFTY-SEVEN THOUSAND, FOUR HUNDRED DOLLARS AND TWENTY CENTS ($757,400.20) per annum payable in equal monthly instalments of SIXTY THREE THOUSAND, ONE HUNDRED AND SIXTEEN DOLLARS AND SIXTY EIGHT CENTS ($63,116.68) each in advance on the first day of each calendar month DURING SUCH PERIOD OF THE TERM.

(b) FROM SEPTEMBER 1, 1998 TO AUGUST 31, 2002, (BEING THE NEXT FOUR YEARS OF THE TERM) BOTH INCLUSIVE, THE SUM OF NINE HUNDRED AND SEVENTY-SEVEN THOUSAND, NINE HUNDRED DOLLARS AND TWENTY CENTS ($977,900.20) PAYABLE IN EQUAL MONTHLY INSTALMENTS OF EIGHTY ONE THOUSAND, FOUR HUNDRED AND NINETY ONE DOLLARS AND SIXTY EIGHT CENTS ($81,491.68) EACH IN ADVANCE ON THE FIRST DAY OF EACH CALENDAR MONTH DURING SUCH PERIOD OF THE TERM.

(c) FROM SEPTEMBER 1, 2002 TO AUGUST 31, 2007, (BEING THE LAST FIVE YEARS OF THE TERM) BOTH

INCLUSIVE, THE SUM OF ONE MILLION, ONE HUNDRED AND SEVEN THOUSAND, FOUR HUNDRED AND EIGHT DOLLARS ($1,107,408.00) PER ANNUM PAYABLE IN EQUAL MONTHLY INSTALMENTS OF NINETY TWO THOUSAND, TWO HUNDRED AND EIGHTY FOUR DOLLARS ($92,284.00) EACH IN ADVANCE ON THE FIRST DAY OF EACH CALENDAR MONTH DURING SUCH PERIOD of the Term.

The Net Rent FOR THE PERIOD OF THE TERM SET OUT IN SUBSECTION 2.02(a) is based on an annual rate of TEN DOLLARS AND THIRTY CENTS ($10.30) per square foot of Rentable Area of the Premises. THE NET RENT FOR THE PERIOD OF THE TERM SET OUT IN SUBSECTION 2.02(b) IS BASED ON AN ANNUAL RATE OF TEN DOLLARS AND THIRTY CENTS ($10.30) PER SQUARE FOOT OF THE RENTABLE AREA OF THE PREMISES (OTHER THAN THE FIRST ADDITIONAL PREMISES) AND TWELVE DOLLARS AND TWENTY-FIVE CENTS ($12.25) PER SQUARE FOOT OF THE RENTABLE AREA OF THE FIRST ADDITIONAL PREMISES. THE NET RENT FOR THE PERIOD OF THE TERM SET OUT IN SUBSECTION 2.02(c) IS BASED ON AN ANNUAL RATE OF TWELVE DOLLARS ($12.00) PER SQUARE FOOT OF THE RENTABLE AREA OF THE PREMISES (OTHER THAN THE FIRST ADDITIONAL PREMISES) AND TWELVE DOLLARS AND FIFTY CENTS ($12.50) PER SQUARE FOOT OF THE RENTABLE AREA OF THE FIRST ADDITIONAL PREMISES. As soon as reasonably possible after completion of construction of the Premises, the xxxxxxxxxx ARCHITECT shall measure the Net Rentable Area of the Premises and shall xxxxxxxxxxx CERTIFY TO THE TENANT the Rentable Area of the Premises and Rent shall be adjusted accordingly.

SECTION 2.03 PAYMENT OF OPERATING COSTS

The Tenant shall pay to the Landlord the Tenant's Proportionate Share of Operating Costs.

SECTION 2.04 PAYMENT OF TAXES

(a) The Tenant shall pay when due all Business Tax. If the Tenant's Business Tax is payable by the Landlord to the relevant taxing authority, the Tenant shall pay the amount thereof to the Landlord or as it directs. If no separate tax bills for Business Tax are issued with respect to the Tenant or the Premises, the Landlord may allocate Business Tax charged, assessed or levied against the Development or the Lands to the Tenant on the basis of the Tenant's Proportionate Share.

(b) The Landlord shall allocate Taxes between the Total Rentable Area of the Development and other components of the Development on such basis as the Landlord, acting equitably, determines from time to time.

(c) The Tenant shall promptly pay to the Landlord or the relevant taxing authority, as the Landlord may direct, not later than the due date thereof, its Proportionate Share of the Taxes allocated to the Total Rentable Area of the Building by the Landlord.

(d) If the Landlord obtains a written statement OR SEPARATE ASSESSMENT from the assessment or taxing authorities indicating that as a result of any construction or installation of improvements in the Premises, or any act or election of the Tenant, the Taxes payable by the Tenant under subsection 2.05(a) do not accurately reflect the Tenant's proper share of Taxes, the Landlord may require the Tenant to pay such greater or lesser amount as is determined by the Landlord, acting reasonably. THE LANDLORD SHALL APPLY THIS PRINCIPLE TO ALL OTHER TENANTS ONLY FOR THE PURPOSE OF DETERMINING THE TENANT'S SHARE OF TAXES IF THE TENANT'S SHARE OF TAXES IS NOT BASED UPON SEPARATE ASSESSMENTS.

(e) The Landlord may: contest any Taxes and appeal any assessments with respect thereto; withdraw any such contest or appeal; and agree with the taxing authorities on any settlement or compromise with respect to Taxes. The Tenant will co-operate with the Landlord in respect of any such contest or appeal and will provide the Landlord with all relevant information, documents and consents required by the Landlord in connection with any such contest or appeal. The Tenant will not contest any Taxes or appeal any assessments related thereto without the Landlord's prior written consent NOT TO BE UNREASONABLY WITHHELD.

(f) The Tenant shall promptly deliver to the Landlord on request, copies of assessment notices, tax bills and other documents received by the Tenant relating to Taxes and Business Tax and receipts for payment of Taxes and Business Tax payable by the Tenant.

(g) Tenant shall on demand, pay to the Landlord or to the appropriate taxing authority if required by the Landlord, all goods and services taxes, sales taxes, value added taxes, business transfer taxes, or any other taxes imposed on the Landlord with respect to Rent or in respect of the rental of space under this LEASE, whether characterized as a goods and services tax, sales tax, value added tax, business transfer tax or otherwise. The Landlord shall have the same remedies and rights with respect to the payment or recovery of such taxes as it has for the payment or recovery of Rent under this xxxxxxxx LEASE.

(h) THE LANDLORD ACKNOWLEDGES THAT TO THE BEST OF ITS KNOWLEDGE THAT AS OF MARCH 24, 1997 THERE ARE NO LEVIES, ASSESSMENTS, TAXES OR CHARGES ATTRIBUTABLE TO A LOCAL IMPROVEMENT AND THAT ARE IN DISPUTE. THE LANDLORD FURTHER ACKNOWLEDGES AND CONFIRMS THAT THE RATE PER SQUARE FOOT WITH RESPECT TO CAPITAL TAX REQUIRED TO BE PAID BY THE TENANT PURSUANT TO THIS LEASE, SHALL, THROUGHOUT THE TERM, NOT BE GREATER THAN THE RATE PER SQUARE FOOT FOR CAPITAL TAX REQUIRED TO BE PAID BY ANY OTHER TENANTS IN THE BUILDING.

(i) SUBJECT TO THE LANDLORD'S STATUTORY AND OTHER LEGAL RIGHTS, THE LANDLORD SHALL PAY TAXES WHEN DUE.

SECTION 2.05 PAYMENT OF ESTIMATED TAXES AND OPERATING COSTS

(a) The amount of Taxes and Operating Costs may be estimated by the Landlord for such period as the Landlord determines from time to time NOT EXCEEDING TWELVE MONTHS (UNLESS THE LANDLORD IS CHANGING ITS FISCAL YEAR), and the Tenant agrees to pay to the Landlord the amounts so estimated in equal instalments, in advance, on the first day of each month during such period. Notwithstanding the foregoing, when bills for all or any portion of the amounts so estimated are received, the Landlord may bill the Tenant for the Tenant's Proportionate Share thereof (or the amount determined under Section 2.04(d)) after crediting against such amounts any monthly payments of estimated Taxes and Operating Costs previously made by the Tenant and the Tenant shall pay the Landlord the amounts so billed.

(b) Within xxxxxxxxxxxx xxxxx ONE HUNDRED AND TWENTY (120) DAYS after the end of the period for which such estimated payments have been made, the Landlord shall submit to the Tenant a REASONABLY DETAILED STATEMENT (TO ENABLE REASONABLE VERIFICATION BY THE TENANT AS TO ITS ACCURACY) showing the calculation of the Tenant's Proportionate Share of Taxes and Operating Costs together with a report from the Landlord's auditor as to the total amount of Operating Costs. SUCH STATEMENT SHALL BE DEEMED CERTIFIED CORRECT BY THE LANDLORD AND CONTAIN REASONABLE DETAILS OF OPERATING COSTS. If:

(i) the amount the Tenant has paid is less than the amounts due, the Tenant shall pay such deficiency to the Landlord; or

(ii) the amount paid by the Tenant is greater than the amounts due, the Landlord shall pay such excess to the Tenant.

The obligations contained in this subsection shall survive the expiration or earlier termination of the Term. Failure of the Landlord to render any statement of Taxes or Operating Costs shall not prejudice the Landlord's right to render such statement thereafter or with respect to any other period. The rendering of any such statement shall also not affect the Landlord's right to subsequently render an amended or corrected statement WITHIN THE LESSER OF TWO (2) YEARS AFTER THE END OF EACH FISCAL YEAR OR THE SALE OF THE DEVELOPMENT BY THE LANDLORD.

SECTION 2.06 ADDITIONAL RENT

Except as otherwise provided in this Lease, all Additional Rent shall be payable by the Tenant to the Landlord within 5 business days after demand.

SECTION 2.07 RENT PAST DUE

All Rent past due shall bear interest from the date on which the same became due until the date of payment at xxxx 2% per annum in excess of the prime interest rate for Canadian Dollar demand loans announced from time to time by any Canadian chartered bank designated by the Landlord.

SECTION 2.08 UTILITIES

(a) The Tenant shall pay to the Landlord, or as the Landlord directs, all gas, electricity, water, steam and other utility charges applicable to the Premises (EXCLUDING CHARGES FOR HVAC DURING NORMAL BUSINESS HOURS WHICH ARE INCLUDED IN OPERATING COSTS) on the basis of the Rentable Area of the Premises. Charges for utilities shall be payable in advance on the first day of each month at a basic rate determined by the Landlord's engineers. xxxxx UNLESS SEPARATELY METERED, THE Landlord shall be entitled to allocate to the Premises an additional charge, as determined by the Landlord's engineer, for any supply of utilities to the Premises in excess of those covered by such basic charge DURING NORMAL BUSINESS HOURS. If any utility rates or related taxes or charges are increased or decreased during the Term, such charges shall be equitably adjusted and the decision of the Landlord, acting reasonably, shall be final and binding with respect to any such adjustment. THE LANDLORD AGREES THAT DIRECT CHARGES TO OTHER TENANTS FOR UTILITIES, IF NOT SEPARATELY METERED, WILL BE FAIR AND EQUITABLE HAVING REGARD TO EACH TENANT'S USAGE.

(b) The Landlord shall have the exclusive right AND OBLIGATION to replace STANDARD bulbs, tubes and ballasts in the lighting system in the Premises, on either an individual or a group basis. The Tenant shall pay the REASONABLE cost of such replacement on the first day of each month or at the option of the Landlord upon demand. AS OF THE DATE OF THIS LEASE, THE COST OF A STANDARD LIGHT BULB OR FLUORESCENT TUBE IS $2.04 PER BULB OR TUBE (PLUS APPLICABLE TAXES).

(c) THE LANDLORD AND TENANT SHALL SHARE EQUALLYxxxx xxx xxxxxx xxxxx xxxx the cost of installing and maintaining any meters xxxxxxxxxx AND TIMERS USED IN CONNECTION WITH SUCH METERS INSTALLED FROM AND AFTER THE DATE OF THE LEASE at the request of the Landlord or the Tenant to measure the usage of utilities in the Premises.

SECTION 2.09 ADJUSTMENT OF AREAS

The Landlord may from time to time re-measure the Net Rentable Area of the Premises or re-calculate the Rentable Area of the Premises and may re-adjust the Net Rent and/or the Tenant's Proportionate Share of Additional Rent accordingly. The effective date of any such re-adjustment shall: (a) in the case of an adjustment to the Rentable Area resulting from a change in the aggregate Net Rentable Area of all office premises on the floor on which the Premises are situated, be the date on which such change occurred; and (b) in the case of a correction to any measurement or calculation error, be the date as of which such error was introduced in the calculation of Rent.

SECTION 2.10 NET LEASE

This Lease is a completely net lease to the Landlord, except as expressly herein set out. The Landlord is not responsible for any expenses or outlays of any nature arising from or relating to the Premises, or the use or occupancy thereof, or the contents thereof or the business carried on therein EXCEPT AS EXPRESSLY SET OUT HEREIN. The Tenant shall pay all charges, impositions and outlays of every nature and kind relating to the Premises except as expressly herein set out.

SECTION 2.11 DEPOSIT

The Landlord hereby acknowledges receipt of the Tenant's deposit cheque in the sum of xxxFORTY SEVEN THOUSAND, FOUR HUNDRED AND SEVENTY-SIX DOLLARS AND TWENTY-NINE CENTS ($47,476.29) which will be applied without interest against the first Rent due under this Lease.

SECTION 2.12 ELECTRONIC DATA INTERCHANGE

At the Landlord's request AND UPON THE MUTUAL AGREEMENT OF THE LANDLORD AND TENANT, BOTH ACTING REASONABLY, the Tenant will participate in an electronic data interchange ("EDI") system or similar system whereby the Tenant will authorize its bank, trust company, credit union or other financial institution to credit the Landlord's bank account each month in an amount equal to the Net Rent and Additional Rent payable on a monthly basis pursuant to the provisions of this Lease.

SECTION 2.13 ADDITIONAL RENT ESTIMATE

THE LANDLORD ESTIMATES ADDITIONAL RENT FOR THE LANDLORD'S FISCAL YEAR COMMENCING NOVEMBER 1, 1996 AND ENDING OCTOBER 31, 1997 TO BE $6.34 PER SQUARE FOOT OF RENTABLE AREA FOR OPERATING COSTS AND $0.86 PER SQUARE FOOT OF RENTABLE AREA FOR TENANT HYDRO-ELECTRIC CHARGES. THE LANDLORD'S ESTIMATE FOR TAXES FOR THE CALENDAR YEAR 1997 IS $6.74 PER SQUARE FOOT OF RENTABLE AREA. THE TENANT ACKNOWLEDGES THAT THE FOREGOING AMOUNTS ARE ESTIMATES ONLY AND ARE ONLY PROVIDED FOR BUDGETARY PURPOSES.

ARTICLE III - CONTROL OF DEVELOPMENT

SECTION 3.01 LANDLORD'S SERVICES

(a) The Landlord shall provide climate control to the Premises during Normal Business Hours to maintain a temperature adequate for normal occupancy, except during the making of repairs, alterations or improvementsxxx provided that the Landlord shall have no liability for failure to supply climate control service when stopped as aforesaid or when prevented from doing so by repairs, or causes beyond the Landlord's reasonable control. Any rebalancing of the climate control system (OTHER THAN INITIAL REBALANCING PRIOR TO THE COMMENCEMENT DATE AS PART OF LANDLORD'S WORK SET OUT IN SECTION 12.02) in the Premises necessitated by the installation of partitions, equipment or fixtures by the Tenant or by any use of the Premises not in accordance with the design standards of such system will be performed by the Landlord at the Tenant's expense. IN THE EVENT THE TENANT REQUIRES CLIMATE CONTROL OUTSIDE OF NORMAL BUSINESS HOURS, THE LANDLORD SHALL, ON REQUEST BY THE TENANT, MAKE SUCH CLIMATE CONTROL AVAILABLE AT A COST DURING THE WHOLE OF THE TERM, OF FORTY DOLLARS ($40.00) PER HOUR PLUS APPLICABLE TAXES.

(b) Subject to the Rules and Regulations, the Landlord shall provide elevator service in the Building during Normal Business Hours for use by the Tenant in common with others, except when prevented by repairs. The Landlord will operate at least one passenger elevator in the Building for use by tenants at all times OR SUCH ADDITIONAL ELEVATORS AS MAY BE REASONABLY REQUIRED. SUBJECT TO THE RULES AND REGULATIONS, THE LANDLORD SHALL PERMIT THE TENANT ACCESS AT ALL TIMES TO THE PREMISES BY WAY OF THE MAIN ENTRANCE OR ENTRANCES OF THE BUILDING AND TO USE AVAILABLE ELEVATORS, STAIRWAYS AND PASSAGES AT ALL TIMES SUBJECT TO EMERGENCY REPAIR AND THE LANDLORD'S SECURITY REQUIREMENTS FROM TIME TO TIME.

(c) The Landlord will provide cleaning services in the Building consistent with the standards of a first class office building.

(d) Subject to Section 2.08, the Landlord shall make available to the Premises electricity for normal lighting and miscellaneous power requirements and, in normal quantities gas, water, and other public utilities generally made available to other leasable premises in the Building

by the Landlord.

(e) THE LANDLORD REPRESENTS THAT AS OF THE DATE OF THIS LEASE THERE ARE NO POLYCHLORINATED BIPHENYLS STORED IN THE BUILDING EXCEPT IN ACCORDANCE WITH ALL APPLICABLE ENVIRONMENTAL PROTECTION LEGISLATION. THE LANDLORD SHALL COMPLY WITH THE PROVISIONS OF ANY FEDERAL, PROVINCIAL, REGIONAL OR MUNICIPAL LAWS APPLICABLE TO THE DEVELOPMENT WITH RESPECT TO MAINTAINING A CLEAN ENVIRONMENT SUBJECT TO THE LANDLORD'S RIGHTS TO APPEAL UNDER ANY SUCH LAWS.

(f) THE LANDLORD AGREES TO USE REASONABLE COMMERCIAL EFFORTS TO MINIMIZE OPERATING COSTS HAVING REGARD TO THE LANDLORD'S OBLIGATIONS PURSUANT TO THIS LEASE AND TO OTHER TENANTS IN THE DEVELOPMENT AND THE FIRST CLASS NATURE OF THE DEVELOPMENT.

SECTION 3.02 ALTERATIONS BY LANDLORD

The Landlord may:

(a) alter, add to, subtract from, construct improvements to, rearrange, and build additional buildings in the Development;

(b) construct additional facilities adjoining or near the Development;

(c) build additional storeys on the Building;

(d) relocate the facilities and improvements comprising the Developmentxxxx xxxxxx xx xxxxx xxx xx xxxxx xx xxx xxxxxx xxxxxxxx EXCLUDING ANY PORTION OF THE PREMISES:

(e) do such things on, or in the Development as are required to comply with any laws, by-laws, regulations, orders or directives affecting the Development; and

(f) do such other things on or in the Development as the Landlord, in the use of good business judgment AND HAVING REGARD TO THE FIRST CLASS STANDARD OF THE DEVELOPMENT determines to be advisable;

provided that notwithstanding anything contained in this Section, access to the Premises shall at all times be available from the elevator lobbies of the Building.

The Landlord shall not be in breach of its covenant for quiet enjoyment or liable for any loss, costs or damages, whether direct or indirect, incurred by the Tenant due to THE LANDLORD EXERCISING ITS RIGHTS IN ACCORDANCE WITH any of the foregoing.

ARTICLE IV - ACCESS AND ENTRY

SECTION 4.01 RIGHT OF EXAMINATION

The Landlord shall be entitled at all reasonable times (and at any time in case of emergency) AND ON REASONABLE PRIOR NOTICE (EXCEPT IN CASE OF EMERGENCY) to enter the Premises to examine them; to make such repairs, alterations or improvements in the Premises as the Landlord considers REASONABLY necessary xxx xxx; to have access to underfloor ducts and access panels to mechanical shafts; to check, calibrate, adjust and balance controls and other parts of the heating systems; and for any other purpose necessary to enable the Landlord to perform its obligations or exercise its rights under this Lease. The Tenant shall not obstruct any pipes, conduits or mechanical or electrical equipment so as to prevent reasonable access thereto. The Landlord shall exercise its rights under this Section, to the extent possible in the circumstances, in such manner so as to minimize interference with the Tenant's use and enjoyment of the Premises.

SECTION 4.02 RIGHT TO SHOW PREMISES

The Landlord and its agents shall have the right ON REASONABLE PRIOR NOTICE to enter the Premises at all reasonable times during Normal Business Hours to show them to prospective purchasers, or Mortgagees or prospective Mortgagees, and, during the last six months of the Term (or the last six months of any renewal term if this Lease is renewed), to prospective tenants.

SECTION 4.03 ENTRY NOT FORFEITURE

No entry into the Premises or anything done therein by the Landlord pursuant to a right granted by this Lease shall constitute a breach of any covenant for quiet enjoyment, or (except where expressed by the Landlord in writing) shall constitute a re-entry or forfeiture, or an actual or constructive eviction. The Tenant shall have no claim for injury, damages or loss suffered as a result of any such entry or thing, except in the case of ILLEGAL OR willful misconduct by the Landlord in the course of such entry, but the Landlord shall in no event be responsible for the acts or negligence of any Persons providing cleaning REPAIR OR MAINTENANCE services in the Building. LANDLORD SHALL USE COMMERCIALLY REASONABLE EFFORTS TO ENSURE THAT ALL PERSONS PROVIDING SUCH SERVICES AND ALL OF ITS EMPLOYEES ARE BONDED OR OTHERWISE INSURED BY WAY OF COMPARABLE COVERAGE.

ARTICLE V - MAINTENANCE, REPAIRS AND ALTERATIONS

SECTION 5.01 MAINTENANCE BY LANDLORD

(a) The Landlord covenants to keep the following in good repair, ORDER AND CONDITION as a prudent owner IN ACCORDANCE WITH FIRST CLASS OFFICE BUILDING STANDARDS:

(i) the structure of the xxxxxxxxxx DEVELOPMENT including exterior walls, WINDOWS and roofs;

(ii) the mechanical, electrical and other base building systems xxx and WASHROOMS: AND

(iii) the entrance, lobbies, plazas, stairways, corridors, parking areas and other facilities from time to time provided for use in common by the Tenant and other tenants of the xxxxxxxxxx DEVELOPMENT.

If such maintenance or repairs are required by law due to the business carried on by the Tenant (OTHER THAN THE USES PERMITTED UNDER SECTION 1.04), then the full cost of such maintenance and repairs plus a sum equal to xxxxx 10% of such cost representing the Landlord's overhead, shall be paid by the Tenant to the Landlord.

(b) The Landlord shall not be responsible for any damages caused to the Tenant by reason of failure of any equipment or facilities serving the Development or delays in the performance of any work for which the Landlord is responsible under this Lease SAVE AND EXCEPT ONLY THE NEGLIGENCE OF THE LANDLORD. The Landlord shall have the right to stop, interrupt or reduce any services, systems or utilities provided to, or serving the Development or Premises to perform repairs, alterations or maintenance or to comply with laws or regulations, or binding requirements of its insurers, or for causes beyond the Landlord's reasonable control or as a result of the Landlord exercising its rights under Section 3.02. The Landlord shall not be in breach of its covenant for quiet enjoyment or liable for any loss, cost or damages, whether direct or indirect, incurred by the Tenant due to any of the foregoing, but the Landlord shall make reasonable BEST efforts to restore the services, utilities or systems so stopped, interrupted or reduced AS EXPEDITIOUSLY AS POSSIBLE.

(c) If the Tenant fails to carry out any maintenance, repairs or work required to be carried out by it under this Lease to the reasonable satisfaction of the Landlord AND SUCH IS AN EVENT OF DEFAULT, the Landlord may at its option carry out such maintenance or repairs without any

liability for any resulting damage to the Tenant's property or business. The cost of such work, plus a sum equal to xxxxx 10% of such cost representing the Landlord's overhead, shall be paid by the Tenant to the Landlord.

SECTION 5.02 MAINTENANCE BY TENANT; COMPLIANCE WITH LAWS

(a) The Tenant shall at its sole cost repair and maintain the Premises exclusive of base building mechanical and electrical systems, all to a standard consistent with a first class office building, with the exception only of those repairs which are the obligation of the Landlord under this Leasexxx AND subject to Article VII. The Landlord may ON REASONABLE PRIOR NOTICE (EXCEPT IN CASE OF AN EMERGENCY) enter the Premises at all reasonable times to view their condition and the Tenant shall maintain and keep the Premises in good and substantial repair according to notice in writing. At the expiration or earlier termination of the Term, the Tenant shall surrender the Premises to the Landlord in as good condition and repair as the Tenant is required to maintain the Premises throughout the Term SUBJECT TO ARTICLE VII.

(b) The Tenant shall, at its own expense, promptly comply with all laws, by-laws, government orders and with all reasonable requirements or directives of the Landlord's insurers affecting the Premises or their use, repair or alteration UNLESS SUCH ARE THE LANDLORD'S RESPONSIBILITY UNDER THIS LEASE. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, THE TENANT SHALL COMPLY WITH THE PROVISIONS OF ANY FEDERAL, PROVINCIAL, REGIONAL OR MUNICIPAL LAWS APPLICABLE TO THE TENANT AND THE PREMISES WITH RESPECT TO MAINTAINING A CLEAN ENVIRONMENT (SUBJECT TO THE TENANT'S RIGHTS TO APPEAL UNDER ANY SUCH LAWS). ON TERMINATION OF THE LEASE, THE TENANT SHALL LEAVE THE PREMISES IN A CLEAN AND TIDY CONDITION FREE OF ANY ENVIRONMENTAL CONTAMINATION THAT DID NOT EXIST AS AT THE BEGINNING OF THE FIXTURING PERIOD AND THAT RESULTED FROM THE TENANT'S OCCUPATION OR USE OF THE PREMISES.

SECTION 5.03 APPROVAL OF TENANT'S ALTERATIONS

(a) No Alterations shall be made to the Premises without the Landlord's written approval. The Tenant shall submit to the Landlord details of the proposed work including drawings and specifications prepared by qualified architects or engineers conforming to good engineering practice. THE LANDLORD SHALL RESPOND TO THE TENANT'S REQUEST FOR APPROVAL WITHIN SEVEN (7) DAYS FOLLOWING RECEIPT OF ALL REQUIRED DRAWINGS, SPECIFICATIONS AND OTHER DETAILS. All such Alterations shall be performed:

(i) at the sole cost of the Tenant;

(ii) by contractors and workmen approved by the Landlord IN WRITING, SUCH APPROVAL NOT TO BE UNREASONABLY WITHHELD OR DELAYED;

(iii) in a good and workmanlike manner;

(iv) in accordance with drawings and specifications approved by the Landlord, SUCH APPROVAL NOT TO BE UNREASONABLY WITHHELD OR DELAYED;

(v) in accordance with all applicable legal and insurance requirements;

(vi) subject to the reasonable regulations, supervision, control and inspection of the Landlord; and

(vii) IF THE LANDLORD, ACTING REASONABLY, DETERMINES THAT THE TENANT'S FINANCIAL ABILITY TO PERFORM OR PAY FOR SUCH ALTERATIONS IS NOT SATISFACTORY, subject to such indemnification against liens and expenses as the Landlord reasonably requires.

The Landlord's reasonable cost of supervising all such work shall be paid by the Tenant OTHER THAN THE TENANT'S INITIAL WORK CARRIED OUT PURSUANT TO SECTION 12.03 IN RESPECT OF THE PREMISES, THE FIRST ADDITIONAL PREMISES AND THE SPECIAL REFUSAL SPACE (IF APPLICABLE).

(b) If the Alterations would affect the structure of the Building or any of the electrical, plumbing, mechanical, heating, ventilating or air conditioning systems or other base building systems, such work shall at the option of the Landlord be performed by the Landlord ON A COMPETITIVE PRICE BASIS at the Tenant's cost. On completion of such work, the cost of the work plus a sum equal to xxxxx 10% of said cost representing the Landlord's overhead, shall be paid to the Landlord. WITH RESPECT TO ALTERATIONS THAT WOULD AFFECT ANY OF THE ELECTRICAL, PLUMBING, MECHANICAL, HEATING, VENTILATING OR AIR CONDITIONING SYSTEMS OR OTHER BASE BUILDING SYSTEMS OF THE BUILDING, THE LANDLORD, DESPITE THE FOREGOING PROVISION OF THIS SECTION 5.03(b) IN RESPECT OF SUCH SYSTEMS, WILL NOT UNREASONABLY WITHHOLD ITS APPROVAL TO THE TENANT CARRYING OUT WORK IN ACCORDANCE WITH ANY REASONABLE CRITERIA OF THE LANDLORD FOR CARRYING OUT SUCH WORK.

(c) If the Tenant installs Leasehold Improvements, or makes Alterations which depart from the Building standard and which restrict access by the Landlord to any Building system, or which restrict the installation of the leasehold improvements of any other tenant in the Building AND SUCH HAVE NOT BEEN APPROVED BY THE LANDLORD OR REFERRED TO IN ANY PLANS SO APPROVED, then the Tenant shall be responsible for all costs incurred by the Landlord in obtaining access to such Building system, or in installing such other tenant's leasehold improvements.

SECTION 5.04 REPAIR WHERE TENANT AT FAULT

Notwithstanding any other provisions of this Lease but subject to Section xxxxxx 6.08, if the Development is damaged or destroyed or requires repair, replacement or alteration as a result of the act or omission of the Tenant, its employees, agents, invitees, licensees, contractors or others for whom it is in law responsible, the cost of the resulting repairs, replacements or alterations plus a sum equal to xxxxx 10% of such cost representing the Landlord's overhead, shall be paid by the Tenant to the Landlord.

SECTION 5.05 REMOVAL OF IMPROVEMENTS AND FIXTURES

All Leasehold Improvements (other than Trade Fixtures) shall immediately upon their placement become the Landlord's property without compensation to the Tenant. Except as otherwise agreed by the Landlord in writing, no Leasehold Improvements shall be removed from the Premises by the Tenant either during or at the expiry or sooner termination of the Term except that:

(a) the Tenant may, during the Term, in the usual course of its business, remove its Trade Fixtures, provided xxxxx xxx xxxxxxx THERE is not xxx xxxxxxx xxxxx xxxx xxxxxxx AN EVENT OF DEFAULT; and

(b) the Tenant shall, at the expiration or earlier termination of the Term, at its sole cost remove its Trade Fixtures from the Premises, failing which, at the option of the Landlord, the Trade Fixtures shall become the property of the Landlord and may be removed from the Premises and sold or disposed of by the Landlord in such manner as it deems advisable; and

(c) the Tenant shall NOT, at the expiration or earlier termination of the Term, xxx xxx xxxx xxxxx BE REQUIRED TO remove xxxxxx ANY of xxxxx ITS Leasehold Improvements in the Premises xxx xxx xxx xx xx xxxx OR restore the Premises xxx xxx xxxx xx xxx xxxxx xxx xxx x xxx xx xxx xxx xxx xxx xx xxx xx xxx xxx xxxxx xxxxx xxx xxx xxxxxx xxxxx xxxxxx xxxxxxxx xx xxx xxxxxxxx xxx xxx xxxxx xxx xxx xxxx xxxxx xx xxxxxxxxx xxxxx xxx xxxxxxxxxx xx xxx xxxx xxx xxxxx xxxx xx xxx xxxxxx xxx xxxxxx xxxxxx xx xxx xx xxxx xxx xxxxx xxx xxxxxx xxxxx xx xxxx xxxx xxxx xx xxxx xxx

xxxxxxxx xx xxx xxxxx xxx xxxxxx xxxxx xxx xx xxx xxx xxxx xxx xxxx xxxx xxx xxxxx xxx xx xx xxxx xxxxx xxx xxxx xxxxx xx xxxxxxxxxx xx xxxxxxx xxxxxx xxx xxxx xxxxx xxx xxxxxx xx xxxxxxx xxxxxxxxxxx xx xxx xxxxx xxxxx xxx xx xxxxxx xx xxx xx xxx xxx xxxxxxxxxx xxxxxxxx xx xxx xx xxx xxx xxx xxxx xx xxx xx xxx PROVIDED THAT THE TENANT SHALL LEAVE THE PREMISES IN GOOD AND SUBSTANTIAL REPAIR AND SHALL REPAIR ALL DAMAGE IN ACCORDANCE WITH ITS OBLIGATIONS UNDER THE LEASE BUT SUBJECT TO ARTICLE VII.

SECTION 5.06 LIENS

The Tenant shall promptly pay for all materials supplied and work done in respect of the Premises so as to ensure that no lien is registered against any portion of the Development or against the Landlord's or Tenant's interest therein. If a lien is registered or filed, the Tenant shall discharge xxxxxxxx OR VACATE IT AT ITS EXPENSE AS EXPEDITIOUSLY AS POSSIBLE AND IN ANY EVENT WITHIN TEN (10) DAYS OF WRITTEN NOTICE FROM THE LANDLORD ADVISING OF SUCH LIEN, failing which the Landlord may at its option xxxxxx VACATE the lien by paying the amount claimed to be due into court xxx and the amount so paid and all expenses of the Landlord including legal fees (on a solicitor and client basis) shall be paid by the Tenant to the Landlord.

SECTION 5.07 NOTICE BY TENANT

The Tenant shall notify the Landlord of any accident, defect, damage or deficiency in any part of the Premises or the Development which comes to the attention of the Tenant, its employees or contractors notwithstanding that the Landlord may have no obligation in respect thereof.

ARTICLE VI - INSURANCE AND INDEMNITY

SECTION 6.01 TENANT'S INSURANCE

(a) The Tenant shall maintain the following insurance throughout the Term at its sole cost:

(i) "All Risks" (including flood and earthquake) property insurance with reasonable deductibles, naming the Landlord, the owners of the Development and the Mortgagee as xxxxxxxx xxxxxxxx xxx xxx xxxxxx xxxxx xxx xxxxxxxx xxx xxxx xxx xxx xxxxxxx xxxxx xxx xxxx xxx xx xxx ADDITIONAL INSURED PARTIES and (except with respect to the Tenant's TRADE FIXTURES AND chattels) incorporating the Mortgagee's standard mortgage clause. Such insurance shall insure:

(1) xx xxxxx xxxx xxxxx xx xxx xxxx xxx TENANT'S TRADE FIXTURES, EQUIPMENT AND LEASEHOLD IMPROVEMENTS for which the Tenant is legally liable located on or in the Development xxxx in an amount equal to not less than 90% of the hill replacement cost thereof, subject to a stated amount co-insurance clause; and

(2) xxxxxx BUSINESS INTERRUPTION insurance in such amount as will reimburse the Tenant for loss attributable to all perils referred to in this paragraph 6.01(a)(i) or resulting from prevention of access to the Premises.

(ii) Comprehensive general liability insurance which includes the following coverages:

owners protective; personal injury; occurrence property damage; and employers and blanket contractual liability. Such policies shall contain inclusive limits of not less than $5,000,000, provide for cross liability, and name the Landlord as an ADDITIONAL insured.

(iii) Tenant's "all risks" legal liability insurance for the replacement cost value of the Premises;

(iv) Automobile liability insurance on a non-owned form including contractual liability, and on an owner's form covering all licensed vehicles operated by or on behalf of the Tenant, which insurance shall have inclusive limits of not less than $1,000,000; and

(v) Any other form of insurance which the Tenant or the Landlord, acting reasonably, or the Mortgagee REASONABLY requires from time to time in form, in amounts and for risks against which a prudent tenant would insure.

SO LONG AS THE TENANT IS LOYALTY MANAGEMENT GROUP OF CANADA INC., A RELATED TRANSFEREE OR THE PURCHASER OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF THE TENANT, THE TENANT SHALL BE ENTITLED TO SELF INSURE WITH RESPECT TO BUSINESS INTERRUPTION INSURANCE PURSUANT TO SECTION 6.01(a)(i)(2) AND EMPLOYERS AND BLANKET CONTRACTUAL LIABILITY COVERAGE PURSUANT TO SECTION 6.01(a)(ii), BUT SHALL BE DEEMED, FOR THE PURPOSES OF THIS LEASE, TO HAVE SATISFACTORILY TAKEN OUT SUCH INSURANCE COVERAGE.

(b) All policies referred to in this Section 6.01 shall:

(i) be taken out with insurers reasonably acceptable to the Landlord;

(ii) be in a form reasonably satisfactory to the Landlord;

(iii) IN RESPECT OF PROPERTY INSURANCE UNDER SECTION 6.01(a)(i) AND IN RESPECT OF INSURANCE UNDER SECTION 6.01(a)(ii) FOR OCCURRENCES ONLY WITHIN THE PREMISES, be non-contributing with, and shall apply only as primary and not as excess to any other insurance available to the Landlord;

(iv) not be invalidated as respects xxxxx ANY interests of the Landlord or the Mortgagee by reason of any breach of or violation of any warranty, representation, declaration or condition; and

(v) contain an undertaking by the insurers to notify the Landlord by registered mail not less than 30 days prior to any material change, cancellation or termination.

Certificates of insurance xxx xxx xxxxxxxxxxx xxxxxxxx xxxxx or other proof of insurance as reasonably required by the Landlord, shall be delivered to the Landlord prior to the Commencement Date and from time to time, forthwith upon REASONABLE request. If the Tenant fails to take out or to keep in force any insurance referred to in this Section 6.01 or should any such insurance not be approved by either the Landlord or the Mortgagee and should the Tenant not commence to diligently rectify (and thereafter proceed to diligently rectify) the situation within xxx xxxxxx FIVE (5) DAYS after written notice by the Landlord to the Tenant (stating, if the Landlord or the Mortgagee, from time to time, does not approve of such insurance, the reasons therefor) the Landlord has the right without assuming any obligation in connection therewith, to effect such insurance at the sole cost of the Tenant and all outlays by the Landlord shall be paid by the Tenant to the Landlord without prejudice to any other rights or remedies of the Landlord under this Lease.

SECTION 6.02 INCREASE IN INSURANCE PREMIUMS

The Tenant shall not keep or use in the Premises any article which may be prohibited by any fire insurance policy in force from time to time covering the Premises or the Building. If:

(a) the IMPROPER conduct of business in, or use or manner of use of the Premises;

(b) or any acts or omissions of the Tenant in the Development or any part thereof;

cause or result in any increase in premiums for any insurance carried by the Landlord with respect to the Development, the Tenant shall pay any such increase in premiums.

In determining whether increased premiums are caused by or result from the use or occupancy of the Premises, a schedule issued by the organization computing the insurance rate on the Development showing the various components of such rate, shall be conclusive evidence of the items and charges which make up such rate.

SECTION 6.03 CANCELLATION OF INSURANCE

If any insurer under any insurance policy covering any part of the Development or any occupant thereof cancels or threatens to cancel its insurance policy or reduces or threatens to reduce coverage under such policy by reason of the IMPROPER use of the Premises by the Tenant or by any assignee or subtenant of the Tenant, or by anyone permitted by the Tenant to be upon the Premises, the Tenant shall remedy such condition within xxx xxxxxx FIVE (5) DAYS after notice thereof by the Landlord.

SECTION 6.04 LOSS OR DAMAGE

The Landlord shall not be liable for any death or injury arising from or out of any occurrence in, upon, at, or relating to the Development or damage to property of the Tenant or of others located on the Premises or elsewhere in the Development, nor shall it be responsible for any loss of or damage to any property of the Tenant or others from any cause, whether or not any such death, injury, loss or damage results from the negligence of the Landlord, its agents, employees, contractors, or others for whom it may, in law, be responsible SAVE AND EXCEPT TO THE EXTENT SUCH LOSS, INJURY OR DAMAGE EXCEEDS INSURANCE PROCEEDS THE TENANT RECEIVES OR OUGHT TO HAVE RECEIVED UNDER POLICIES OF INSURANCE REQUIRED TO BE PLACED BY THE TENANT HEREUNDER. Without limiting the generality of the foregoing, the Landlord, EXCEPT AS AFORESAID shall not be liable for any injury or damage to Persons or property resulting from fire, explosion, falling plaster, falling ceiling tile, falling fixtures, steam, gas, electricity, water, rain, flood, snow or leaks from any part of the Premises or from the pipes, sprinklers, appliances, plumbing works, roof, windows or subsurface of any floor or ceiling of the Building or from the street or any other place or by dampness or by any other cause whatsoever. The Landlord shall not be liable for any such damage caused by other tenants or Persons on the Development or by occupants of adjacent property thereto, or the public, or caused by construction or by any private, public or quasi-public work. All property of the Tenant kept or stored on the Premises shall be so kept or stored at the risk of the Tenant only and the Tenant, EXCEPT AS AFORESAID, releases and agrees to indemnify the Landlord and save it harmless from any claims arising out of any damage to the same including, without limitation, any subrogation claims by the Tenant's insurers.

SECTION 6.05 LANDLORD'S INSURANCE

The Landlord shall throughout the Term carry:

(a) insurance on the Building ON A 100% REPLACEMENT COST BASIS (excluding the foundations and excavations) and the machinery, boilers and equipment in or servicing the Building and owned by the Landlord or the owners of the Building (excluding any property which the Tenant and other tenants are obliged to insure under Section 6.01 or similar sections of their respective

leases) against xx xxxx xxx xxxxxx "ALL RISKS" PROPERTY INSURANCE INCLUDING FLOOD, EARTHQUAKE AND COLLAPSE RESULTING FROM INSURED PERILS:

(b) LOSS OF RENTAL INCOME INSURANCE INSURING RENTAL INCOME FOR A PERIOD OF NOT LESS THAN TWELVE (12) MONTHS:

(c) COMPREHENSIVE GENERAL LIABILITY INSURANCE WHICH INCLUDES THE FOLLOWING COVERAGES: OWNER'S PROTECTIVE; PERSONAL INJURY; OCCURRENCE PROPERTY DAMAGE; AND EMPLOYERS AND BLANKET CONTRACTUAL LIABILITY with respect to the Landlord's operations in the Development xxxxxx IN AN AMOUNT OF NOT LESS THAN FIVE MILLION ($5,000,000.00) DOLLARS; AND

(d) such other form or forms of insurance as the Landlord or the Mortgagee reasonably considers advisable.

Such insurance shall be in such reasonable amounts and with such reasonable deductibles as would be carried by a prudent owner of a reasonably similar development, having regard to size, age and location. LANDLORD SHALL PROVIDE THE TENANT WITH CERTIFICATES OF INSURANCE ON REASONABLE REQUEST BY THE TENANT FROM TIME TO TIME.

Notwithstanding the Landlord's covenant in this Section and notwithstanding any contribution by the Tenant to the cost of the Landlord's insurance premiums, the Tenant acknowledges and agrees that:

(i) subject to Section xxxxxx 6.08, the Tenant is not relieved of any liability arising from or contributed to by its negligence or its willful act or omissions;

(ii) no insurable interest is conferred upon the Tenant under any insurance policies carried by the Landlord; and

(iii) the Tenant has no right to receive any proceeds of any insurance policies carried by the Landlord.

SECTION 6.06 INDEMNIFICATION OF THE LANDLORD

xxxxxxxxxxxxxxxx xxx xxxxx xxxxxxxxx xx xxxx xxxxxx SUBJECT TO SECTION 6.08, the Tenant shall indemnify the Landlord and save it harmless from all loss (including loss of Net Rent and Additional Rent) claims, actions, damages, liability and expense in connection with loss of life, personal injury, damage to property or any other loss or injury whatsoever arising out of this Lease, or any occurrence in, upon or at the Premises, or the occupancy or use by the Tenant of the Premises or any part thereof, or occasioned wholly or in part by any NEGLIGENT act or omission of the Tenant or by anyone permitted to be on the Premises by the Tenant EXCEPT TO THE EXTENT SUCH LOSS, INJURY OR DAMAGE WAS CAUSED BY THE NEGLIGENCE OF THE LANDLORD OR THOSE FOR WHOM THE LANDLORD IS IN LAW RESPONSIBLE. If the Landlord shall, without fault on its part, be made a party to any litigation commenced by or against the Tenant, then the Tenant shall protect, indemnify and hold the Landlord harmless in connection with such litigation. The Landlord ACTING REASONABLY may, at its option, participate in xxx xxxxxx xxxxxxxx xxx any litigation or settlement discussions relating to the foregoing, or any other matter for which the Tenant is required to indemnify the Landlord under this Lease.

SECTION 6.07 INDEMNIFICATION OF THE TENANT

EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS LEASE AND SUBJECT TO SECTION 6.09, THE LANDLORD SHALL INDEMNIFY THE TENANT AND SAVE IT HARMLESS FROM ALL CLAIMS, ACTIONS, DAMAGES, LIABILITIES AND EXPENSES IN CONNECTION WITH LOSS OF LIFE, PERSONAL INJURY, DAMAGE TO PROPERTY OR ANY OTHER LOSS OR INJURY WHATSOEVER TO THE EXTENT CAUSED OR OCCASIONED BY ANY NEGLIGENT ACT OR OMISSION OF THE LANDLORD, OR PERSONS FOR WHOM THE LANDLORD IS IN LAW RESPONSIBLE IN, UPON OR AT THE COMMON ELEMENTS OF THE BUILDING, EXCEPT TO THE EXTENT SUCH LOSS, INJURY OR DAMAGES WAS CAUSED

BY the negligence of the Tenantxxxxxx xxxx xxx xxxxxx xxxxxxxx xx xxxxxx xxxxxxx xxxx xxx xxxxxx xxxxxx xxx OR PERSONS FOR WHOM THE TENANT IS IN LAW RESPONSIBLE.

SECTION 6.08 RELEASE BY THE LANDLORD

THE TENANT, AND PERSONS FOR WHOM IT IS IN LAW RESPONSIBLE, ARE NOT RESPONSIBLE FOR ANY PART OF ANY LOSS OR DAMAGE TO PROPERTY OF THE LANDLORD THAT IS LOCATED IN, OR AS PART OF THE DEVELOPMENT CAUSED BY ANY OF THE PERILS OR CAUSES FOR WHICH THE LANDLORD IS REQUIRED UNDER SECTION 6.05 TO MAINTAIN INSURANCE.

SECTION 6.09 RELEASE BY THE TENANT

THE LANDLORD, AND PERSONS FOR WHOM IT IS IN LAW RESPONSIBLE, ARE NOT RESPONSIBLE FOR ANY PART OF ANY LOSS OR DAMAGE TO PROPERTY OF THE TENANT THAT IS LOCATED IN, OR AS PART OF THE PREMISES CAUSED BY ANY OF THE PERILS OR CAUSES FOR WHICH THE TENANT IS REQUIRED UNDER SECTION 6.01 TO MAINTAIN INSURANCE.

ARTICLE VII - DAMAGE AND DESTRUCTION

SECTION 7.01 NO ABATEMENT

If the Premises, the Building or the Development are damaged or destroyed in whole or in part by fire or any other occurrence, this Lease shall continue in full force and effect and there shall be no abatement of Rent except as provided in this Article VII.

SECTION 7.02 DAMAGE TO PREMISES

If the Premises are at any time destroyed or damaged as a result of fire or any other casualty required to be insured against by the Landlord under this Lease or otherwise insured against by the Landlord xxxx xxx xxxxxx xx xx xx xxx xxxxxxxx then the following provisions shall apply:

(a) if the Premises are rendered untenantable only in part, the Landlord shall diligently repair the Premises to the extent only of its obligations under Section 5.01 and xxxxx, PROVIDED THE LANDLORD, OR ITS ASSIGNEE OF INSURANCE PROCEEDS, RECEIVES SUFFICIENT FUNDS UNDER ITS RENTAL INCOME INSURANCE IT IS REQUIRED TO OBTAIN PURSUANT TO SECTION 6.05(b). Rent shall abate proportionately to the portion of the Premises rendered untenantable from the date of destruction or damage until the Landlord's repairs have been completed AND THE TENANT'S REPAIRS HAVE BEEN COMPLETED SUBJECT TO SECTION 7.02(d);

(b) if the Premises are rendered wholly untenantable, the Landlord shall diligently repair the Premises to the extent only of its obligations pursuant to Section 5.01 and xxxxx, PROVIDED THE LANDLORD, OR ITS ASSIGNEE OF INSURANCE PROCEEDS, RECEIVES SUFFICIENT FUNDS UNDER ITS RENTAL INCOME INSURANCE IT IS REQUIRED TO OBTAIN PURSUANT TO SECTION 6.05(b). Rent shall abate entirely from the date of destruction or damage until the Landlord's repairs have been completed AND THE TENANT'S REPAIRS HAVE BEEN COMPLETED SUBJECT TO SECTION 7.02(d);

(c) if the Premises are not rendered untenantable in whole or in part, the Landlord shall diligently perform such repairs to the Premises to the extent only of its obligations under Section 5.01, but in such circumstances xxxxx Rent shall not terminate or abate;

(d) upon being notified by the Landlord that the Landlord's repairs have been substantially completed, the Tenant shall WITHIN NINETY (90) DAYS (AS SUCH PERIOD MAY BE EXTENDED BY THE DURATION OF ANY DELAY CONTEMPLATED BY SECTION 11.02), diligently perform all repairs to the Premises which are the Tenant's responsibility under Section 5.02xxx and all other work required to fully restore the Premises for use in the Tenant's business, in every case at the

Tenant's cost and without any contribution to such cost by the Landlord, whether or not the Landlord has at any time made any contribution to the cost of supply, installation or construction of Leasehold Improvements in the Premises;

(e) nothing in this Section shall require the Landlord to rebuild the Premises in the condition which existed before any such damage or destruction so long as the Premises as rebuilt will have reasonably similar facilities to those in the Premises prior to such damage or destruction, having regard, however, to the age of the Building at such time; and

(f) PROVIDED THE LANDLORD HAS OBTAINED INSURANCE AS REQUIRED PURSUANT TO SECTION 6.05(a), nothing in this Section shall require the Landlord to undertake any repairs having a cost in excess of the insurance proceeds actually received by the Landlord with respect to such damage or destruction.

SECTION 7.03 RIGHT OF TERMINATION

Notwithstanding Section 7.02, if the damage or destruction which has occurred in the Premises is such that in the reasonable opinion of the Landlord the Premises cannot be rebuilt or made fit for the purposes of the Tenant within xxxx 120 days of the happening of the damage or destruction, the Landlord OR THE TENANT may, at its option, terminate this Lease on notice to the xxxxx OTHER given within 30 days after such damage or destruction. If THE DAMAGE OR DESTRUCTION WHICH HAS OCCURRED IN THE PREMISES IS NOT AS A RESULT OF FIRE OR ANY OTHER CASUALTY REQUIRED TO BE INSURED AGAINST BY THE LANDLORD UNDER THIS LEASE OR OTHERWISE INSURED AGAINST BY THE LANDLORD AND THE COST OF REPAIR IS IN EXCESS OF $100,000.00, THE LANDLORD OR THE TENANT MAY, AT THEIR OPTION, TERMINATE THIS LEASE ON NOTICE TO THE OTHER GIVEN WITHIN THIRTY (30) DAYS AFTER SUCH DAMAGE OR DESTRUCTION. BOTH THE LANDLORD AND THE TENANT AGREE TO ACT IN A COMMERCIALLY REASONABLE MANNER IN EXERCISING THEIR OPTION TO TERMINATE THIS LEASE PURSUANT TO THE PROVISIONS OF THIS SECTION 7.03 AND LANDLORD AGREES THAT IT WILL NOT EXERCISE ITS OPTION TO TERMINATE PURSUANT TO THIS SECTION 7.03 SOLELY TO DEPRIVE THE TENANT OF ITS INTEREST IN THIS LEASE OR TO TERMINATE THIS LEASE IN A MANNER THAT IN DISCRIMINATORY AGAINST THE TENANT IN RELATION TO ITS TREATMENT OF OTHER TENANTS IN THE DEVELOPMENT. IF NO such notice of termination is given, THE LANDLORD SHALL REPAIR AND RENT SHALL ABATE IN ACCORDANCE WITH THE PROVISIONS OF SECTION 7.02. IF ANY SUCH NOTICE OF TERMINATION IS GIVEN, Rent shall be apportioned and paid to the date of such damage or destruction and the Tenant shall immediately deliver vacant possession of the Premises in accordance with the terms of this Lease AND ALL PROCEEDS OF TENANT'S INSURANCE WITH RESPECT TO ITS CHATTELS AND TRADE FIXTURES SHALL BE PAID TO THE TENANT. THE LANDLORD AGREES TO RELEASE ITS INTEREST IN THE TENANT'S INSURANCE WITH RESPECT TO THE LEASEHOLD IMPROVEMENTS TO THE EXTENT THAT THE LANDLORD RECEIVES PROCEEDS FROM THE LANDLORD'S INSURANCE TO COVER THE LOSS OF THE LEASEHOLD IMPROVEMENTS.

SECTION 7.04 DESTRUCTION OF BUILDING

(a) Notwithstanding any other provision of this Lease, if

(i) 35% or more of the Total Rentable Area of the Building is destroyed or damaged by any cause; or

(ii) 35% or more of the Total Rentable Area of the Development is destroyed or damaged by any cause; or

(iii) portions of the Building or Lands which affect access or services essential thereto are damaged or destroyed; and

in the reasonable opinion of the Landlord, cannot be reasonably repaired within 180 days after the occurrence of the damage or destruction; then, the Landlord may, by notice to the Tenant given within 30 days of such damage or destruction, terminate this Lease, in which event neither the Landlord nor the Tenant shall be bound to repair and the Tenant shall surrender the

Premises to the Landlord within 30 days after delivery of its notice of termination and Rent shall be apportioned and paid to the date on which the Tenant delivers vacant possession of the Premises, subject to any abatement to which the Tenant may be entitled under Section 7.02 AND ALL PROCEEDS OF TENANT'S INSURANCE WITH RESPECT TO ITS CHATTELS AND TRADE FIXTURES SHALL BE PAID TO THE TENANT. THE LANDLORD AGREES TO RELEASE ITS INTEREST IN THE TENANT'S INSURANCE WITH RESPECT TO THE LEASEHOLD IMPROVEMENTS TO THE EXTENT THAT THE LANDLORD RECEIVES PROCEEDS FROM THE LANDLORD'S INSURANCE TO COVER THE LOSS OF THE LEASEHOLD IMPROVEMENTS. THE LANDLORD AGREES TO ACT IN A COMMERCIALLY REASONABLE MANNER IN EXERCISING ITS OPTION TO TERMINATE THIS LEASE PURSUANT TO THE PROVISIONS OF THIS SECTION 7.04(a) AND LANDLORD AGREES THAT IT WILL NOT EXERCISE ITS OPTION TO TERMINATE PURSUANT TO THIS SECTION 7.04(a) SOLELY TO DEPRIVE THE TENANT OF ITS INTEREST IN THIS LEASE OR TO TERMINATE THIS LEASE IN A MANNER THAT IS DISCRIMINATORY AGAINST THE TENANT IN RELATION TO ITS TREATMENT OF OTHER TENANTS IN THE DEVELOPMENT.

(b) If the Landlord is entitled to, but does not elect to terminate this Lease under Section 7.04(a), the Landlord shall, following such damage or destruction, diligently repair if necessary that part of the Development damaged or destroyed, but only to the extent of the Landlord's obligations under the terms of the various leases for premises in the Development and exclusive of any tenant's responsibilities with respect to such repair. If the Landlord elects to repair the Development, the Landlord may do so in accordance with plans and specifications other than those used in the original construction of the Development.

SECTION 7.05 ARCHITECT'S CERTIFICATE

The certificate of the Architect ADDRESSED TO THE TENANT shall bind the parties as to:

(a) the percentage of the Total Rentable Area of the Building or the Total Rentable Area of the Development damaged or destroyed;

(b) whether or not the Premises are rendered untenantable and the percentage of the Premises rendered untenantable;

(c) the date upon which either the Landlord's or Tenant's work of reconstruction or repair is completed or substantially completed and the date when the Premises are rendered tenantable; and

(d) the state of completion of any work of the Landlord or the Tenant.

ARTICLE VIII - ASSIGNMENT, SUBLETTING AND TRANSFERS

SECTION 8.01 ASSIGNMENTS, SUBLEASES AND TRANSFERS

The Tenant shall not enter into, consent to, or permit any Transfer without the prior written consent of the Landlord in each instance, which consent shall not be unreasonably withheld OR DELAYED but shall be subject to the Landlord's rights under Section 8.02. Notwithstanding any statutory provision to the contrary, it shall not be considered unreasonable for the Landlord to take into account the following factors in deciding whether to grant or withhold its consent:

(a) whether such Transfer is in violation or in breach of any covenants or restrictions made or granted by the Landlord to other tenants or occupants or prospective tenants or occupants of the Development; SUCH OTHER OR PROSPECTIVE TENANTS OR OCCUPANTS BEING HEREIN COLLECTIVELY REFERRED TO AS "OTHER TENANTS" OR INDIVIDUALLY AS "OTHER TENANT";

(b) whether in the Landlord's REASONABLE opinion, the financial background, business history and FINANCIAL capability of the proposed Transferee is satisfactory;

(c) WHETHER IN THE LANDLORD'S REASONABLE OPINION, THE SIGNAGE RIGHTS OF THE TENANT SET OUT

IN SECTION 12.08 WOULD BE APPROPRIATE OR DESIRABLE FOR THE PROPOSED TRANSFEREE OR TRANSFEREE (AS THE CASE MAY BE) HAVING REGARD TO ITS FINANCIAL BACKGROUND, BUSINESS HISTORY AND REPUTATION PROVIDED THAT IF NOT SO APPROPRIATE OR DESIRABLE, THE TENANT MAY WAIVE ALL OF ITS SIGNAGE RIGHTS UNDER SECTION 12.08 IF IN SO DOING, CONSENT WILL BE GRANTED; AND

(d) if the Transfer is to an existing tenant of the Landlord OTHER THAN AN EXISTING TENANT THAT CANNOT BE PHYSICALLY OR REASONABLY ACCOMMODATED BY THE LANDLORD IN THE DEVELOPMENT.

Consent by the Landlord to any Transfer if granted shall not constitute a waiver of the necessity for such consent to any subsequent Transfer. xxxxx xxxxxxxxxx xxxxxxxx xxxxx xxxxxxxx xxxxxxxxxxxxxxxx xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx xx xxx xxx xxx NO Transfer shall take place by reason of the failure of the Landlord to give notice to the Tenant within xxxx FIFTEEN (15) days as required by Section 8.02.

THE LANDLORD REPRESENTS TO THE TENANT THAT AS OF MARCH 26, 1997 THERE ARE NO EXISTING COVENANTS OR RESTRICTIONS AS DESCRIBED IN SECTION 8.01(a) TO OTHER TENANTS. LANDLORD SHALL NOT TAKE INTO ACCOUNT THE FACTOR SET OUT IN SECTION 8.01(a) UNLESS ANY SUCH COVENANT OR RESTRICTION IS GRANTED BY THE LANDLORD TO AN OTHER TENANT OF TWO (2) OR MORE FLOORS WHERE SUCH OTHER TENANT REASONABLY REQUIRES SUCH COVENANT OR RESTRICTION AND THE LANDLORD ACTING IN A COMMERCIALLY REASONABLE MANNER GRANTS SUCH COVENANT OR RESTRICTION. THE TENANT ACKNOWLEDGES THAT AN OTHER TENANT MAY REASONABLY REQUIRE A RESTRICTION OR COVENANT PROHIBITING THE USE IN THE PREMISES BY A TRANSFEREE OF THE TENANT COMPETING WITH THE PRINCIPAL USE OF THE OTHER TENANT.

DESPITE THE PROVISIONS OF THIS SUBSECTION 8.01, THE LANDLORD'S CONSENT SHALL BE PERMITTED WITHOUT THE REMAINING PROVISIONS OF ARTICLE VIII (OTHER THAN THIS PARAGRAPH) APPLYING FOR A TRANSFER TO ANY RELATED TRANSFEREE PROVIDED THAT: (i) THE TRANSFEREE AT ALL TIMES REMAINS A RELATED TRANSFEREE OF THE TENANT, (ii) THE TENANT SHALL HAVE GIVEN PRIOR WRITTEN NOTICE THEREOF TO THE LANDLORD, (iii) THE TENANT SHALL REMAIN LIABLE UNDER THIS LEASE AND SHALL NOT BE RELEASED FROM PERFORMING ANY OF THE TERMS OF THIS LEASE, AND (iv) THE RELATED TRANSFEREE SHALL EXECUTE AN AGREEMENT WITH THE LANDLORD AGREEING THAT THE RELATED TRANSFEREE AND THE LANDLORD WILL BE BOUND BY ALL OF THE TERMS OF THIS LEASE AS IF THE RELATED TRANSFEREE HAD ORIGINALLY EXECUTED THIS LEASE AS TENANT.

SECTION 8.02 LANDLORD'S RIGHT TO TERMINATE

If the Tenant intends to effect a Transfer, the Tenant shall give prior notice to the Landlord of such intent specifying the identity of the Transferee, the type of Transfer contemplated, the portion of the Premises affected thereby, and the financial and other terms of the Transfer, and shall provide such financial, business or other information relating to the proposed Transferee and its principals as the Landlord or any Mortgagee requires, together with copies of any documents which record the particulars of the proposed Transfer. The Landlord shall, within xxxx FIFTEEN (15) days after having received such notice and all requested information, notify the Tenant either that:

(a) it consents or does not consent to the Transfer in accordance with the provisions and qualifications of this Article VIII; or

(b) it elects to cancel this Lease as to the whole or part, as the case may be, of the Premises affected by the proposed Transfer, in preference to giving such consent.

DESPITE SECTION 8.02(b) THE LANDLORD MAY ONLY EXERCISE ITS ELECTION TO CANCEL THIS LEASE AS TO THE WHOLE OR PART UNDER SECTION 8.02(b) IF: (i) THE TRANSFER IS WITH RESPECT TO ALL OF THE PREMISES OR (ii) THE TRANSFER IS A SUBLEASE OF PART OF THE PREMISES COMPRISED OF NOT LESS THAN ONE (1) FULL FLOOR FOR A TERM EXPIRING ON OR ONE DAY PRIOR TO THE LAST DAY OF THE TERM.

If the Landlord elects to terminate this Lease it shall stipulate in its notice the termination date of this

Lease, which date shall be xxx xxxx xxxx xx xxxx xxxx xxxx xxxx xx xxxxx THE EFFECTIVE DATE OF THE TRANSFER PROVIDED THAT SUCH EFFECTIVE DATE SHALL NOT BE LATER THAN ONE (1) YEAR following the giving of xxxxxx notice of XXXXXXXXXXXXX THE TRANSFER BY THE TENANT. If the Landlord elects to terminate this Lease, the Tenant shall notify the Landlord within 10 days thereafter of the Tenant's intention either to refrain from such Transfer or to accept termination of this Lease or the portion thereof in respect of which the Landlord has exercised its rights. If the Tenant fails to deliver such notice within such 10 days or notifies the Landlord that it accepts the Landlord's termination, this Lease will as to the whole or affected part of the Premises, as the case may be, be terminated on the date of termination stipulated by the Landlord in its notice of termination. If the Tenant notifies the Landlord within 10 days that it intends to refrain from such Transfer, then the Landlord's election to terminate this Lease shall become void.

SECTION 8.03 CONDITIONS OF TRANSFER

(a) If there is a permitted Transfer, the Landlord may collect rent from the Transferee and apply the net amount collected to the Rent payable under this Lease but no acceptance by the Landlord of any payments by a Transferee shall be deemed a waiver of the Tenant's covenants or any acceptance of the Transferee as tenant or a release from the Tenant from the further performance by the Tenant of its obligations under this Lease. Any consent by the Landlord shall be subject to the Tenant and Transferee executing an agreement with the Landlord agreeing that the Transferee, LANDLORD AND TENANT will be bound by all of the terms of this Lease xxxxxx except in the case of a sublease xxxxxxxxxxxxx xxxx xx xx xxxxx xx xx xx xxx xxxxxxxxxx xxxxxxxxx xxx xxxxx xx xxxxxxxx IN WHICH EVENT THE SUBTENANT SHALL BE BOUND BY THE TERMS OF THIS LEASE OTHER THAN RENT, TERM AND DEFINITION OF PREMISES

(b) Notwithstanding any Transfer permitted or consented to by the Landlord, the Tenant shall remain liable under this Lease and shall not be released from performing any of the terms of this Lease.

(c) The Landlord's consent to any Transfer shall be subject to the condition that:

(i) the net RENT (EXCEPT IN THE CASE OF A SUBLEASE OF PART OF THE PREMISES IN WHICH CASE THE NET RENTAL RATE SHALL NOT BE LESS THAN THE FAIR MARKET RATE FOR SUBLEASED PREMISES IN DEVELOPMENTS COMPARABLE TO THE DEVELOPMENT) and additional rent payable by the Transferee shall not be less than the Rent payable by the Tenant under this Lease as at the effective date of the Transfer, (including any increases provided for in this Lease); and

(ii) if the net and additional rent to be paid by the Transferee under such Transfer exceeds the Rent payable under this Lease, ONE HALF OF the amount of such excess shall be paid by the Tenant to the Landlord, AFTER FIRST DEDUCTING ALL THE TENANT'S COSTS ASSOCIATED WITH SUCH TRANSFER, INCLUDING, BUT NOT LIMITED TO, LEASEHOLD IMPROVEMENT ALLOWANCES, BROKER COMMISSIONS, COST OF VACANCY AND MARKETING EXPENSES, ALL OF WHICH SHALL BE SUPPORTED BY COPY OF RECEIPTED INVOICES FORWARDED TO THE LANDLORD. If the Tenant receives from any Transferee, either directly or indirectly, any consideration other than rent or additional rent for such Transfer, either in the form of cash, goods or services (other than the proceeds of any financing as the result of a Transfer involving a mortgage, charge or similar security interest in this Lease) the Tenant shall forthwith pay to the Landlord xxxx ONE HALF OF THE amount equivalent to such consideration AFTER DEDUCTING ASSOCIATED COSTS AS AFORESAID. The Tenant and the Transferee shall execute any agreement required by the Landlord to give effect to the foregoing terms.

(d) Notwithstanding the effective date of any permitted Transfer as between the Tenant and the Transferee, all Rent for the month in which such effective date occurs shall be paid in advance by the Tenant so that the Landlord will not be required to accept partial payments of Rent for

such month from either the Tenant or Transferee.

(e) Any document evidencing any Transfer permitted by the Landlord, or setting out any terms applicable to such Transfer or the rights and obligations of the Tenant or Transferee thereunder, shall be prepared by the XXXXXXX TENANT or its solicitors and all associated legal costs shall be paid by the Tenant AND SUCH DOCUMENT SHALL BE SUBJECT TO THE LANDLORD'S REASONABLE APPROVAL. THE LANDLORD OR ITS SOLICITORS SHALL PREPARE, AT THE TENANT'S EXPENSE, ANY CONSENT DOCUMENT WITH RESPECT TO SUCH TRANSFER.

SECTION 8.04 PERMITTED SUBLETTING

SO LONG AS THE TENANT IS LOYALTY MANAGEMENT GROUP CANADA INC., A RELATED TRANSFEREE OR THE PURCHASER OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF THE TENANT, THE TENANT SHALL HAVE THE RIGHT TO NOT MORE THAN THREE (3) SUBLEASES OF NOT MORE THAN ONE THOUSAND (1,000) SQUARE FEET OF RENTABLE AREA EACH OF THE PREMISES PROVIDED THAT:

(a) THE TENANT SHALL HAVE GIVEN PRIOR WRITTEN NOTICE THEREOF TO THE LANDLORD AND PROVIDED THE LANDLORD WITH A TRUE COPY OF EACH SUCH SUBLEASE,

(b) THE TENANT SHALL REMAIN LIABLE UNDER THIS LEASE AND SHALL NOT BE RELEASED FROM PERFORMING ANY OF THE TERMS OF THE LEASE, AND

(c) THE TENANT SHALL CAUSE EACH SUCH SUBTENANT TO BE BOUND BY ALL OF THE TERMS OF THIS LEASE OTHER THAN RENT, TERM AND DEFINITION OF PREMISES. xxxxxxxxxxxxxx xxxxxx xx xxxxxxxxxxx xxxx xx xx xxxxx xxxxx xxxxxxxxxxxx xx xxxxxxxxxxxx xxx xxxxxx xx xxxxxxxx xxxxxxxx xx xxxxxxxxx xx xxxx xxxxxxxxxxx xx xxxxxxxxxxx xxxxx xx xxxxx xx xxxx xxxxxxxxxxxxxxxxx xxxxxxx xx xxx xx xxxx xxxxxxxxxxx xx xxxx xxxxxxxx xxxx xxxx xxxxxxx xxxxxxxx xxxxxxxxx xx xxx xxxxxxxx xx xxxx xxxxxxxxxxx xxxx xx xxx xxxxxxx x xxxxxxxxxx xxxxxxxx xx xxx xxxx xxx xxx xxx xxxxxxxxx xx xxx xxxxxxxxxxxxxxx xx xxxxx xx xxxxxxxxxx xxxxxxx xxxx xxxxxx xx xxxxxx xxx xxxxxxxxx

SECTION 8.05 NO ADVERTISING

The Tenant shall not advertise that the whole or any part of the Premises are available for a Transfer and shall not permit any broker or other Person to do so unless the text and format of such advertisement is REASONABLY approved in writing by the Landlord. No such advertisement shall contain any reference to the rental rate of the Premises.

SECTION 8.06 ASSIGNMENT BY LANDLORD

The Landlord shall have the unrestricted right to sell, lease, convey or otherwise dispose of all or any part of the Development or this Lease or any interest of the Landlord in this Lease. To the extent that the purchaser or assignee from the Landlord assumes the obligations of the Landlord under this Lease AND DELIVERS AN UNDERTAKING TO THE TENANT TO BE BOUND BY THE PROVISIONS OF THIS LEASE, the Landlord shall thereupon and without further agreement be released from all liability under this Lease.

ARTICLE IX - DEFAULT

SECTION 9.01 DEFAULT AND REMEDIES

If and whenever an Event of Default occurs, then without prejudice to any other rights which it has pursuant to this Lease or at law, the Landlord shall have the following rights and remedies, which are cumulative and not alternative:

(a) to terminate this Lease by notice to the Tenant;

(b) to enter the Premises as agent of the Tenant and to relet the Premises for whatever term, and on such terms as the Landlord in its discretion may determine and to receive the rent therefor and as agent of the Tenant to take possession of any property of the Tenant on the Premises, to store such property at the expense and risk of the Tenant or to sell or otherwise dispose of such property in such manner as the Landlord may see fit without notice to the Tenant; to make alterations to the Premises to facilitate their reletting; and to apply the proceeds of any such sale or reletting first, to the payment of any expenses incurred by the Landlord with respect to any such reletting or sale; second, to the payment of any indebtedness of the Tenant to the Landlord other than rent; and third, to the payment of Rent in arrears; with the residue to be held by the Landlord and applied in payment of future Rent as it becomes due and payable. The Tenant shall remain liable for any deficiency to the Landlord;

(c) to remedy or attempt to remedy any default of the Tenant under this Lease for the account of the Tenant and to enter upon the Premises for such purposes. No notice of the Landlord's intention to perform such covenants need be given the Tenant unless expressly required by this Lease. The Landlord shall not be liable to the Tenant for any loss, injury or damage caused by acts of the Landlord in remedying or attempting to remedy such default and the Tenant shall pay to the Landlord all REASONABLE expenses incurred by the Landlord in connection with remedying or attempting to remedy such default;

(d) to recover from the Tenant all damages, and expenses incurred by the Landlord as a result of any breach by the Tenant including, if the Landlord terminates this Lease, any deficiency between those amounts which would have been payable by the Tenant for the portion of the Term following such termination and the net amounts actually received by the Landlord during such period of time with respect to the Premises; AND

(e) to recover from the Tenant the full amount of the current month's Rent together with the next 3 months' instalments of Rent, all of which shall accrue on a day-to-day basis and shall immediately become due and payable as accelerated rent. xxxxxxxxxxx xx xxxx xxxxx xxxxxxx xxxxxxxxx xx xxxxxxxxxx xxxx xxxxxxxxxxx xxxx xx xxxxxxx xxxx xxx xxxxxxxxxx xxxxxxxxxx xxxx xx xxxx xxxxxxxxx xxxxxxxxxx xxxxxxxxxx xx xxxxxxxxxx xxxx xx xx xxxxxxxx xxxxx xxxx xxxxx xx xxxx xxxx xxxxxxxxxxx xxxx xxxx xxxx xxxxx xx xxxx xxxx xx xxxx xxxx xx xxxxxxx xx xxx xxxxxxxx xx xxxx xxxxxxxxxxxxxxx xxxxx xxxxx xxxxx xx xx xxxxxxx xxxx xx xxxxxxxxxxx xxx xxxxxxxx xxxx xxxxx xx xxxxxxxxxxxx xxxxxxx xxxxxx

SECTION 9.02 DISTRESS

Notwithstanding any provision of this Lease or any provision of applicable legislation, xxxxx xxxxx xxxxx xxx xxxxxxxx xx xxx xxxxxx xx xxx xxxxxxxx xx xxx xxxxx xxx xxx xxxx xxxxx xx xxxxxxx xxxxx THE LANDLORD MAY AT ANY TIME levy by distress for Rent in arrearsxxxxx xxxxxxxx xxxxxxx xxxx xxxx xxxxx xxxxxxxxxxxxxxx WITH RESPECT TO ALL THE TENANT'S GOODS, CHATTELS, EQUIPMENT AND TRADE FIXTURES (OTHER THAN THE TENANT'S FINANCIAL AND PERSONNEL RECORDS AND OTHER THAN THE TENANT'S DATA BASE) BUT OTHERWISE SUBJECT TO THE PROVISIONS OF THE LANDLORD AND TENANT ACT (ONTARIO) AS MAY BE AMENDED FROM TIME TO TIME. If the Landlord makes any claim against the goods and chattels of the Tenant by way of distress, this provision may be pleaded as an estoppel against the Tenant in any action brought to test the right of the Landlord to levy such distress.

SECTION 9.03 COSTS

xxxx xxxxxxxx EACH PARTY shall pay to the xxxxxxxxxxxx OTHER PARTY all damages and costs (including, without limitation, all legal fees on a solicitor and his client basis) incurred by the xxxxxxxxxx OTHER PARTY in enforcing the terms of this Lease IF THERE IS AN EVENT OF DEFAULT, or with respect to any matter or thing which is the obligation of xxxxx xxxxxxx xxxxx xxxxxx xxxxxxxx xx xx xxxxxxxx xx xxxxxxxxxx xxxxxxxxxxxxx xxxxxxx xx xxxxxxxxxx xx xx xxxxxxxxxxx xxxxxxxxxxxx SUCH PARTY UNDER THIS LEASE.

SECTION 9.04 ALLOCATION OF PAYMENTS

xxxxx IF THERE IS AN EVENT OF DEFAULT, THE Landlord may at its option apply sums received from the Tenant against any amounts due and payable by the Tenant under this Lease in such manner as the Landlord sees fit.

SECTION 9.05 SURVIVAL OF OBLIGATIONS

If the Tenant has failed to fulfil its obligations under this Lease with respect to the maintenance, repair and alteration of the Premises and removal of xxxxxxxxxxxxxxx xxxx fixtures from the Premises during or at the end of the Term, such obligations and the Landlord's rights in respect thereto shall remain in full force and effect notwithstanding the expiration or sooner termination of the Term.

ARTICLE X - STATUS STATEMENT, ATTORNMENT AND SUBORDINATION

SECTION 10.01 STATUS STATEMENT

Within 10 days after written request by EITHER the Landlordxx OR the Tenant, THE OTHER PARTY shall deliver in a form supplied by the Landlord a statement or estoppel certificate to the x xxxxxxxx SUCH PARTY as to the status of this Lease, including as to whether this Lease is unmodified and in full force and effect (or, if there have been modifications that this Lease is in full force and effect as modified and identifying the modification agreements); the amount of Net Rent and Additional Rent then being paid and the dates to which same have been paid; whether or not there is any existing or alleged default by either party with respect to which a notice of default has been served and if there is any such default, specifying the nature and extent thereof; and any other matters pertaining to this Lease as to which xxxx xxxxxxxxx SUCH PARTY shall request such statement or certificate.

SECTION 10.02 SUBORDINATION

This Lease and all rights of the Tenant shall be subject and subordinate to any and all Mortgages and any ground, operating, overriding or underlying leases, from time to time in existence against the Development or any part thereof. SUCH SUBORDINATION BY THE TENANT SHALL ONLY BE EFFECTIVE IF THE MORTGAGEE HAS AGREED TO THE TENANT'S RIGHT TO QUIET ENJOYMENT OF THE PREMISES WITHOUT INTERRUPTION OR DISTURBANCE FROM OR BY SUCH MORTGAGEE, THE REQUIREMENT OF THE MORTGAGEE, WHILE IN POSSESSION, TO PERFORM THE LANDLORD'S OBLIGATIONS UNDER THIS LEASE ARISING DURING THE MORTGAGEE'S PERIOD OF POSSESSION TOGETHER WITH ANY AND ALL RIGHTS, PRIVILEGES AND BENEFITS TO WHICH THE TENANT MAY BE ENTITLED UNDER THE TERMS OF THE LEASE DESPITE ANY DEFAULT BY THE LANDLORD TO THE MORTGAGEE AND SO LONG AS THERE IS NO EVENT OF DEFAULT. On request, the Tenant shall subordinate this Lease and its rights under this Lease to any and all such Mortgages and leases and to all advances made under such Mortgages AND THE LANDLORD SHALL PAY THE MORTGAGEE'S COSTS IN CONNECTION THEREWITH. The form of such subordination shall be as required by the Landlord or any Mortgagee or the lessee under any such lease. LANDLORD SHALL AT THE TENANT'S REQUEST OBTAIN WITHIN SIXTY (60) DAYS OF SUCH REQUEST AN AGREEMENT AT THE SOLE COST AND EXPENSE OF THE TENANT (NOT TO EXCEED $10,000.00) FROM EACH EXISTING MORTGAGEE HAVING AN INTEREST IN THE BUILDING AS OF THE DATE OF THIS LEASE AND WHOSE INTEREST IS PRIOR TO THE TENANT'S LEASEHOLD INTEREST IN THE BUILDING WHEREBY THE TENANT SHALL HAVE THE RIGHT TO QUIET ENJOYMENT OF THE PREMISES WITHOUT INTERRUPTION OR DISTURBANCE FROM OR BY SUCH MORTGAGEE, THE MORTGAGEE WHILE IN POSSESSION SHALL PERFORM THE LANDLORD'S OBLIGATIONS UNDER THE LEASE ARISING DURING THE MORTGAGEE'S PERIOD OF POSSESSION TOGETHER WITH ANY AND ALL RIGHTS, PRIVILEGES AND BENEFITS TO WHICH THE TENANT MAY BE ENTITLED UNDER THE TERMS OF THE LEASE DESPITE ANY DEFAULT BY THE LANDLORD TO THE MORTGAGEE AND SO LONG AS THERE IS NO EVENT OF DEFAULT.

SECTION 10.03 ATTORNMENT

The Tenant shall promptly, on request, attorn to any Mortgagee, or to the owners of the Building and Lands, or the lessor under any ground, operating, overriding, underlying or similar lease of all or

substantially all of the Building made by the Landlord or otherwise affecting the Building and Lands, or the purchaser on any foreclosure or sale proceedings taken under any Mortgage, and shall recognize such Mortgagee, owner, lessor or purchaser as the Landlord under this Lease.

xxxxxxxx xxxxx xxxxxxxxxxxxx xxxxxxxxxxxx xxx x xxxxxx x xxxxxxx xxxxxxxxxxxx xxx xxxxxxxx xxx xxxxx xxx xxxxxxxx xx xxx xxxxxx xxx xxx xxxxxxxxx xx xxxxxxxxx xxx xxxxxxxxxx xxxxxxxxxxx xxxxxxxxxx xx xxxxxxxxxxxxx xxxxxxxx xx xxxx xxxxx xxx xxx xxxxxxxxxx xxxxxxxxxxxx xx xxxxxx xx xxx xxxxxxxxx xx xxx xxxx xxxxx xx xxxxxxx xxxx xxxxxxxxx xxxxxx xx xxxx xxxxx xxxxxxx xx xxx xxxxxxxxxxxx

ARTICLE XI - GENERAL PROVISIONS

SECTION 11.01 RULES AND REGULATIONS

The Tenant shall comply with all Rules and Regulations, and amendments thereto, adopted by the Landlord from time to time including those set out in Schedule "D". Such Rules and Regulations may differentiate between different types of businesses in the Building, and the Landlord shall xxxxx xx xxxxxxxxxx USE COMMERCIALLY REASONABLE EFFORTS to enforce any Rule or Regulation or the provisions of any other lease against any other tenant, and the Landlord shall have no liability to the Tenant with respect thereto.

SECTION 11.02 DELAY

Except as expressly provided in this Lease, whenever the Landlord or Tenant is delayed in the fulfillment of any obligation under this Lease (other than the payment of Rent and xxxxxxxxxxxxx VACATING of the Premises on termination) by an unavoidable occurrence which is not the fault of the party delayed in performing such obligation, then the time for fulfillment of such obligation shall be extended during the period in which such circumstances operate to delay the fulfilment of such obligation.

SECTION 11.03 OVERHOLDING

If the Tenant remains in possession of the Premises after the end of the Term with the consent of the Landlord but without having executed and delivered a new lease or an agreement extending the Term, there shall be no tacit renewal of this Lease, and the Tenant shall be deemed to be occupying the Premises as a Tenant from month to month TERMINABLE BY EITHER PARTY ON NOT LESS THAN NINETY (90) DAYS' WRITTEN NOTICE AND at a monthly Net Rent payable in advance on the first day of each month equal to xxxxxxxx 150% OF the monthly amount of Net Rent payable during the last month of the Term, and otherwise upon the same terms as are set forth in this Lease, so far as these are applicable to a monthly tenancy.

SECTION 11.04 WAIVER

If either the Landlord or Tenant excuses or condones any default by the other of any obligation under this Lease, no waiver of such obligation shall be implied in respect of any continuing or subsequent default.

SECTION 11.05 REGISTRATION

Neither the Tenant nor anyone claiming under the Tenant shall register this Lease or any Transfer without the prior written consent of the Landlord. If the Tenant or any permitted Transferee wishes to register a document for the purposes of giving notice of this Lease or a Transfer, then the Landlord shall, at the request and expense of the Tenant, execute a notice, caveat or short form of Lease for the purposes of registration in such form as REASONABLY approved by the Landlord and without disclosure of any MONETARY terms which the Landlord does not desire to have disclosed. If the Lands comprise more than one parcel of land, the Landlord may direct the Tenant or Transferee as to the parcel or parcels against which registration may be affected PROVIDED SUCH INCLUDE THE

PREMISES AND ACCESS THERETO.

SECTION 11.06 NOTICES

Any notice, consent or other instrument which may be or is required to be given under this Lease shall be in writing and shall be delivered in person or sent by registered mail postage prepaid, addressed: (a) if to the Landlord: c/o The Cadillac Fairview Corporation Limited, 20 Queen Street West, 5th Floor, Toronto, Ontario, M5H 3R4, Attention: Executive Vice President, Property Management, with a copy to the Building Manager and (b) if to the Tenant, at the Premises xxx xx xxx xxxxxxxxxx xxxxxx xx xxx xxxxxx xxxx, ATTENTION: CHIEF FINANCIAL OFFICER AND GENERAL COUNSEL. Any such notice or other instrument shall be deemed to have been given and received on the day upon which personal delivery is made or, if mailed, then 48 hours following the date of mailing. Either party may give notice to the other of any change of address WITHIN CANADA and after the giving of such notice, the address therein specified is deemed to be the address of such party for the giving of notices. If postal service is interrupted or substantially delayed, all notices or other instruments shall be delivered in person.

SECTION 11.07 SUCCESSORS

The rights and liabilities created by this xxxxxxx LEASE extend to and bind the successors and assigns of the Landlord and the heirs, executors, administrators and permitted successors and assigns of the Tenant. No rights, however, shall enure to the benefit of any Transferee unless the provisions of Article VIII are complied with.

SECTION 11.08 JOINT AND SEVERAL LIABILITY

If there is at any time more than one Tenant or LANDLORD OR more than one Person constituting the Tenant OR LANDLORD, their covenants shall be considered to be joint and several and shall apply to each and every one of them. If the Tenant is or becomes a partnership, each Person who is a member, or shall become a member, of such partnership or its successors shall be and continue to be jointly and severally liable for the performance of all covenants of the Tenant pursuant to this Lease, whether or not such Person ceases to be a member of such partnership or its successor.

SECTION 11.09 CAPTIONS AND SECTION NUMBERS

The captions, section numbers, article numbers and table of contents appearing in this xxxxxxxxx LEASE are inserted only as a matter of convenience and in no way affect the substance of this Lease.

SECTION 11.10 EXTENDED MEANINGS

The words "hereof", "hereto" and "hereunder" and similar expressions used in this Lease relate to the whole of this Lease and not only to the provisions in which such expressions appear. This Lease shall be read with all changes in number and gender as may be appropriate or required by the context. Any reference to the Tenant includes, where the context allows, the employees, agents, invitees and licensees of the Tenant and all others over whom the Tenant might reasonably be expected to exercise control.

SECTION 11.11 PARTIAL INVALIDITY

All of the provisions of this Lease are to be construed as covenants even though not expressed as such. If any such provision is held or rendered illegal or unenforceable it shall be considered separate and severable from this Lease and the remaining provisions of this Lease shall remain in force and bind the parties as though the illegal or unenforceable provision had never been included in this Lease.

SECTION 11.12 ENTIRE AGREEMENT

This Lease and the Schedules and riders, if any, attached hereto, and the Landlord's leasehold improvement manual, set forth the entire agreement between the Landlord and Tenant concerning the Premises and there are no agreements or understandings between them other than as are herein set forth. Subject to Section 11.01, this Lease and its Schedules and riders may not be modified except by agreement in writing executed by the Landlord and Tenant.

SECTION 11.13 GOVERNING LAW

This Lease shall be construed in accordance with and governed by the laws of the Province of Ontario.

SECTION 11.14 TIME OF THE ESSENCE

Time is of the essence of this Lease.

SECTION 11.15 QUIET ENJOYMENT

If xxxx xxxxxx xxxx xxxxx xxxxx xxxxxxxx xxx xx xxx xxxxxxxxxxxx xxxxx xxxx xxxxxxx xxx xxxxx xxx xxxxx THERE IS no Event of Default, the Tenant shall be entitled to peaceful and quiet enjoyment of the Premises for the Term without interruption or interference by the Landlord or any Person claiming through the Landlord.

ARTICLE XII - SPECIAL PROVISIONS

SECTION 12.01 LEASEHOLD IMPROVEMENT ALLOWANCE

AS AN INDUCEMENT TO ENTER INTO THIS LEASE, THE LANDLORD WILL PAY TO THE TENANT THE FOLLOWING LEASEHOLD IMPROVEMENT ALLOWANCES FOR THE PURPOSE OF CARRYING OUT TENANT'S WORK ON THE PREMISES:

(a) FIRST LEASEHOLD IMPROVEMENT ALLOWANCE

WITH RESPECT TO THE PREMISES (OTHER THAN THE FIRST ADDITIONAL PREMISES) THE LANDLORD WILL PAY TO THE TENANT THE SUM EQUAL TO TWENTY FIVE DOLLARS ($25.00) PER SQUARE FOOT (PLUS APPLICABLE GOODS AND SERVICE TAX) OF THE RENTABLE AREA OF THE PREMISES (OTHER THAN THE FIRST ADDITIONAL PREMISES). THE LANDLORD SHALL, ON NOT MORE THAN THREE SEPARATE OCCASIONS WHILE THE TENANT IS CARRYING OUT ITS LEASEHOLD IMPROVEMENTS WITH RESPECT TO THE PREMISES (OTHER THAN THE FIRST ADDITIONAL PREMISES) ADVANCE TO THE TENANT PORTIONS OF THE FIRST LEASEHOLD IMPROVEMENT ALLOWANCE (SUBJECT TO VERIFICATION OF THE RENTABLE AREA OF THE PREMISES) TO BE PAYABLE WITHIN TEN BUSINESS DAYS (BEING ANY DAY OTHER THAN SATURDAYS, SUNDAYS OR STATUTORY HOLIDAYS) FOLLOWING THE DATE OF THE TENANT'S WRITTEN REQUEST FOR SUCH DRAW (AND SUBJECT TO ALL REQUIRED HOLDBACKS UNDER THE CONSTRUCTION LIEN ACT (ONTARIO)) SUBJECT TO RECEIPT, REVIEW AND APPROVAL BY THE LANDLORD OF EACH OF THE FOLLOWING:

(i) DELIVERY OF RECEIPTED INVOICES FOR ALL TENANT'S WORK COMPLETED TO DATE OF SUCH DRAW REQUEST;

(ii) THE TENANT SATISFYING THE LANDLORD THAT THE VALUE OF THE CONSTRUCTION MATERIALS AND THE LABOUR THEREFOR IS COMMENSURATE WITH THE AMOUNTS INVOICED;

(iii) THE STATEMENT FROM THE TENANT'S CONTRACTOR CERTIFYING THAT THE LEVEL OF WORK HAS BEEN COMPLETED IN RESPECT TO THE CURRENT PROGRESS DRAW;

(iv) AN INVOICE FROM THE TENANT TO THE LANDLORD INCLUDING THE TENANT'S GOODS AND

SERVICES TAX REGISTRATION NUMBER. IN LIEU OF RECEIPTED INVOICES FOR THE PERFORMANCE OF THE TENANT'S WORK, THE LANDLORD SHALL ACCEPT UNRECEIPTED INVOICES PROVIDED THAT THE TENANT DELIVERS TO THE LANDLORD, IN ADDITION TO SUCH OTHER REQUIREMENTS SET FORTH IN THIS SECTION 12.01 A STATUTORY DECLARATION BY THE TENANT'S CONTRACTOR THAT ALL SUBCONTRACTORS, THEIR EMPLOYEES AND SUPPLIERS HAVE BEEN PAID, AS WELL AS A DIRECTION TO THE LANDLORD ASSIGNING PAYMENT TO THE TENANT'S CONTRACTOR AND THE TENANT JOINTLY.

PRIOR TO MAKING THE FINAL ADVANCE OF THE FIRST LEASEHOLD IMPROVEMENT ALLOWANCE, THE TENANT SHALL PROVIDE EACH OF THE FOLLOWING TO THE LANDLORD:

(v) AS BUILT ARCHITECTURAL, MECHANICAL AND ELECTRICAL DRAWINGS WITH RESPECT TO THE TENANT'S IMPROVEMENTS TO THE PREMISES (OTHER THAN THE FIRST ADDITIONAL PREMISES):

(vi) COMPLETION OF ALL OF THE TENANT'S LEASEHOLD IMPROVEMENTS IN ACCORDANCE WITH PLANS AND SPECIFICATIONS PROVIDED BY THE TENANT TO THE LANDLORD AND APPROVED BY THE LANDLORD:

(vii) EVIDENCE SATISFACTORY TO THE LANDLORD THAT ALL ACCOUNTS RELATING TO THE TENANT'S LEASEHOLD IMPROVEMENTS HAVE BEEN PAID AND THAT NO LIENS HAVE OR MAY BE CLAIMED WITH RESPECT THERETO; AND

(viii) A STATUTORY DECLARATION OF AN OFFICER OF THE TENANT CONFIRMING THAT THERE ARE NO LIENS REGISTERED AGAINST THE PREMISES OR THE BUILDING IN RELATION TO THE TENANT'S WORK ON THE PREMISES.

THE LANDLORD SHALL ONLY BE REQUIRED TO PAY THE LESSER OF THE FIRST LEASEHOLD IMPROVEMENT ALLOWANCE AND THE TOTAL COST OF THE TENANT'S WORK WITH RESPECT TO THE PREMISES (OTHER THAN THE FIRST ADDITIONAL PREMISES). IN THE EVENT THE TOTAL COST OF THE TENANT'S WORK WITH RESPECT TO THE PREMISES (OTHER THAN THE FIRST ADDITIONAL PREMISES) IS LESS THAN THE FIRST LEASEHOLD IMPROVEMENT ALLOWANCE, THE LANDLORD SHALL CREDIT THE TENANT WITH SUCH DIFFERENCE AGAINST THE FIRST RENTS DUE UNDER THE LEASE.

(b) SECOND LEASEHOLD IMPROVEMENT ALLOWANCE

WITH RESPECT TO THE FIRST ADDITIONAL PREMISES THE LANDLORD WILL PAY TO THE TENANT THE SUM EQUAL TO TWENTY FIVE DOLLARS ($25.00) PER SQUARE FOOT (PLUS APPLICABLE GOODS AND SERVICE TAX) OF THE RENTABLE AREA OF THE FIRST ADDITIONAL PREMISES. THE LANDLORD SHALL, ON NOT MORE THAN THREE SEPARATE OCCASIONS WHILE THE TENANT IS CARRYING OUT ITS LEASEHOLD IMPROVEMENTS WITH RESPECT TO THE FIRST ADDITIONAL PREMISES ADVANCE TO THE TENANT PORTIONS OF THE SECOND LEASEHOLD IMPROVEMENT ALLOWANCE (SUBJECT TO VERIFICATION OF THE RENTABLE AREA OF THE FIRST ADDITIONAL PREMISES) TO BE PAYABLE WITHIN TEN BUSINESS DAYS FOLLOWING THE DATE OF THE TENANT'S WRITTEN REQUEST FOR SUCH DRAW (AND SUBJECT TO ALL REQUIRED HOLDBACKS UNDER THE CONSTRUCTION LIEN ACT (ONTARIO)) SUBJECT TO RECEIPT, REVIEW AND APPROVAL BY THE LANDLORD OF EACH OF THE FOLLOWING:

(i) DELIVERY OF RECEIPTED INVOICES FOR ALL TENANT'S WORK COMPLETED TO DATE OF SUCH DRAW REQUEST;

(ii) THE TENANT SATISFYING THE LANDLORD THAT THE VALUE OF THE CONSTRUCTION MATERIALS AND THE LABOUR THEREFOR IS COMMENSURATE WITH THE AMOUNTS INVOICED;

(iii) THE STATEMENT FROM THE TENANT'S CONTRACTOR CERTIFYING THAT THE LEVEL OF WORK HAS BEEN COMPLETED IN RESPECT TO THE CURRENT PROGRESS DRAW;

(iv) AN INVOICE FROM THE TENANT TO THE LANDLORD INCLUDING THE TENANT'S GOODS AND SERVICES TAX REGISTRATION NUMBER. IN LIEU OF RECEIPTED INVOICES FOR THE

PERFORMANCE OF THE TENANT'S WORK, THE LANDLORD SHALL ACCEPT UNRECEIPTED INVOICES PROVIDED THAT THE TENANT DELIVERS TO THE LANDLORD, IN ADDITION TO SUCH OTHER REQUIREMENTS SET FORTH IN THIS SECTION 12.01, A STATUTORY DECLARATION BY THE TENANT'S CONTRACTOR THAT ALL SUBCONTRACTORS, THEIR EMPLOYEES AND SUPPLIERS HAVE BEEN PAID, AS WELL AS A DIRECTION TO THE LANDLORD ASSIGNING PAYMENT TO THE TENANT'S CONTRACTOR AND THE TENANT JOINTLY.

PRIOR TO MAKING THE FINAL ADVANCE OF THE SECOND LEASEHOLD IMPROVEMENT ALLOWANCE, THE TENANT SHALL PROVIDE EACH OF THE FOLLOWING TO THE LANDLORD:

(v) AS BUILT ARCHITECTURAL, MECHANICAL AND ELECTRICAL DRAWINGS WITH RESPECT TO THE TENANT'S IMPROVEMENTS TO THE FIRST ADDITIONAL PREMISES;

(vi) COMPLETION OF ALL OF THE TENANT'S LEASEHOLD IMPROVEMENTS IN ACCORDANCE WITH PLANS AND SPECIFICATIONS PROVIDED BY THE TENANT TO THE LANDLORD AND APPROVED BY THE LANDLORD;

(vii) THE TENANT PRODUCING EVIDENCE SATISFACTORY TO THE LANDLORD THAT ALL ACCOUNTS RELATING TO THE TENANT'S LEASEHOLD IMPROVEMENTS HAVE BEEN PAID AND THAT NO LIENS HAVE OR MAY BE CLAIMED WITH RESPECT THERETO; AND

(viii) A STATUTORY DECLARATION OF AN OFFICER OF THE TENANT CONFIRMING THAT THERE ARE NO LIENS REGISTERED AGAINST THE FIRST ADDITIONAL PREMISES OR THE BUILDING IN RELATION TO THE TENANT'S WORK.

THE LANDLORD SHALL NOT BE REQUIRED TO PAY ANY AMOUNT IN EXCESS OF THE SECOND LEASEHOLD IMPROVEMENT ALLOWANCE FOR THE TOTAL COST OF THE TENANT'S WORK WITH RESPECT TO THE FIRST ADDITIONAL PREMISES. IN THE EVENT THE TOTAL COST OF THE TENANT'S WORK WITH RESPECT TO THE FIRST ADDITIONAL PREMISES IS LESS THAN THE SECOND LEASEHOLD IMPROVEMENT ALLOWANCE, THE LANDLORD SHALL CREDIT THE TENANT WITH SUCH DIFFERENCE AGAINST THE NEXT RENTS DUE UNDER THE LEASE.

SECTION 12.02 LANDLORD'S WORK

THE LANDLORD AGREES TO DELIVER THE PREMISES IN BASE BUILDING CONDITION. FOR THE PURPOSES OF THIS LEASE, "BASE BUILDING CONDITION" SHALL MEAN THE REMOVAL OF ALL INTERNAL PARTITIONING, THE INSTALLATION OF T-BAR SUSPENDED CEILING, FLUORESCENT LIGHT FIXTURES, NEW ACOUSTIC CEILING TILES, HORIZONTAL VENETIAN BLINDS, DEMISING WALLS AND ONE ENTRANCE DOOR WITH LOCKSET AND TWO SETS OF KEYS PER FLOOR. IN ADDITION TO THE FOREGOING, THE LANDLORD AGREES TO CARRY OUT THE FOLLOWING WORK IN A GOOD AND WORKMANLIKE MANNER IN COMPLIANCE WITH ALL GOVERNMENTAL REQUIREMENTS HAVING JURISDICTION AND USE ITS REASONABLE BEST EFFORTS TO COMPLETE THE FOLLOWING WORK PRIOR TO JUNE 1, 1997 (OTHER THAN THE WORK WITH RESPECT TO THE FIRST ADDITIONAL PREMISES WHERE THE LANDLORD SHALL USE REASONABLE BEST EFFORT TO COMPLETE BY JUNE 1,1998):

(a) DELIVERY OF EXISTING ELECTRICAL POWER TO THE PREMISES,

(b) REPLACE ANY DAMAGED OR STAINED ACOUSTIC CEILING TILES IN THE PREMISES WITH NEW CEILING TILES IN THE SAME STYLE OF THE EXISTING TILES CURRENTLY INSTALLED IN THE PREMISES,

(c) PROVIDE AND INSTALL NEW FLUORESCENT FIXTURES COMPLETE WITH NEW DIFFUSERS AND THE BUILDING'S STANDARD BULBS IN A SUFFICIENT QUANTITY TO PROVIDE AT LEAST 50-60 FOOT CANDLES OF LIGHT THROUGHOUT THE PREMISES,

(d) REPAIR OR REPLACE ANY DAMAGED OR MISSING HORIZONTAL VENETIAN WINDOW BLINDS TO ALL EXTERIOR WINDOWS OF THE PREMISES, TO THE BUILDING'S STANDARD,

(e) PROVIDE EMERGENCY AND COMMON AREA LIGHTING TO MEET BUILDING CODE REQUIREMENTS FOR AN OPEN CONCEPT DESIGN,

(f) THE PREMISES (INCLUDING THE FIRST ADDITIONAL PREMISES AND, IF APPLICABLE, THE SPECIAL REFUSAL SPACE) SHALL BE EQUIPPED TO MEET CODE REQUIREMENTS FOR COMMERCIAL OFFICE SPACE AS AT THE APPLICABLE COMMENCEMENT DATE THEREFOR OTHER THAN HANDICAP ACCESSIBILITY AND RELATED ITEMS WHICH HANDICAP ACCESSIBILITY AND RELATED ITEMS, WITHIN THE PREMISES, SHALL BE COMPLETED BY THE TENANT IF REQUIRED BY SUCH CODE REQUIREMENTS SAVE AS PROVIDED IN SUBSECTION 12.02(j),

(g) REMOVE AND DISPOSE OF THE FLOOR COVERINGS CURRENTLY SITUATED ON THE FLOOR OF THE PREMISES,

(h) REPAIR ANY DAMAGED FLOOR SURFACE IN THE PREMISES TO BE READY TO RECEIVE THE TENANT'S FLOOR COVERINGS,

(i) COMPLY WITH THE ONTARIO BUILDING CODE'S REQUIREMENTS FOR HANDICAPPED BARRIER FREE ACCESS TO THE BUILDING,

(j) COMPLY WITH THE ONTARIO BUILDING CODE'S REQUIREMENTS FOR HANDICAPPED BARRIER FREE ACCESS IN THE WASHROOM FACILITIES LOCATED IN THE PREMISES,

(k) DEMISING WALLS AND ENTRANCE/EXIT DOORS FROM THE COMMON AREAS OF THE BUILDING IN ACCORDANCE WITH DESIGN LAYOUTS AGREED UPON BY THE TENANT AND THE LANDLORD; AND

(l) REMOVE ALL OF THE EXISTING INTERIOR PARTITIONING AND CLEAN ALL PERIMETER RADIATOR UNITS, INSIDE AND OUTSIDE.

THE LANDLORD'S WORK SHALL APPLY TO THE PREMISES, TO THE FIRST ADDITIONAL PREMISES AND, IF APPLICABLE, TO THE SPECIAL REFUSAL SPACE (AS DEFINED IN SECTION 12.07).

SECTION 12.03 TENANT'S WORK

THE TENANT SHALL BE RESPONSIBLE FOR THE INSTALLATION AND COST OF ALL LEASEHOLD IMPROVEMENTS INCLUDING WITHOUT LIMITATION, ALL INTERNAL PARTITIONS, FIXTURES, MODIFICATIONS TO THE BUILDING'S SYSTEMS, INSTALLATION OF SPECIAL EQUIPMENT REQUIRED BY THE TENANT, TELEPHONES, FACSIMILES MACHINES OR OTHER SPECIAL COMMUNICATION EQUIPMENT SAVE AND EXCEPT ONLY LANDLORD'S WORK AS SET OUT IN SECTION 12.02 OF THIS LEASE. THE TENANT SHALL SUBMIT TO THE LANDLORD FOUR SETS OF WORKING DRAWINGS OF ITS PROPOSED IMPROVEMENTS TO THE PREMISES WHICH DRAWINGS MUST BE APPROVED BY THE LANDLORD IN ACCORDANCE WITH SECTION 5.03. ALL TENANT'S WORK SHALL BE CARRIED ON IN ACCORDANCE WITH THE TERMS AND PROVISIONS OF THIS LEASE INCLUDING WITHOUT LIMITATION THE REQUIREMENTS OF SECTION 5.03 AND THE TERMS AND PROVISIONS OF THE TENANT LEASEHOLD IMPROVEMENT MANUAL SUPPLIED BY THE LANDLORD. PRIOR TO COMMENCING ANY WORK OR INSTALLATION, THE TENANT SHALL APPLY FOR AND THEREAFTER OBTAIN THE PRIOR WRITTEN APPROVAL OF THE LANDLORD AND SHALL OBTAIN ALL NECESSARY BUILDING PERMITS AND APPROVALS REQUIRED BY THE CITY OF NORTH YORK AND COPIES THEREOF HAVE BEEN PROVIDED TO THE LANDLORD. IF THE TENANT COMMENCES ITS WORK PRIOR TO OBTAINING SUCH PERMITS AND APPROVALS, THE TENANT SHALL BE LIABLE FOR THE COST OF ALL RECTIFICATION REQUIRED BY THE APPLICABLE MUNICIPAL OR GOVERNMENTAL AUTHORITIES IN ORDER TO MEET BUILDING CODE REQUIREMENTS. THE LANDLORD'S APPROVAL SHALL NOT UNREASONABLY WITHHELD OR DELAYED. THE LANDLORD ACKNOWLEDGES THAT PART OF THE TENANT'S WORK TO BE DONE BY THE TENANT AT ITS SOLE COST AND EXPENSE INCLUDES THE INSTALLATION OF AN EMERGENCY BACK UP HEATING, VENTILATING AND AIR CONDITIONING SYSTEM AND GENERATOR. LANDLORD AGREES THAT SUCH INSTALLATION SHALL BE PERMITTED SUBJECT TO ITS CONSENT, NOT TO BE UNREASONABLY WITHHELD OR DELAYED AND SUBJECT TO ALL OTHER REQUIREMENTS UNDER THIS LEASE AND THE LEASEHOLD IMPROVEMENT MANUAL.

SECTION 12.04 EARLY ACCESS AND OCCUPANCY

THE LANDLORD SHALL PERMIT THE TENANT ACCESS TO THE PREMISES (OTHER THAN THE FIRST ADDITIONAL PREMISES) NOT LATER THAN JUNE 1, 1997 PROVIDED THAT THE TENANT HAS OBTAINED OR APPLIED FOR ALL REQUIRED APPROVALS IN ACCORDANCE WITH SECTIONS 5.03 AND 12.03 OF THIS LEASE. FROM THE DATE THAT THE LANDLORD PERMITS THE TENANT ACCESS AND FOR A PERIOD OF NINETY (90) DAYS THEREAFTER (THE "FIXTURING PERIOD"), THE TENANT SHALL DILIGENTLY CARRY OUT THE TENANT'S WORK IN ACCORDANCE

WITH THE PROVISIONS OF SECTIONS 5.03 AND 12.03. DURING THE FIXTURING PERIOD, THE TENANT SHALL NOT BE REQUIRED TO PAY NET RENT, ITS PROPORTIONATE SHARE OF TAXES, OPERATING COSTS, UTILITIES, HOISTING CHARGES, SECURITY OR OTHER SPECIAL COSTS PROVIDED THAT THE TENANT SHALL BE BOUND BY AND PERFORM ALL OTHER OBLIGATION UNDER THIS LEASE. PROVIDED THE TENANT SHALL HAVE COMPLETED ALL THE TENANT'S WORK IN ACCORDANCE WITH THE PROVISIONS OF THIS LEASE AND THE TENANT LEASEHOLD IMPROVEMENT MANUAL, THE TENANT SHALL BE PERMITTED TO CARRY ON BUSINESS IN THE PREMISES DURING THE REMAINDER OF THE FIXTURING PERIOD (OTHER THAN THE FIRST ADDITIONAL PREMISES). FROM AND INCLUDING THE COMMENCEMENT DATE, THE TENANT SHALL BEGIN MAKING ALL REQUIRED PAYMENTS OF NET RENT AND ITS PROPORTIONATE SHARE OF TAXES, OPERATING COSTS AND UTILITIES IN ACCORDANCE WITH THE PROVISIONS OF THIS LEASE. IN THE EVENT THE LANDLORD HAS NOT COMPLETED ITS WORK SET OUT IN SECTION 12.02 WITH RESPECT TO THE PREMISES (OTHER THAN THE FIRST ADDITIONAL PREMISES) ON OR BEFORE JUNE 1, 1997, TO PERMIT THE TENANT ACCESS ON OR BEFORE SUCH DATE, THE TENANT SHALL BE PERMITTED ACCESS ON SUCH SUBSEQUENT DATE ON WHICH THE LANDLORD SHALL HAVE COMPLETED ITS WORK (THE "COMPLETION DATE") AND

(a) THE FIXTURING PERIOD SHALL COMMENCE ON THE COMPLETION DATE AND END ON THE NINETIETH (90TH) DAY AFTER THE COMPLETION DATE;

(b) THE COMMENCEMENT DATE SHALL BE ON THE DAY NEXT FOLLOWING THE EXPIRY OF THE FIXTURING PERIOD,

(c) THE DATES FOR THE PAYMENT OF NET RENT IN SECTIONS 2.02(a), (b) AND (c) SHALL BE POSTPONED FOR CORRESPONDING PERIODS OF TIME AND

(d) THE DATE IN SECTION 12.05(c) AND THE TERMINATION DATE REFERRED TO IN SECTION 12.05 SHALL BE POSTPONED FOR CORRESPONDING PERIODS OF TIME.

ON OR BEFORE THE COMMENCEMENT DATE, THE LANDLORD AND TENANT SHALL ENTER INTO A WRITTEN AGREEMENT CONFIRMING SUCH CHANGES AND POSTPONEMENTS (IF ANY) WITH RESPECT TO THE COMMENCEMENT DATE AND OTHER DATES. SAVE AND EXCEPT AS SET OUT IN THIS SECTION 12.04, THE TENANT ACKNOWLEDGES THAT IT HAS NO OTHER REMEDY AGAINST THE LANDLORD WITH RESPECT TO ANY DELAY IN THE COMMENCEMENT OF THE FIXTURING PERIOD PROVIDED SUCH DELAY DOES NOT EXCEED THIRTY (30) DAYS.

SECTION 12.05 TERMINATION RIGHT

PROVIDED THAT:

(a) THERE IS NOT AN EVENT OF DEFAULT WHICH IN THE REASONABLE OPINION OF THE LANDLORD IS MATERIAL,

(b) THERE HAS NOT BEEN AN ASSIGNMENT OF THE LEASE EXCEPT TO A RELATED TRANSFEREE, AND

(c) THE TENANT HAS GIVEN THE LANDLORD WRITTEN NOTICE ON OR BEFORE MARCH 1, 2002 SPECIFYING WHAT PART OF THE PREMISES THE TENANT INTENDS TO SURRENDER (THE "SURRENDERED PREMISES")

THEN THE TENANT SHALL HAVE THE RIGHT TO SURRENDER TO THE LANDLORD THE SURRENDERED PREMISES EFFECTIVE ON SEPTEMBER 1, 2002 (THE "TERMINATION DATE"). ON OR BEFORE THE TERMINATION DATE, THE TENANT SHALL PAY TO THE LANDLORD BY WAY OF CERTIFIED CHEQUE OR BANK DRAFT A TERMINATION FEE EQUAL TO $30.00 PER SQUARE FOOT OF THE RENTABLE AREA OF THE SURRENDERED PREMISES AND SHALL EXECUTE THE LANDLORD'S REASONABLE FORM OF SURRENDER AGREEMENT WITH RESPECT TO THE SURRENDERED PREMISES WHICH SHALL INCLUDE WITHOUT LIMITATION RECIPROCAL RELEASES. IN THE EVENT THE SURRENDERED PREMISES CONSTITUTE PART OF A FLOOR, THE LANDLORD AND TENANT SHALL MUTUALLY AGREE, BOTH ACTING REASONABLY, AS TO THE AREA AND LOCATION OF SUCH SURRENDERED PREMISES. IN THE EVENT THE LANDLORD AND TENANT HAVE NOT MUTUALLY AGREED AS TO THE AREA AND LOCATION OF SUCH SURRENDERED PREMISES ON OR BEFORE THE SIXTIETH (60TH) DAY PRIOR TO THE TERMINATION DATE, EITHER THE LANDLORD OR THE TENANT MAY BY WRITTEN NOTICE REQUIRE ARBITRATION OF THE ISSUE WHEREUPON THE PARTIES SHALL JOINTLY APPOINT A SINGLE ARBITRATOR. IF THE PARTIES ARE UNABLE TO

AGREE UPON AN ARBITRATOR, EITHER PARTY MAY APPLY TO A JUDGE OF THE ONTARIO COURT (GENERAL DIVISION) TO MAKE SUCH APPOINTMENT. THE DECISION OF THE ARBITRATOR SO APPOINTED SHALL BE FINAL AND BINDING UPON THE PARTIES HERETO WITH NO RIGHT TO APPEAL OR TO SEEK LEAVE TO APPEAL THEREFROM. IT IS UNDERSTOOD AND AGREED THAT THE ARBITRATOR SHALL BE QUALIFIED BY EDUCATION, EXPERIENCE AND TRAINING TO MAKE A DECISION ON THE MATTER BEING ARBITRATED. THE PARTIES COVENANT THAT THEIR DISPUTES SHALL BE SO DECIDED BY ARBITRATION ALONE AND NOT BY RECOURSE TO ANY COURT OR ACTION OF LAW. THE ARBITRATION SHALL BE CARRIED OUT PURSUANT TO THE PROVISIONS OF THE ARBITRATIONS ACT S.O. 1991 C.17 AS AMENDED OR REPLACED. THE EXPENSES OF ARBITRATION SHALL BE BORNE EQUALLY BY THE LANDLORD AND TENANT EXCEPT THAT EACH PARTY SHALL BE RESPONSIBLE FOR ITS RESPECTIVE SOLICITORS' FEES AND WITNESSES. THE TENANT SHALL LEAVE THE SURRENDERED PREMISES IN GOOD AND SUBSTANTIAL REPAIR (REASONABLE WEAR AND TEAR EXCEPTED) AND REPAIR ALL DAMAGE TO THE AREAS OUTSIDE THE PREMISES RESULTING OR ARISING FROM THE TENANT'S VACATING THE SURRENDERED PREMISES IN ACCORDANCE WITH ITS OBLIGATIONS UNDER THE LEASE.

SECTION 12.06 RENEWAL OPTIONS

PROVIDED THAT:

(a) THERE IS NOT AN EVENT OF DEFAULT, WHICH IN THE REASONABLE OPINION OF THE LANDLORD IS MATERIAL,

(b) THERE HAS NOT BEEN AN ASSIGNMENT OF THE LEASE EXCEPT TO A RELATED TRANSFEREE,

(c) THE TENANT HAS GIVEN WRITTEN NOTICE TO THE LANDLORD NO EARLIER THAN TWELVE MONTHS AND NO LATER THAN SIX MONTHS PRIOR TO THE EXPIRATION OF THE TERM (OR THE TERM AS RENEWED, AS THE CASE MAY BE)

THEN THE TENANT SHALL HAVE TWO SUCCESSIVE RIGHTS TO RENEW THE TERM FOR A PERIOD OF FIVE YEARS EACH, SUCH RENEWALS TO COMMENCE UPON THE EXPIRATION OF THE TERM (OR THE TERM AS RENEWED, AS THE CASE MAY BE) AND THIS LEASE AND ALL OF ITS TERMS SHALL CONTINUE IN FULL FORCE AND EFFECT DURING SUCH RENEWAL PERIODS, EXCEPT THAT:

(d) THE TENANT SHALL NOT BE ENTITLED TO ANY RENT FREE OR RENT REDUCED PERIODS, LANDLORD'S WORK, LEASEHOLD IMPROVEMENT ALLOWANCES OR OTHER INDUCEMENTS,

(e) THE TENANT SHALL NOT HAVE ANY FURTHER OPTION TO EXTEND THE TERM FOLLOWING THE EXERCISE, IF ANY, OF THE FOREGOING TWO RENEWAL OPTIONS,

(f) DURING EACH RENEWAL, THE TENANT SHALL PAY A NET RENT BASED ON THE THEN CURRENT FAIR MARKET RENT FOR THE PREMISES TAKING INTO ACCOUNT THAT THERE IS NO BROKERAGE COMMISSION AND THAT THE TENANT IS RECEIVING NO TENANT INDUCEMENTS AND TAKING INTO CONSIDERATION UNIMPROVED PREMISES SIMILAR TO THE PREMISES IN AN UNIMPROVED CONDITION WHICH ARE COMPARABLE IN SIZE, LOCATION, TYPE AND CONDITION FOR TENANTS LEASING SIMILAR PREMISES OF A SIMILAR SIZE AND TERM. IN THE EVENT THAT SUCH RENT HAS NOT BEEN AGREED UPON BY THE PARTIES FOUR MONTHS PRIOR TO THE COMMENCEMENT DATE OF THE RENEWAL TERM, EITHER PARTY MAY BY WRITTEN NOTICE REQUIRE ARBITRATION OF THE ISSUE, WHEREUPON THE PARTIES SHALL JOINTLY APPOINT A SINGLE ARBITRATOR. IF THE PARTIES ARE UNABLE TO AGREE UPON AN ARBITRATOR, EITHER PARTY MAY APPLY TO A JUDGE OF THE ONTARIO COURT (GENERAL DIVISION) TO MAKE SUCH APPOINTMENT. THE DECISION OF THE ARBITRATOR SO APPOINTED AS TO SUCH FAIR MARKET RENT SHALL BE FINAL AND BINDING UPON THE PARTIES HERETO WITH NO RIGHT TO APPEAL OR TO SEEK LEAVE TO APPEAL THEREFROM. THE PARTIES COVENANT THAT THEIR DISPUTES SHALL BE SO DECIDED BY ARBITRATION ALONE AND NOT BY RECOURSE TO ANY COURT OR ACTION OF LAW. IN RENDERING ITS DECISION, THE ARBITRATOR SHALL APPLY AND HAVE REGARD TO THE CRITERIA FOR ESTABLISHING THE FAIR MARKET RENT SET OUT IN THIS SECTION 12.06. THE ARBITRATION SHALL BE CARRIED OUT PURSUANT TO THE PROVISIONS OF THE ARBITRATIONS ACT, S.O. 1991 c.17 AS AMENDED OR REPLACED. THE EXPENSES OF ARBITRATION SHALL BE BORNE EQUALLY BY THE LANDLORD AND THE TENANT EXCEPT THAT EACH PARTY SHALL BE RESPONSIBLE FOR ITS RESPECTIVE SOLICITOR'S FEES AND WITNESSES. IT IS UNDERSTOOD AND AGREED THAT THE ARBITRATOR SHALL BE QUALIFIED BY

EDUCATION, EXPERIENCE AND TRAINING TO MAKE A DECISION ON THE MATTER BEING ARBITRATED,

(h) FAILING WRITTEN NOTIFICATION TO THE LANDLORD IN ACCORDANCE WITH THIS SECTION 12.06, THE TENANT'S RENEWAL OPTIONS SHALL BE NULL AND VOID,

(i) THE LANDLORD MAY, AT ITS OPTION, REQUIRE THE TENANT TO EXECUTE THE LANDLORD'S FORM OF LEASE RENEWAL AGREEMENT IN ORDER TO CONFIRM ONLY THE NET RENT PAYABLE DURING EACH OF SUCH RENEWALS,

(j) FOR THE PURPOSES OF CLARITY, THE NET RENT DETERMINED UNDER THIS SECTION 12.06 SHALL BE THE NET RENT UNDER THE LEASE AS AND WHEN RENEWED.

SECTION 12.07 FIRST REFUSAL RIGHT

IN THIS SECTION 12.07:

"REFUSAL SPACE" MEANS ANY OFFICE SPACE ON FLOORS 1, 2, 3, 4 OR 5 OF THE BUILDING THAT ARE NOT PART OF THE PREMISES OR THE FIRST ADDITIONAL PREMISES AND FROM AND INCLUDING JUNE 2, 1998, SHALL INCLUDE FOR GREATER CERTAINTY THE SPECIAL REFUSAL SPACE.

"SPECIAL REFUSAL SPACE" MEANS ANY OFFICE SPACE ON THE 4TH FLOOR OF THE BUILDING THAT IS NOT PART OF THE FIRST ADDITIONAL PREMISES.

(a) PROVIDED THAT:

(i) THERE IS NOT AN EVENT OF DEFAULT WHICH IN THE REASONABLE OPINION OF THE LANDLORD IS MATERIAL, AND

(ii) THERE HAS NOT BEEN AN ASSIGNMENT OF THE LEASE EXCEPT TO A RELATED TRANSFEREE,

THEN, SUBJECT TO THE EXISTING RIGHTS OF EXISTING TENANTS OF THE BUILDING AS OF MARCH 26, 1997 WITH RESPECT TO THE REFUSAL SPACE AND SPECIAL REFUSAL SPACE AS ALREADY DISCLOSED BY THE LANDLORD TO THE TENANT IN WRITING, THE TENANT SHALL HAVE THE RIGHTS SET OUT IN THIS SECTION 12.07.

(b) PROVIDED THE TENANT HAS GIVEN WRITTEN NOTICE TO THE LANDLORD ON OR BEFORE JUNE 1, 1998 THAT THE TENANT REQUIRES THE SPECIAL REFUSAL SPACE, THE LANDLORD SHALL LEASE THE SPECIAL REFUSAL SPACE TO THE TENANT COMMENCING SEPTEMBER 1, 1998 ON THE SAME TERMS AND PROVISIONS AS IN THIS LEASE INCLUDING THE NINETY (90) DAY FIXTURING PERIOD AND THE LEASEHOLD IMPROVEMENT ALLOWANCE AS SET OUT IN SECTION 12.01 OF THIS LEASE SAVE AND EXCEPT THE NET RENT FOR THE SPECIAL REFUSAL SPACE WHICH SHALL BE AS FOLLOWS:

(i) FROM SEPTEMBER 1, 1998 TO AUGUST 31, 2002, BOTH INCLUSIVE, THE SUM OF TWO HUNDRED AND TWENTY FIVE THOUSAND DOLLARS ($225,000.00) PER ANNUM PAYABLE IN EQUAL MONTHLY INSTALLMENTS OF EIGHTEEN THOUSAND SEVEN HUNDRED AND FIFTY DOLLARS ($18,750.00) EACH IN ADVANCE ON THE FIRST DAY OF EACH CALENDAR MONTH DURING SUCH PERIOD OF THE TERM. THE NET RENT FOR SUCH PERIOD OF THE TERM IS BASED ON AN ANNUAL RATE OF TWELVE DOLLARS AND FIFTY CENTS ($12.50) PER SQUARE FOOT OF THE RENTABLE AREA OF THE SPECIAL REFUSAL SPACE,

(ii) FROM SEPTEMBER 1, 2002 TO AUGUST 31, 2007, BOTH INCLUSIVE, THE SUM OF TWO HUNDRED AND THIRTY FOUR THOUSAND DOLLARS ($234,000,000.00) PER ANNUM PAYABLE IN EQUAL MONTHLY INSTALLMENTS OF NINETEEN THOUSAND FIVE HUNDRED DOLLARS ($19,500.00) EACH IN ADVANCE ON THE FIRST DAY OF EACH CALENDAR MONTH DURING SUCH PERIOD OF THE TERM. THE NET RENT FOR SUCH PERIOD OF THE TERM IS BASED ON AN ANNUAL RATE OF THIRTEEN DOLLARS ($13.00) PER SQUARE FOOT OF THE RENTABLE AREA OF THE SPECIAL REFUSAL SPACE,

IF THE TENANT FAILS TO GIVE SUCH NOTICE ON OR BEFORE JUNE 1, 1998 FOR THE SPECIAL REFUSAL SPACE, THE TENANT'S RIGHT TO LEASE THE SPECIAL REFUSAL SPACE PURSUANT TO THIS SUBSECTION 12.07(b) SHALL BE NULL AND VOID AND OF NO FORCE OR EFFECT WITHOUT PREJUDICE TO THE TENANT'S RIGHTS UNDER SUBSECTION 12.07(c),

(c) IF AT ANY TIME AFTER MARCH 26, 1997 OR DURING THE TERM OR ANY RENEWAL THEREOF, THE LANDLORD RECEIVES A BONA FIDE THIRD PARTY OFFER (THE "OFFER") WHICH THE LANDLORD IS PREPARED TO ACCEPT OR HAS ACCEPTED CONDITIONALLY WITH RESPECT TO ALL OR ANY PART OF THE REFUSAL SPACE, THE LANDLORD WILL GIVE WRITTEN NOTICE TO THE TENANT OF THE TERMS OF THE OFFER AND OFFER THE SAME TO THE TENANT ON THE SAME TERMS AS THE OFFER. THE TENANT SHALL HAVE FIVE BUSINESS DAYS FOLLOWING RECEIPT OF SUCH NOTICE TO ACCEPT SUCH OFFER BY WRITTEN NOTICE TO THE LANDLORD SAVE AND EXCEPT ONLY THE TERM WHICH SHALL BE CO-TERMINUS WITH THE TERM AND RENT AND OTHER PAYMENTS SHALL BE PRORATED TO REFLECT THE TERM REMAINING. IN THE EVENT THE TENANT FAILS TO ACCEPT SUCH OFFER WITHIN SUCH TIME, THE LANDLORD SHALL BE AT LIBERTY TO ACCEPT THE OFFER AND THE TENANT'S RIGHT OF FIRST REFUSAL WITH RESPECT TO SUCH PART OF THE REFUSAL SPACE SET OUT IN THE OFFER SHALL BE NULL AND VOID AND OF NO FURTHER FORCE OR EFFECT WITHOUT PREJUDICE TO THE TENANT'S RIGHTS UNDER THIS SUBSECTION 12.07(c) WITH RESPECT TO ANY REMAINING REFUSAL SPACE,

(d) IF AT ANY TIME ON OR BEFORE MAY 26, 1998, THE LANDLORD RECEIVES A BONA FIDE THIRD PARTY OFFER WITH RESPECT TO THE WHOLE OF THE SPECIAL REFUSAL SPACE (THE "SPECIAL OFFER") WHICH THE LANDLORD IS PREPARED TO ACCEPT OR HAS ACCEPTED CONDITIONALLY, THE LANDLORD WILL GIVE WRITTEN NOTICE TO THE TENANT OF THE TERMS OF THE SPECIAL OFFER AND OFFER THE SAME TO THE TENANT ON THE SAME TERMS AS THE SPECIAL OFFER. THE TENANT SHALL HAVE FIVE (5) BUSINESS DAYS FOLLOWING RECEIPT OF SUCH NOTICE TO:

(i) ACCEPT SUCH OFFER BY WRITTEN NOTICE TO THE LANDLORD SAVE AND EXCEPT ONLY THE TERM WHICH SHALL BE CO-TERMINUS WITH THE TERM AND RENT AND OTHER PAYMENTS WHICH SHALL BE PRORATED TO REFLECT THE TERM REMAINING, OR

(ii) GIVE WRITTEN NOTICE TO THE LANDLORD REQUIRING THE LANDLORD TO LEASE THE SPECIAL REFUSAL SPACE TO THE TENANT IN ACCORDANCE WITH THE PROVISIONS OF SECTION 12.07(b).

IN THE EVENT THE TENANT FAILS TO ACCEPT SUCH OFFER OR FAILS TO GIVE SUCH NOTICE WITHIN SUCH TIME, THE LANDLORD SHALL BE AT LIBERTY TO ACCEPT THE SPECIAL OFFER AND THE TENANT'S RIGHT OF FIRST REFUSAL PURSUANT TO THIS SECTION 12.07(d) AND THE TENANT'S RIGHTS UNDER SECTION 12.07(b) SHALL BE NULL AND VOID AND OF NO FURTHER FORCE OR EFFECT WITHOUT PREJUDICE TO THE TENANT'S RIGHTS UNDER SUBSECTION 12.07(c) WITH RESPECT TO ANY REMAINING REFUSAL SPACE.

SECTION 12.08 SIGNAGE

IN ADDITION TO THE TENANT'S RIGHTS SET OUT IN PARAGRAPH 12 OF SCHEDULE "D" (RULES AND REGULATIONS) THE LANDLORD AGREES TO PROVIDE THE TENANT WITH SIGNAGE ON THE EXISTING PODIUM SIGN AT THE FRONT OF THE BUILDING AT THE TENANT'S SOLE COST AND EXPENSE. THE LANDLORD WARRANTS THAT AS AT THE DATE OF THIS LEASE, NO TENANT IN THE BUILDING IS PERMITTED SIGNAGE ON THE FACIA OF THE BUILDING PURSUANT TO ANY RIGHTS GRANTED BY THE LANDLORD. PROVIDED THAT THE TENANT IS IN OCCUPANCY AND CARRYING ON BUSINESS ON AT LEAST TWO FULL FLOORS IN THE BUILDING, THE LANDLORD AGREES THAT THE TENANT SHALL HAVE THE RIGHT OF FIRST REFUSAL TO ATTACH ITS SIGNAGE AT THE TENANT'S SOLE COST AND EXPENSE ON THE FACIA OF THE BUILDING IF THE LANDLORD AT ANY TIME IN THE FUTURE GRANTS SUCH RIGHT TO ANY OTHER PERSON. ALL TENANT'S SIGNAGE SHALL BE INSTALLED AND MAINTAINED IN FULL COMPLIANCE WITH AND SUBJECT TO ALL APPLICABLE BYLAWS AND OTHER GOVERNMENTAL REQUIREMENTS AND SHALL BE REMOVED AT THE EXPIRY OR OTHER TERMINATION OF THE TERM AT THE SOLE COST AND EXPENSE OF THE TENANT AND ALL DAMAGE CAUSED BY SUCH REMOVAL SHALL BE REPAIRED TO THE REASONABLE SATISFACTION OF THE LANDLORD.

SECTION 12.09 PARKING

THE LANDLORD AGREES TO MAKE AVAILABLE TO THE TENANT DURING THE TERM, ONE UNRESERVED, INDOOR PARKING PERMIT FOR THE PARKING FACILITY PROVIDED FOR THE BUILDING WITHIN THE DEVELOPMENT FOR EACH 750 SQUARE FEET OF RENTABLE AREA LEASED BY THE TENANT IN THE BUILDING. THE TENANT SHALL PAY PARKING FEES TO THE LANDLORD (OR TO THE PARKING OPERATOR IF THE LANDLORD SO DIRECTS) THROUGHOUT THE TERM AT THE PREVAILING RATES BEING CHARGED FOR PARKING PERMITS IN THE PARKING FACILITY FROM TIME TO TIME. EACH SUCH PAYMENT SHALL BE MADE IN ADVANCE ON THE FIRST DAY OF EACH MONTH THROUGHOUT THE TERM. THE USE OF EACH PARKING PERMIT BY THE TENANT IS SUBJECT TO THE FOLLOWING:

(a) ONE VEHICLE SHALL BE SPECIFICALLY DESIGNATED BY THE TENANT FOR EACH PERMIT;

(b) THE LANDLORD RESERVES THE RIGHT TO MAKE SUCH REASONABLE RULES AND REGULATIONS WITH RESPECT TO THE USE OF THE PARKING FACILITY PROVIDED FOR THE BUILDING AS THE LANDLORD DEEMS ADVISABLE FROM TIME TO TIME;

(c) THE USE BY THE TENANT OF THE PARKING FACILITY IS SUBJECT TO THE EXCLUSIVE CONTROL OF THE LANDLORD;

(d) THE TENANT SHALL USE THE PARKING FACILITY AT ITS SOLE RISK;

(e) THE USE OF THE PARKING FACILITY AFTER NORMAL BUSINESS HOURS SHALL BE ON A FIRST COME, FIRST SERVED BASIS.

SECTION 12.10 IRREVOCABLE LETTER OF CREDIT

ON OR BEFORE THE COMMENCEMENT DATE, THE TENANT SHALL PROVIDE TO THE LANDLORD AN IRREVOCABLE LETTER OF CREDIT IN THE AMOUNT OF $500,000.00 IN THE FORM ATTACHED HERETO AS SCHEDULE "E".

IN WITNESS WHEREOF the Landlord and Tenant have signed this Lease under seal.

YCC LIMITED

(Landlord)

Per: [ILLEGIBLE]

Authorized Signature

Per: [ILLEGIBLE]

Authorized Signature

LONDON LIFE INSURANCE COMPANY

(Landlord)

Per: /s/ JONATHAN BUTTON

Authorized Signature
Jonathan Button
Director of Real Estate

Per: /s/ PHILIP GUNN

Authorized Signature
Philip Gunn
Manager of Finance

LOYALTY MANAGEMENT GROUP CANADA INC

(Tenant)

Per: [ILLEGIBLE]

Authorized Signature

Per: [ILLEGIBLE]

Authorized Signature

I/We have authority to bind the corporation

SCHEDULE "A" - LEGAL DESCRIPTION OF LANDS

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the City of North York, in the Municipality of Metropolitan Toronto, and being composed of the whole of Lots 124, 125 and 126 and part of Lots 116, 117, 118, 119, 120, 121, 122, 123, 127, 128, 135, 136, 137, 138, 139, 140 and 141 and part of John Street and the Lane, both as stopped up and closed by By-law No. 28571 of The Corporation of the City of North York registered in the Land Registry Office for the Registry Division of Toronto Boroughs as Instrument Number T.B. 44348, all according to Plan 204 registered in the Land Registry Office for the Registry Division of Toronto Boroughs, which said lands are designated as Parts 1 and 2 on a Plan of Survey deposited in the Land Registry Office for the Land Titles Division of Metropolitan Toronto as Plan 66R-13654.

TOGETHER WITH THE RIGHT OF INGRESS AND EGRESS over, along and upon the following described lands:

FIRSTLY: Those parts of lots 117, 118 and 119 according to Plan 204 registered in the Land Registry Office for the Registry Division of Toronto Boroughs, designated as Part 10 on a Plan of Survey deposited in the Land Registry Office for the Land Titles Division of Metropolitan Toronto as Plan 66R-13183, as more fully described in Transfer No. C-29836;

SECONDLY: Those parts of Lots 140 and 141 on said Plan 204 and that part of Lot 11, Concession 1 West of Yonge Street of the Geographic Township of North York designated as Part 3 on a Plan of Survey deposited in the said Land Titles Office as Plan 66R-13402, as more fully described in Transfer No. C-29836;

THIRDLY: That part of Lot 12 in Concession 1 West of Yonge Street designated as Parts 14 and 15 on a Plan of Survey deposited in the said Land Titles Office as Plan No. 66R-13391, as more fully described in Transfer No. C-29836;

FOURTHLY: That part of John Street on said Plan 204, stopped up and closed by By-law No. 28571 of the Corporation of the City of North York registered in the Land Registry Office for the Registry Division of Toronto Boroughs as Instrument Number T.B. 44348, designated as Part 2 on a Plan of Survey deposited in the said Land Titles Office as Plan No. 66R-13402, as more fully described in Transfer No. C-29836;

FIFTHLY: That part of Carson Crescent on Plan 3251, registered in the Land Registry Office for the Registry Division of Toronto Boroughs, as stopped up and closed by the said By-law No. 28571 of The Corporation of the City of North York registered as Instrument No. T.B. 44348 in the Land Registry Office for the Registry Division of Toronto Boroughs, designated as Parts 8, 9, 10 and 11 on a Plan of Survey deposited in the said Land Titles Office as Plan No. 66R-13391, as more fully described in Transfer No. C-29836.

TOGETHER WITH A RIGHT-OF-WAY AND EASEMENT in perpetuity over, along and upon those parts of Carson Crescent according to said Plan 3251, stopped up and closed by By-law No. 28571 of The Corporation of the City of North York registered as Instrument Number T.B. 44348 designated as Parts 2, 3, 4 and 5 on Plan 66R-13391 for all vehicular and pedestrian traffic, as more particularly set out in C-29836.

TOGETHER WITH AN EASEMENT in perpetuity over, along and upon said Parts 2, 3, 4 and 5 on Plan 66R-13391 for the purpose of entering, constructing, maintaining, inspecting, altering and repairing a roadway thereon, as more particularly set out in C-29836.

TOGETHER WITH A RIGHT-OF-WAY AND EASEMENT in perpetuity at all times over, along and upon that part of Lot 12 in Concession 1 West of Yonge Street designated as Part 12 on Plan 66R-13391 for vehicular and pedestrian traffic, as more particularly set out in C-29836.

TOGETHER WITH AN EASEMENT in perpetuity over, along and upon said Part 12 on Plan 66R-13391 for the purpose of entering, constructing, maintaining, inspecting, altering and repairing a roadway thereon, as more particularly set out in C-29836.

TOGETHER WITH A TEMPORARY EASEMENT, together with all necessary machinery, material, vehicles and equipment to enter in, over, along and upon that part of Carson Crescent according to Plan 3251 in the Municipality of Metropolitan Toronto registered in the Land Registry Office for the Registry Division of Toronto Boroughs (No. 64), as stopped up and closed by North York By-law 28571 enacted and passed 7/9/82 registered as Instrument No. T.B. 44348 1/10/82 and designated as Part 1 on Plan 64R-9654 for the purpose of gaining access for constructing, operating, inspecting, maintaining, repairing, altering, reconstructing and/or replacing the storm sewers and related appurtenances incidental thereto in, under and upon that part of Block A according to Plan 3371 and that part of Lot 12 in concession 1 West of Yonge Street designated as Parts 2 and 3 on Plan 64R-9654 for the term of the earlier of 3 years from 18/1/83 or the completion of construction of the said storm sewer and appurtenances thereto with the terms and conditions, as more particularly set out in C-51819.

TOGETHER WITH AN EXCLUSIVE EASEMENT and right in the nature of an easement in perpetuity in, under, along, upon and across that part of Block A according to Plan 3371 in the Municipality of Metropolitan Toronto and part of Lot 12 in Concession 1 West of Yonge Street in the said Municipality of Metropolitan Toronto registered in the Land Registry Office for the Registry Division of Toronto Boroughs (No. 64), designated as Part 3 on Plan 64R-9654 for the purposes of constructing, operating, inspecting, maintaining, repairing, altering, reconstructing and/or replacing an Outfall Storm Sewer to the Don River and all appurtenances thereto as may be required from time to time, together with all machinery, materials, vehicles and equipment as may be necessary for the enjoyment of the said right and easement, as more particularly set out in C-51820.

TOGETHER WITH A TEMPORARY EASEMENT to enter in, over, along and upon that part of Block A according to said Plan 3371 designated as Part 2 on Plan 64R-9654 together with all machinery, materials, vehicles and equipment for the purpose of access in connection with the permanent easement to construct the said Outfall Storm Sewer and all appurtenances thereto until all construction has been completed in, upon, under and across the lands in the permanent easement above described and the lands in the temporary easement above described have been restored as nearly as possible to their previous condition, as more particularly set out in C-51820.

TOGETHER WITH A TEMPORARY EASEMENT for installing and maintaining landscaping in, over and upon part of Lot 11, Concession 1, West of Yonge Street, in the City of North York and parts of Lots 103, 104 and 105 on Plan 204 (City of North York) registered in the Land Registry Office for the Registry Division of Toronto Boroughs (No. 64) designated as Part 2 on Plan 64R-10359 deposited in the said Office, with the rights, terms, conditions and covenants and with the commencement and expiry dates as more particularly set out in Instrument T.B. 223174 attached to C-187041.

SCHEDULE "A-1" - LEGAL DESCRIPTION OF LANDS

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the City of North York, in the Municipality of Metropolitan Toronto, and being composed of the whole of Lots 8, 9, 10, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23 and 24 and part of Lot 7, and part of Carson Crescent, as stopped up and closed by By-law No. 28571 of The Corporation of the City of North York, all according to Plan 3251 registered in the Land Registry office for the Registry Division of Toronto Boroughs, and part of Block A according to Plan 3371 registered in the said Land Registry Office, and parts of Lots 11 and 12 in Concession 1 West of Yonge Street of the geographic Township of North York, and the whole of lots 129, 130 and 142 and part of Lots 122, 123, 127, 128, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140 and 141 and part of the reserve and part of John Street, as stopped up and closed by By-law No. 28571 of The Corporation of the City of North York, and part of the Five Foot Reserve at the western end of John Street, as established and laid out as a part of John Street by By-law No. 28514 of the Corporation of the City of North York, as stopped up and closed by By-law No. 28571 of The Corporation of the City of North York, all according to Plan 204 registered in the said Registry Office, which lands are designated as Part 3 on a Plan of Survey deposited in the Land Registry Office for the Land Titles Division of Metropolitan Toronto as Plan 66R-13654.

TOGETHER WITH THE RIGHT OF INGRESS AND EGRESS over, along and upon the following described lands:

FIRSTLY: Those parts of lots 117, 118 and 119 according to Plan 204 registered in the Land Registry Office for the Registry Division of Toronto Boroughs, designated as Part 10 on a Plan of Survey deposited in the Land Registry Office for the Land Titles Division of Metropolitan Toronto as Plan 66R-13183, as more fully described in Transfer No. C-29836;

SECONDLY: Those parts of Lots 140 and 141 on said Plan 204 and that part of Lot 11, Concession 1 West of Yonge Street of the Geographic Township of North York designated as Part 3 on a Plan of Survey deposited in the said Land Titles Office as Plan 66R-13402, as more fully described in Transfer No. C-29836;

THIRDLY: That part of Lot 12 in Concession 1 West of Yonge Street designated as Parts 14 and 15 on a Plan of Survey deposited in the said Land Titles Office as Plan No. 66R-13391, as more fully described in Transfer No. C-29836;

FOURTHLY: That part of John Street on said Plan 204, stopped up and closed by By-law No. 28571 of the Corporation of the City of North York registered in the Land Registry Office for the Registry Division of Toronto Boroughs as Instrument Number T.B. 44348, designated as Part 2 on a Plan of Survey deposited in the said Land Titles Office as Plan No. 66R-13402, as more fully described in Transfer No. C-29836;

FIFTHLY: That part of Carson Crescent on Plan 3251, registered in the Land Registry Office for the Registry Division of Toronto Boroughs, as stopped up and closed by the said By-law No. 28571 of The Corporation of the City of North York registered as Instrument No. T.B. 44348 in the Land Registry Office for the Registry Division of Toronto Boroughs, designated as Parts 8, 9, 10 and 11 on a Plan of Survey deposited in the said Land Titles Office as Plan No. 66R-13391, as more fully described in Transfer No. C-29836.

TOGETHER WITH A RIGHT-OF-WAY AND EASEMENT in perpetuity over, along and upon those parts of Carson Crescent according to said Plan 3251, stopped up and closed by By-law No. 28571 of The Corporation of the City of North York registered as Instrument Number T.B. 44348 designated as Parts 2, 3, 4 and 5 on Plan 66R-13391 for all vehicular and pedestrian traffic, as more particularly set out in C-29836.

TOGETHER WITH AN EASEMENT in perpetuity over, along and upon said Parts 2, 3, 4 and 5 on Plan 66R-13391 for the purpose of entering, constructing, maintaining, inspecting, altering and repairing a roadway thereon, as more particularly set out in C-29836.

TOGETHER WITH A RIGHT-OF-WAY AND EASEMENT in perpetuity at all times over, along and upon that part of Lot 12 in Concession 1 West of Yonge Street designated as Part 12 on Plan 66R-13391 for vehicular and pedestrian traffic, as more particularly set out in C-29836.

TOGETHER WITH AN EASEMENT in perpetuity over, along and upon said Part 12 on Plan 66R-13391 for the purpose of entering, constructing, maintaining, inspecting, altering and repairing a roadway thereon, as more particularly set out in C-29836.

TOGETHER WITH A TEMPORARY EASEMENT, together with all necessary machinery, material, vehicles and equipment to enter in, over, along and upon that part of Carson Crescent according to Plan 3251 in the Municipality of Metropolitan Toronto registered in the Land Registry Office for the Registry Division of Toronto Boroughs (No. 64), as stopped up and closed by North York By-law 28571 enacted and passed 7/9/82 registered as Instrument No. T.B. 44348 1/10/82 and designated as Part 1 on Plan 64R-9654 for the purpose of gaining access for constructing, operating, inspecting, maintaining, repairing, altering, reconstructing and/or replacing the storm sewers and related appurtenances incidental thereto in, under and upon that part of Block A according to Plan 3371 and that part of Lot 12 in concession 1 West of Yonge Street designated as Parts 2 and 3 on Plan 64R-9654 for the term of the earlier of 3 years from 18/1/83 or the completion of construction of the said storm sewer and appurtenances thereto with the terms and conditions, as more particularly set out in C-51819.

TOGETHER WITH AN EXCLUSIVE EASEMENT and right in the nature of an easement in perpetuity in, under, along, upon and across that part of Block A according to Plan 3371 in the Municipality of Metropolitan Toronto and part of Lot 12 in Concession 1 West of Yonge Street in the said Municipality of Metropolitan Toronto registered in the Land Registry Office for the Registry Division of Toronto Boroughs (No. 64), designated as Part 3 on Plan 64R-9654 for the purposes of constructing, operating, inspecting, maintaining, repairing, altering, reconstructing and/or replacing an Outfall Storm Sewer to the Don River and all appurtenances thereto as may be required from time to time, together with all machinery, materials, vehicles and equipment as may be necessary for the enjoyment of the said right and easement, as more particularly set out in C-51820.

TOGETHER WITH A TEMPORARY EASEMENT to enter in, over, along and upon that part of Block A according to said Plan 3371 designated as Part 2 on Plan 64R-9654 together with all machinery, materials, vehicles and equipment for the purpose of access in connection with the permanent easement to construct the said Outfall Storm Sewer and all appurtenances thereto until all construction has been completed in, upon, under and across the lands in the permanent easement above described and the lands in the temporary easement above described have been restored as nearly as possible to their previous condition, as more particularly set out in C-51820.

TOGETHER WITH A TEMPORARY EASEMENT for installing and maintaining landscaping in, over and upon part of Lot 11, Concession 1, West of Yonge Street, in the City of North York and parts of Lots 103, 104 and 105 on Plan 204 (City of North York) registered in the Land Registry Office for the Registry Division of Toronto Boroughs (No. 64) designated as Part 2 on Plan 64R-10359 deposited in the said Office, with the rights, terms, conditions and covenants and with the commencement and expiry dates as more particularly set out in Instrument T.B. 223174 attached to C-187041.

SCHEDULE "B" - FLOOR PLAN OF THE PREMISES

See Schedules B-1, B-2 and B-3 attached.

[Logo]

SCHEDULE "B-1"

Floor Plan of 2nd Floor of 4110 Yonge Street, North York, Ontario

[FLOOR PLAN]

LOYALTY MANAGEMENT GROUP CANADA INC. - YONGE CORPORATE CENTRE - 1997

[Logo]

SCHEDULE "B-2"

Floor Plan of 3rd Floor of 4110 Yonge Street, North York, Ontario

[FLOOR PLAN]

LOYALTY MANAGEMENT GROUP CANADA INC. - YONGE CORPORATE CENTRE - 1997

SCHEDULE "B-3"

FLOOR PLAN OF THE FIRST ADDITIONAL PREMISES

[FLOOR PLAN]

[Logo]
YONGE
CORPORATE
CENTRE
[Illegible]
PHASE TWO

TYPICAL FLOOR PLAN
[Legend]

SCHEDULE "C" - DEFINITIONS

In this Lease and in the Schedules to this Lease:

1. "ADDITIONAL RENT" means all sums of money required to be paid by the Tenant under this Lease (except Net Rent) TO THE LANDLORD whether or not the same are designated "Additional Rent"xxx xxx xxxxxxx xx xxx xxxxxxxx xx xxxxxxxxxxxx.

2. "ALTERATIONS" means all repairs, replacements, improvements or alterations to the Premises by the Tenant.

3. "ARCHITECT" means the architect from time to time named by the Landlord (BUT NOT AN EMPLOYEE).

4. "BUILDING" means the multi-storey building known municipally as 4110 Yonge Street, North York, Ontario, and generally as Yonge Corporate Centre and including all premises rented or intended to be rented therein, whether for office, restaurant, retail, banking or other purposes; and facilities serving the Building or having utility in connection therewith, as REASONABLY determined by the Landlord, whether or not located directly under the Building, which areas and facilities may include, without limitation, internal malls, sidewalks and plazas, exhibit areas, storage and mechanical areas, janitor rooms, mail rooms, telephone, mechanical and electrical rooms, stairways, escalators, elevators, truck and receiving areas,driveways, parking facilities, loading docks and corridors.

4A. "BUSINESS DAY" MEANS ANY DAY OTHER THAN A SATURDAY, A SUNDAY OR A STATUTORY HOLIDAY.

5. "BUSINESS TAX" means all taxes (whether imposed on the Landlord or Tenant) attributable to the personal property, trade fixtures, business, income, occupancy or sales of the Tenant or any other occupancy of the Premises and to any SEPARATE ASSESSMENT OF leasehold improvements installed in the Premises and to the use of the Building or Lands by the Tenant.

6. "CAPITAL TAX" is an amount determined by multiplying each of the "Applicable Rates" by the "Building Capital" and totalling the products, "Building Capital" is the amount of capital which the Landlord determines, without duplication, is invested from time to time by the Landlord, the owners, or all of them, in doing all or any of the following: acquiring, developing, expanding, redeveloping and improving the Building. Building Capital will not be increased by any financing or refinancing except to the extent that the proceeds are invested directly as Building Capital. An "Applicable Rate" is the capital tax rate specified from time to time under any statute of Canada and any statute of the Province of Ontario which imposes a tax in respect of the capital of corporations. Each Applicable Rate will be considered to be the rate that would apply if none of the Landlord or the owners employed capital outside of the Province of Ontario.

7. "CHANGE OF CONTROL" means, in the case of any corporation or partnership, the transfer or issue by sale, assignment, subscription, transmission on death, mortgage, charge, security interest, operation of law or otherwise, of any shares, voting rights or interest which would result in any change in the effective control of such corporation or partnership unless such change occurs as a result of trading in the shares of a corporation listed on a recognized stock exchange in Canada or the United States and then only so long as the Landlord receives assurances reasonably satisfactory to it that there will be a continuity of management and of the business practices of such corporation notwithstanding such Change of Control.

8. "COMMENCEMENT DATE" means the date on which the Term commences under Section 1.02 OR AS DETERMINED PURSUANT TO SECTION 12.04.

9. "DEVELOPMENT" means the Lands, the Building, the subway tunnel, and all other buildings,

structures, improvements, equipment and fixtures and facilities situated on the Lands from time to time.

10. An "EVENT OF DEFAULT" shall occur whenever:

(a) any Rent xxx xx xxxxxxxxxxx xxx xx xxx xxxx xx OR ANY OTHER SUMS OF MONEY REQUIRED TO BE PAID BY THE TENANT UNDER THIS LEASE TO THE LANDLORD ARE IN ARREARS AND ARE NOT PAID WITHIN FIVE (5) days after written demand by the Landlord;

(b) the Tenant has breached any of its obligations in this Lease (other than the payment of Rent) and:

(i) fails to remedy such breach within 15 days (or such shorter period as may be provided in this Lease); or,

(ii) if such breach cannot be reasonably remedied within 15 days or such shorter period, the Tenant fails to commence to remedy such breach within such 15 days or shorter period or thereafter fails to proceed diligently to remedy such breach;

in either case after notice in writing from the Landlord;

(c) the Tenant or any Indemnifier becomes bankrupt or insolvent or takes the benefit of any statute for bankrupt or insolvent debtors or makes any proposal, assignment or arrangement with its creditors, or any steps are taken or proceedings commenced by any Person for the dissolution, winding-up or other termination of the Tenant's existence or the liquidation of its assets;

(d) a trustee, receiver, receiver/manager or like Person is appointed with respect to the business or assets of the Tenant or any Indemnifier AND SUCH APPOINTMENT IS NOT CONTESTED IN GOOD FAITH BY THE TENANT;

(e) the Tenant makes a sale in bulk of all or a substantial portion of its assets IN THE PREMISES other than in conjunction with a Transfer xxxxxxxxx xx xxx xxxxxxxx PERMITTED HEREUNDER;

(f) this Lease or any of the Tenant's assets are taken under a writ of execution WHICH WRIT IS NOT CONTESTED IN GOOD FAITH BY THE TENANT;

(g) the Tenant purports to make a Transfer other than in compliance with the provisions of this Lease;

(h) the Tenant abandons or attempts to abandon the Premises or disposes of its goods so that there would not after such disposal be sufficient goods of the Tenant on the Premises subject to distress to satisfy Rent for at least 3 months, or the Premises become vacant and unoccupied for a period of 10 consecutive days or more without the consent of the Landlord NOT TO BE UNREASONABLY WITHHELD;

(i) any insurance policies covering any part of the Development or any occupant thereof are actually or threatened to be cancelled or adversely changed as a result of any ILLEGAL use or occupancy of the Premises;

(j) IF AT ANY TIME OR TIMES THERE IS A CHANGE OF CONTROL AND THE LANDLORD, ACTING IN A COMMERCIALLY REASONABLE MANNER, DETERMINES THAT THE TENANT OR TRANSFEREE (AS THE CASE MAY BE) IS NOT CARRYING ON ITS BUSINESS IN A REPUTABLE AND FIRST CLASS MANNER OR DOES NOT EMPLOY REPUTABLE PERSONNEL, CONTRACTORS AND AGENTS AND THE TENANT FAILS TO REMEDY SUCH BREACH WITHIN FIFTEEN (15) DAYS

AFTER NOTICE IN WRITING FROM THE LANDLORD; OR

(k) IF AT ANY TIME OR TIMES THERE IS A SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF THE TENANT (OTHER THAN IN CONNECTION WITH A TRANSFER TO A RELATED TRANSFEREE) AND THE LANDLORD, ACTING IN A COMMERCIALLY REASONABLE MANNER, DETERMINES THAT THE TRANSFEREE IS NOT CARRYING ON ITS BUSINESS IN A REPUTABLE AND FIRST CLASS MANNER OR DOES NOT EMPLOY REPUTABLE PERSONNEL, CONTRACTORS AND AGENTS AND THE TENANT FAILS TO REMEDY SUCH BREACH WITHIN FIFTEEN (15) DAYS FOLLOWING NOTICE IN WRITING FROM THE LANDLORD.

11. "FISCAL YEAR" means (i) the period of time commencing on the Commencement Date and ending on the last day of the next ensuing December; and (ii) thereafter the period of time commencing on the first day of January and ending on the last day of the next ensuing December, or (iii) the fiscal period NOT EXCEEDING TWELVE (12) MONTHS (UNLESS THE LANDLORD IS CHANGING ITS FISCAL PERIOD) designated by the Landlord from time to time.

12. "INDEMNIFIER" means the Person, if any, who has executed or agreed to execute the Indemnity Agreement attached to this Lease as Schedule "E", or any other indemnity agreement in favour of the Landlord.

13. "LANDLORD" means the party named as landlord on the first page of this xxxxxxx LEASE, and those for whom it is responsible in law.

14. "LANDS" means the lands situated in the City of North York, in the Province of Ontario on which the Building is or will be constructed, as more particularly described in Schedule "A" and Schedule "A-1", or as such lands may be expanded or reduced from time to time.

15. "LEASE" OR "LEASE" means this document as originally signed, sealed and delivered or as amended from time to time, which amendments shall be in writing, signedxxxxxxxxx and delivered by both the Landlord and the Tenant.

16. "LEASEHOLD IMPROVEMENTS" mean leasehold improvements in the Premises determined according to common law, and shall include, without limitation, all fixtures, improvements, installations, alterations and additions from time to time made, erected or installed in the Premises by or on behalf of the Tenant xxx xxx xxxxxxxxxxx xxxxxxxx xx xxx xxxx, including signs and lettering, partitions, doors and hardware however affixed and whether or not movable, all mechanical, electrical and utility installations and all carpeting and drapes with the exception only of furniture and equipment not in the nature of fixtures.

17. "MORTGAGE" means any and all mortgages, charges, debentures, security agreements, trust deeds, hypothecs or like instruments resulting from financing, refinancing or collateral financing (including renewals or extensions thereof) made or arranged by the Landlord of its interest in all or any part of the Development.

18. "MORTGAGEE" means the holder of, or secured party under, any Mortgage and includes any trustee for bondholders.

19. "NET RENT" means the annual rent payable by the Tenant under Section 2.02.

20. "NET RENTABLE AREA" means, in the case of premises consisting of part of a floor, the floor area bounded by the inside surface of the exterior glass, the Premises side of the corridor or other permanent partitions and the centre of partitions that separate the premises from adjoining leasable areas (if any) without deductions for columns or projections but after making the same exclusions as are made in computing Rentable Area.

21. "NORMAL BUSINESS HOURS" means the hours from 8:00 a.m. to 6:00 p.m. on Mondays through Fridays and the hours from 8:00 a.m. to 1:00 p.m. on Saturdays, unless any such day is a

statutory holiday.

22. "OPERATING COSTS" means (without duplication) any amounts paid or payable whether by the Landlord or by others on behalf of the Landlord for maintenance, operation, repair, replacement to and administration of the Development or allocated by the Landlord to the Development and for services provided generally to tenants, calculated as if each building erected on the Lands were 100% occupied by tenants during the Term. including without limitation:

(a) the cost of insurance which the Landlord is obligated or permitted to obtain under this Lease;

(b) the cost of security, janitorial, landscaping, window cleaning, garbage removal and snow removal services;

(c) the cost of heating, ventilating and air-conditioning INCLUDING OCCUPIED OR OCCUPIABLE PREMISES;

(d) the cost of fuel, steam, water, electricity, telephone and other utilities used in the maintenance, operation or administration of the Development, including charges and imposts related to such utilities to the extent such costs, charges and imposts are not recovered xxxxx xxxxx xxxxxxxxxxxxx OR RECOVERABLE FROM OTHER TENANTS IN THE SAME MANNER AS PROVISION FOR RECOVERY FROM THE TENANT PURSUANT TO THIS LEASE;

(e) ON-SITE management office expenses of operation, and salaries, wages and other amounts paid or payable for all personnel involved in the ON-SITE repair, maintenance, operation, on site management, security, supervision or cleaning of the Development, including fringe benefits, unemployment and worker's compensation insurance premiums, pension plan contributions and other employment costs;

(f) auditing, accounting, legal and other professional and consulting fees and disbursements;

(g) the costs:

(i) of repairing, operating and maintaining the Development and the equipment serving the Development and of all replacements and modifications to the Development or such equipment, including those made by the Landlord in order to comply with laws or regulations affecting the Development;

(ii) incurred by the Landlord in providing and installing energy conservation equipment or systems INTENDED TO REDUCE OPERATING COSTS and life safety systems;

(iii) incurred by the Landlord to make alterations, replacements or additions to the Development intended to reduce operating costs, improve the operation of the Development or maintain its operation as a first class office Development (OTHER THAN CAPITAL COSTS THAT ARE FOR THE UPGRADING OF THE BUILDING OR ANY OF ITS COMPONENTS); and,

(iv) incurred to replace machinery or equipment which by its nature requires periodic replacement;

all to the extent that such costs are fully chargeable in the Fiscal Year in which they are incurred in accordance with xxxxxxxxx GENERALLY ACCEPTED accounting principles;

(h) the cost of the rental of all equipment supplies, tools, materials and signs;

(i) all REASONABLE costs incurred by the Landlord in contesting or appealing taxes or related assessments including legal, appraisal and other professional fees, and administration and overhead costs;

(j) Capital Tax;

(k) depreciation or amortization of the costs referred to in paragraph 22(g) above as determined by the Landlord in accordance with sound accounting principles, if such costs have not been charged fully in the Fiscal Year in which they are incurred;

(l) Interest calculated at 2 percentage points above the annual rate of interest generally announced as being its prime rate for Canadian dollar demand loans by any Canadian chartered bank designated from time to time by the Landlord upon the undepreciated or unamortized balance of the costs referred to in paragraph 22(k); and

(m) a reasonable fee for the administration and management of the Development applied to the total rents (including additional and percentage rents) received from tenants of the Development, which fee shall be comparable to fees charged by property management companies for managing and administering developments in the City of North York similar to the Development.

Operating Costs shall exclude or have deducted from them as the case may be:

(aa) all amounts which otherwise would be included in Operating Costs which are recovered by the Landlord from tenants (other than under sections of their leases comparable to Section 2.03 of this Lease);

(bb) such of the Operating Costs as are recovered from insurance proceeds, warranties or guarantees, to the extent such recovery represents reimbursements for costs previously included in Operating Costs;

(cc) interest on debt and capital retirement of debt;

(dd) ground rent payable by the Landlord to the owner of the Lands under any ground lease of the Lands;

(ee) all amounts which otherwise would be included in Operating Costs which are directly attributable to the operation of the parking garage forming part of and serving the Development AND ALL COST OF REPAIR OR REPLACEMENT TO SUCH PARKING GARAGE CAUSED BY ITS USE BY CARS OR OTHER VEHICLES;

(ff) commissions and other expenses payable in connection with the marketing and leasing of the Building including the cost of any leasehold improvement allowance or other inducement paid to tenants of the Buildingxxxx

(gg) the amount of any goods and services tax ("G.S.T.") paid or payable by the Landlord on the purchase of goods and services included in Operating Costs which may be available to the Landlord as a credit in determining the Landlord's net tax liability or refund on account of G.S.T.

(hh) BAD DEBTS AND THE COLLECTION OF LEGAL COSTS ASSOCIATED WITH BAD DEBTS;

(ii) ANY AMOUNT PAYABLE AS A RESULT OF LANDLORD'S NON-COMPLIANCE WITH ANY LAW, BY-LAW, REGULATION OR ACT; AND

(jj) COSTS RELATING TO THE REPAIR OR REPLACEMENT OF STRUCTURAL DEFECTS.

Costs incurred in maintaining and operating the Development may be attributed by the Landlord to the various components of the Development in accordance with reasonable and current practices and on a basis consistent with the nature of the particular costs being attributed, and the costs so attributed may be allocated to the tenants of such components accordingly.

23. "PERSON" means any person, firm, partnership or corporation, or any group or combination of persons, firms, partnerships or corporations.

24. "PREMISES" means the premises leased to the Tenant described in Section 1.01 and includes Leasehold Improvements in such premises AND SHALL INCLUDE WHEN APPLICABLE, THE FIRST ADDITIONAL PREMISES.

25. "PROPORTIONATE SHARE" means a fraction which has as its numerator the Rentable Area of the Premises and as its denominator the Total Rentable Area of the Development.

25A. "RELATED TRANSFEREE" MEANS ANY CORPORATION THAT IS A WHOLLY OWNED SUBSIDIARY OF THE TENANT OR A CORPORATION RESULTING FROM AN AMALGAMATION UNDER THE ONTARIO BUSINESS CORPORATION ACT BETWEEN THE TENANT AND A CORPORATION AFFILIATED WITH THE TENANT (WITHIN THE MEANING OF THE SAID ACT), PROVIDED THAT IF THERE IS A CHANGE OF CONTROL WITH RESPECT TO THE AMALGAMATED CORPORATION IT SHALL BE SUBJECT TO THE LANDLORD'S RIGHT TO DETERMINE WHETHER SUCH CHANGE OF CONTROL CONSTITUTES AN EVENT OF DEFAULT PURSUANT TO SECTION 10(j) OF THIS SCHEDULE "C".

26. "RENT" means the aggregate of Net Rent and Additional Rent.

27. "RENTABLE AREA" means (a) in the case of premises used or intended to be used for office purposes and occupying an entire floor, the floor area bounded by the inside surface of the glass on the exterior walls, including without limitation, washrooms, telephone, electrical and janitorial closets and elevator lobbies; (b) in the case of premises used or intended to be used for office purposes and consisting of part of a floor, the area computed by multiplying the Net Rentable Area of such premises by a fraction, the numerator of which is the aggregate floor area of the floor on which the Premises are located (using the measurement method set out in subparagraph (a)) and the denominator of which is the aggregate Net Rentable Area of all office premises on such floor; and (c) in the case of premises used or intended to be used for retail purposes, the Net Rentable Area thereof. In calculating Rentable Area, stairs, elevator shafts, flues, stacks, pipe shafts and vertical ducts with their own enclosing walls, any of which are used in common, shall be excluded but no deductions or exclusions shall be made for columns and projections necessary for the Building. The Landlord may for the purpose of calculating the Net Rent and any Proportionate Share change the fraction referred to in subparagraph (b) from time to time to reflect the actual ratio of the aggregate floor area of the floor on which the Premises are located (using the measurement method set out in subparagraph (a)) to the aggregate Net Rentable Area of all office premises on such floor.

28. "RULES AND REGULATIONS" means the rules and regulations adopted and promulgated by the Landlord from time to time pursuant to Section 11.01. The Rules and Regulations existing as at the Commencement Date are those set out in Schedule "D".

29. "TAXES" means all taxes, levies, charges, local improvement rates and assessments whatsoever assessed or charged against the Development or any part thereof by any lawful taxing authority and including any amounts assessed or charged in substitution for or in lieu of any such taxes, but excluding only such taxes as CAPITAL TAX, capital gains taxes, corporate, income, profit or excess profit taxes to the extent such taxes are not levied in lieu of any of the foregoing against the Development or the Landlord in respect thereof. Taxes shall in every instance be calculated on the basis of the Total Rentable Area of the Building being assessed as fully leased and operational.

30. "TENANT" means the party named as tenant on the first page of this xxxxxxxxxxx LEASE, and those for whom it is responsible in law.

30A. "TENANT BUSINESS HOURS" MEANS THE HOURS FROM 7:00 A.M. TO 12.00 A.M. ON MONDAYS THROUGH FRIDAYS AND THE HOURS FROM 9:00 A.M. TO 5:00 P.M. ON SATURDAYS AND 10:00 A.M. TO 2:00 P.M. ON SUNDAYS UNLESS SUCH DAY IS A STATUTORY HOLIDAY.

31. "TERM" means the period set out in Section 1.02.

32. "TOTAL RENTABLE AREA OF THE BUILDING" means the aggregate of the Rentable Areas of each floor in the Building intended for office or retail use as if each floor is occupied by one tenant, all as determined by the Architect. The Total Rentable Area of the Building shall:

(a) exclude the main telephone, mechanical, electrical and other utility rooms and enclosures, public lobbies on the ground floor, and other public space common to the entire Building; and,

(b) be adjusted by the Architect from time to time to take account of any structural, functional or other change affecting the same.

33. "TOTAL RENTABLE AREA OF THE DEVELOPMENT" means the aggregate of:

(a) the Total Rentable Area of the Building; and

(b) the total rentable area of all other buildings in the Development, (other than the free-standing one-storey building on the Lands used or intended to be used as a restaurant), which areas shall be calculated and adjusted in the same manner as the Total Rentable Area of the Building is calculated and adjusted mutatis mutandis

(provided that the total rentable area of such a building shall be included in the Total Rentable Area of the Development only from and after the date designated by the Landlord for the opening of such building).

34. "TRADE FIXTURES" means trade fixtures as determined at common law, but for greater certainty, shall not include:

(a) heating, ventilating or air conditioning systems, facilities and equipment in or serving the Premises;

(b) floor coverings affixed to the BASE BUILDING floor of the Premises;

(c) light fixtures;

(d) internal stairways and doors; and,

(e) any fixtures, facilities, equipment or installations installed by or at the expense of the Landlord pursuant to this Lease or otherwise REQUIRED FOR THE OPERATION OF THE BUILDING AS OPPOSED TO THE OPERATION OF THE TENANT'S BUSINESS.

35. "TRANSFER" means an assignment of this Lease in whole or in part, a sublease of all or any part of the Premises, any transaction whereby the rights of the Tenant under this Lease or to the Premises are transferred to another, any transaction by which any right of use or occupancy of all or any part of the Premises is conferred (EXCEPT PURSUANT TO A GENERAL SECURITY AGREEMENT) upon anyone, any mortgage, charge or encumbrance of this Lease or the Premises or any part thereof or other arrangement under which either this Lease or the Premises become security for any indebtedness or other obligations and includes any transaction or occurrence whatsoever (including, but not limited to, expropriation, receivership proceedings, seizure by legal process and transfer by operation of law), which has changed or might change the identity of the Persons having lawful use or occupancy of any part of the Premises. TRANSFER SHALL NOT INCLUDE A SALE OF ALL OR SUBSTANTIALLY ALL OF THE ASSETS OF THE TENANT PROVIDED THAT SUCH SALE SHALL BE SUBJECT TO THE LANDLORD'S RIGHTS TO DETERMINE WHETHER SUCH SALE CONSTITUTES AN EVENT OF DEFAULT PURSUANT TO SECTION 10(k) OF THIS SCHEDULE "C."

36. "TRANSFEREE" means the Person or Persons to whom a Transfer is to be made.

SCHEDULE "D" - RULES AND REGULATIONS

1. LIFE SAFETY

(a) The Tenant shall not do or permit anything to be done in the Premises, or bring or keep anything therein which will in any way increase the risk of fire or the rate of fire insurance on the Building or on property kept therein, or obstruct or interfere with the rights of other tenants or in any way injure or annoy them or the Landlord, or violate or act at variance with the laws relating to fires or with regulations of the Fire Department, or with any insurance upon the Lands or Building or in any part thereof, or violate or act in conflict with any statutes, rules and ordinances governing health standards or with any other statute or municipal by-law.

(b) No inflammable oils or other inflammable, dangerous or explosive materials save those approved in writing by the Landlord's insurers shall be kept or permitted to be kept in the Premises.

2. SECURITY

(a) The Landlord shall permit the Tenant and the Tenant's employees and all Persons lawfully requiring communication with them to have the use, during Normal Business Hours in common with others entitled thereto, of the main entrance and the stairways, corridors, elevators, escalators, or other mechanical means of access leading to the Building and the Premises. At times other than during Normal Business Hours the Tenant and the employees of the Tenant shall have access to the Building and to the Premises only in accordance with the Rules and Regulations and shall be required to satisfactorily identify themselves and to register in any book which may at the Landlord's option be kept by the Landlord for such purpose. If identification is not satisfactory, the Landlord is entitled to prevent the Tenant or the Tenant's employees or other Persons lawfully requiring communication with the Tenant from having access to the Building and to the Premises. In addition, the Landlord is not required to open the door to the Premises for the purpose of permitting entry therein to any Person not having a key to the Premises.

(b) The Tenant shall not place or cause to be placed any additional locks upon any doors of the Premises without the approval of the Landlord. Two keys PER FLOOR shall be supplied to the Tenant for each entrance door to the Premises and all locks shall be Building standard to permit access by the Landlord's master key. If additional keys are required, they must be obtained from the Landlord at the cost of the Tenant. Keys or other means of access for entrance doors to the Building will not be issued without the written authority of the Landlord. THE TENANT MAY, AT ITS SOLE COST AND EXPENSE, COORDINATE ITS SECURITY AND CARD ENTRY SYSTEM WITH THE CARD ENTRY SYSTEM OF THE BUILDING SUBJECT TO THE PRIOR APPROVAL OF THE LANDLORD WHICH SHALL NOT BE UNREASONABLY WITHHELD OR DELAYED.

3. HOUSEKEEPING

(a) The Tenant shall permit window cleaners to clean the windows of the Premises during Normal Business Hours.

(b) The Tenant shall not place any debris, garbage, trash or refuse or permit same to be placed or left in or upon any part of the Lands or Building outside of the Premises, other than in a location provided by the Landlord specifically for such purposes, and the Tenant shall not allow any undue accumulation of any debris, garbage, trash or refuse in or outside of the Premises. If the Tenant uses perishable articles or generates wet garbage, the Tenant shall provide refrigerated storage facilities

suitable to Landlord.

(c) The Tenant shall not place or maintain any supplies, or other articles in any vestibule or entry of the Premises, on the adjacent footwalks or elsewhere on the exterior of the Premises or elsewhere on the Lands or Building.

(d) The sidewalks, entrances, passages, escalators, elevators and staircases shall not be obstructed or used by the Tenant, its agents, servants, contractors, invitees or employees for any purpose other than ingress to and egress from the Premises and the Building. The Landlord reserves entire control of all parts of the Lands and Building employed for the common benefit of the tenants and without restricting the generality of the foregoing, the sidewalks, entrances, corridors and passages not within the Premises, washrooms, lavatories, air conditioning closets, fan rooms, janitor's closets, electrical closets and other closets, stairs, escalators, elevator shafts, flues, stacks, pipe shafts and ducts and shall have the right to place such signs and appliances therein, as it deems advisable, provided that ingress to and egress from the Premises is not unduly impaired thereby.

(e) The Tenant shall not cause or permit: any waste or damage to the Premises; any overloading of the floors or the utility, electrical or mechanical facilities of the Premises; any nuisance in the Premises; or any use or manner of use causing a hazard or annoyance to other occupants of the Building or to the Landlord.

4. RECEIVING, SHIPPING, MOVEMENT OF ARTICLES

(a) The Tenant shall not receive or ship articles of any kind except through facilities and designated doors and at hours REASONABLY designated by the Landlord and under the supervision of the Landlord.

(b) Hand trucks, carryalls or similar appliances shall only be used in the Building with the consent of the Landlord and shall be equipped with rubber tires, slide guards and such other safeguards as the Landlord requires.

(c) The Tenant, its agents, servants, contractors, invitees or employees, shall not bring in or take out, position, construct, install or move any safe, business machinery or other heavy machinery or equipment or anything liable to injure or destroy any part of the Building, including the Premises, without first obtaining the consent in writing of the Landlord. In giving such consent, the Landlord shall have the right in its sole discretion, to prescribe the weight permitted and the position thereof, the use and design of planks, skids or platforms, and to distribute the weight thereof. All damage done to the Building, including the Premises, by moving or using any such heavy equipment or other office equipment or furniture shall be repaired at the expense of the Tenant. The moving of all heavy equipment or other office furniture shall occur only by prior arrangement with the Landlord. The cost of such moving shall be paid by the Tenant. Safes and other heavy office equipment and machinery shall be moved through the halls and corridors only in a manner expressly approved by the Landlord. No freight or bulky matter of any description will be received into any part of the Building, including the Premises, or carried in the elevators except during hours approved by the Landlord.

5. PREVENTION OF INJURY TO PREMISES

(a) It shall be the duty of the Tenant to assist and co-operate with the Landlord in preventing injury to the Premises.

(b) The Tenant shall not, EXCEPT AS PART OF NORMAL DECORATIONS, deface or mark any part of the Building, including the Premises, and shall not drive nails, spikes, hooks or screws into the walls, floors, ceilings or woodwork of any part of the Building, including the Premises, or bore, drill or cut into the walls, floors, ceilings or woodwork of any part of the Building including the Premises, in any manner or for

any reason.

(c) If the Tenant desires telegraphic or telephonic connections, the Landlord, in its sole discretion, may direct the electricians as to where and how the wires are to be introduced. No gas pipe or electric wire will be permitted which has not been ordered or authorized by the Landlord. No outside radio or television antenna shall be allowed on any part of the Premises without authorization in writing by the Landlord.

6. WINDOWS

Except for the proper use of approved blinds and drapes, the Tenant shall not cover, obstruct or affix any object or material to any of the skylights and windows that reflect or admit light into any part of the Building, including, without limiting the generality of the foregoing, the application of solar films.

7. WASHROOMS

(a) The Landlord shall permit the Tenant and the employees of the Tenant in common with others entitled thereto, to use EXCLUSIVELY the washrooms on xxxxx EACH WHOLE floor of the Building LEASED BY THE TENANT AND NON-EXCLUSIVE USE OF WASHROOMS ON EACH PART FLOOR on which the Premises are situated or, in lieu thereof, those washrooms designated by the Landlord, save and except when the general water supply may be turned off from the public main or at such other times when repair and maintenance undertaken by the Landlord shall necessitate the non-use of the facilities.

(b) The water closets and other apparatus shall not be used for any purposes other than those for which they were intended, and no sweepings, rubbish, rags, ashes or other substances shall be thrown into them. Any damage resulting from misuse shall be borne by the Tenant by whom or by whose agents, servants, invitees, or employees such damage is caused.

8. USE OF PREMISES

(a) No one shall use the Premises for sleeping apartments or residential purposes, or for the storage of personal effects or articles other than those required for business purposes.

(b) No cooking or heating of any foods or liquids (other than the heating of water or coffee in coffee makers xxx xxxxxxxxxxx, KETTLES. MICROWAVES, FRIDGES) shall be permitted in the Premises without the written consent of the Landlord.

(c) The Tenant shall not install or permit the installation or use of any machine dispensing goods for sale in the Premises xxx xxx xxxxxxxxxxx xx xxxxxxxxxxx (OTHER THAN FOOD OR BEVERAGE MACHINES FOR THE EMPLOYEES OF THE TENANT) OR THE BUILDING. SUBJECT TO THE LANDLORD'S REASONABLE PROCEDURES AND SECURITY REQUIREMENTS HAVING REGARD TO THE FIRST CLASS STANDARD OF THE BUILDING, the delivery of any food or xxxxxxxxxxx xx xxx xxxxxxxxx ,xxxxxxxx xxx xxxxxxxxxx xxxxxxxxxxx BEVERAGES TO THE PREMISES DURING AND OUTSIDE OF NORMAL BUSINESS HOURS SHALL BE PERMITTED.

(d) The Tenant shall not permit or allow any odours, vapours, steam, water, vibrations, noises or other undesirable effects to emanate from the Premises or any equipment or installation therein which, in the Landlord's opinion, are objectionable or cause any interference with the safety, comfort or convenience of the Building to the Landlord or the occupants and tenant thereof or their agents, servants, invitees or employees.

9. CANVASSING, SOLICITING, PEDDLING

Canvassing, soliciting and peddling in or about the Development are prohibited.

10. BICYCLES

No bicycles or other vehicles shall be brought within any part of the Development without the consent of the Landlord NOT TO BE UNREASONABLY WITHHELD.

11. ANIMALS AND BIRDS

No animals or birds shall be brought into any part of the Development without the consent of the Landlord.

12. SIGNS AND ADVERTISING

The Tenant shall SAVE AS PROVIDED IN THE LEASE, not paint, affix, display or cause to be painted, affixed or displayed, any sign, picture, advertisement, notice, lettering or decoration on any part of the outside of the Building or in the interior of the Premises which is visible from the outside of the Building. The Landlord will prescribe a uniform pattern and location of identification signs for tenants, to be placed on the outside of the Premises, and the Tenant shall not paint, affix, display or cause to be painted, affixed or displayed any sign, picture, advertisement, notice, lettering or decoration on the outside of the Premises for exterior view without the written consent of the Landlord. Any such signs shall remain the property of the Tenant and shall be maintained at the Tenant's sole cost and expense. At the expiration of the Term or earlier termination of this Lease, the Tenant shall remove any such sign, picture, advertisement, notice, lettering or decoration from the Premises at the Tenant's expense and shall promptly repair all damage caused by any such removal. The Tenant's obligation to observe and perform this covenant shall survive the expiration of the Term or earlier termination of the Lease.

13. DIRECTORY BOARD

The Tenant shall be entitled at its expense to have its name shown upon the directory board of the Building and the Landlord shall design the style of such identification and shall determine the number of spaces available on the directory board for each tenant. The DIRECTORY BOARD SHALL BE LOCATED IN AN AREA DESIGNATED BY THE LANDLORD IN THE MAIN LOBBY OF THE BUILDING. THE TENANT SHALL BE ENTITLED TO A MAXIMUM OF FOUR NAMES ON SUCH DIRECTORY BOARD.

SCHEDULE "E"

TEXT OF IRREVOCABLE LETTER OF CREDIT

BENEFICIARIES: YCC LIMITED AND LONDON LIFE INSURANCE COMPANY

AMOUNT: $500,000.00

EXPIRY: MAY ,1998

1. WE, [INSERT NAME OF BANK], AT THE REQUEST AND ON ACCOUNT OF LOYALTY MANAGEMENT GROUP CANADA INC. (THE "APPLICANT") HEREBY ISSUE IN YOUR FAVOUR OUR IRREVOCABLE STANDBY LETTER OF CREDIT FOR THE ABOVE-MENTIONED AMOUNT, AVAILABLE FOR PAYMENT ON DEMAND AT OUR COUNTERS AT:

   [INSERT ADDRESS OF BANK]

2. THIS STANDBY LETTER OF CREDIT IS ISSUED TO SECURE CERTAIN OBLIGATIONS OF THE APPLICANT TO YOU PURSUANT TO A LEASE BETWEEN THE APPLICANT AND YOURSELVES DATED THE DAY OF MAY, 1997 (THE "LEASE") WHEREBY THE APPLICANT HAS AGREED TO PAY RENT AND PERFORM OTHER COVENANTS AND AGREEMENTS THEREUNDER WITH RESPECT TO CERTAIN PREMISES IN THE YONGE CORPORATE CENTRE, NORTH YORK, ONTARIO ALL AS MORE PARTICULARLY SET OUT IN THE LEASE.

3. ANY DEMAND MADE UPON US IN CONFORMITY WITH THE TERMS AND CONDITIONS OF THIS STANDBY LETTER OF CREDIT WILL BE HONOURED WITHOUT ENQUIRING WHETHER YOU HAVE A RIGHT AS BETWEEN YOURSELVES AND THE APPLICANT TO MAKE SUCH DEMAND AND WITHOUT RECOGNIZING ANY CLAIM OF THE APPLICANT.

4. IN ORDER TO MAKE A DEMAND UNDER THIS STANDBY LETTER OF CREDIT, YOU ARE TO DELIVER TO US AT SUCH TIME AS A WRITTEN DEMAND FOR PAYMENT IS MADE UPON US, A CERTIFICATE SIGNED BY YOU INDICATING THE NUMBER OF THIS STANDBY LETTER OF CREDIT AND CERTIFYING THAT THE APPLICANT HAS FAILED TO MAKE PAYMENT TO YOU IN ACCORDANCE WITH THE LEASE. THE DEMAND MUST BE ACCOMPANIED BY THE ORIGINAL OF THIS STANDBY LETTER OF CREDIT FOR ANY ENDORSEMENT OF ANY PAYMENT THEREON.

5. IT IS EXPRESSLY ACKNOWLEDGED AND AGREED THAT IF, AT ANY TIME, THE DATE WHICH WOULD OTHERWISE CONSTITUTE AN EXPIRATION DATE IN ACCORDANCE WITH THE TERMS OF THIS STANDBY LETTER OF CREDIT FALLS ON A DAY OTHER THAN A "BANKING DAY" ON WHICH WE ARE OPEN FOR BUSINESS AT OUR OFFICES IN [INSERT ADDRESS], TORONTO, REFERRED TO ABOVE, THE DATE SHALL BE DEEMED TO BE EXTENDED TO THE NEXT BANKING DAY THEREAFTER.

6. WITHOUT LIMITING THE GENERALITY OF ANY OTHER PROVISION OF THIS STANDBY LETTER OF CREDIT, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED THAT THE ABILITY OF YOURSELVES TO MAKE DEMAND FOR, TO RECEIVE AND RETAIN, PAYMENT UNDER THIS LETTER OF CREDIT SHALL NOT BE AFFECTED, RELEASED, TERMINATED OR IMPAIRED IN ANY MANNER WHATSOEVER. WE SHALL HONOUR WITHOUT INQUIRING WHETHER YOU HAVE A RIGHT BETWEEN YOURSELVES AND OUR SAID CUSTOMER TO MAKE SUCH DEMAND AND WITHOUT RECOGNIZING ANY CLAIM OF OUR SAID CUSTOMER INCLUDING, WITHOUT LIMITATION, THE BANKRUPTCY OF THE APPLICANT AND/OR ANY PROCEEDINGS, REORGANIZATIONAL OR OTHERWISE, ENTERED INTO BY THE APPLICANT PURSUANT TO THE BANKRUPTCY AND INSOLVENCY ACT OR THE COMPANIES' CREDITORS ARRANGEMENT ACT AND THE EFFECT OF ANY SUCH ACTIONS OR ACTIVITIES ON THE OBLIGATIONS OF THE APPLICANT AS A MATTER OF LAW

7. IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY US THAT THE AMOUNT OF THIS STANDBY LETTER OF CREDIT WILL BE DECREASED AS FOLLOWS:

(A) AS OF THE OPENING FOR BUSINESS ON MARCH , 1998, THE AMOUNT OF THE STANDBY LETTER OF CREDIT WILL BE REDUCED TO $250,000.00:

(B) AS OF THE OPENING FOR BUSINESS ON APRIL , 1998, THE AMOUNT OF THE STANDBY LETTER OF CREDIT WILL BE REDUCED TO $125,000.00.

ANY REFERENCE HEREIN TO "THIS STANDBY LETTER OF CREDIT" INCLUDES THIS LETTER OF CREDIT AS AMENDED FROM TIME TO TIME.

8. PARTIAL DRAWINGS HEREUNDER ARE PERMITTED.

9. WE HEREBY AGREE THAT DRAWINGS UNDER THIS STANDBY LETTER OF CREDIT WILL BE DULY HONOURED UPON PRESENTATION, PROVIDED ONLY THAT ALL TERMS AND CONDITIONS OF THE STANDBY LETTER OF CREDIT HAVE BEEN COMPLIED WITH.

10. THIS STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION) INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 500 AND ENGAGES US IN ACCORDANCE WITH THE TERMS THEREOF.

AMENDING AGREEMENT

This agreement is dated as of the 19th day of June, 1997

BETWEEN:

YCC LIMITED AND
LONDON LIFE INSURANCE COMPANY
(hereinafter called the "Landlord")

OF THE FIRST PART

AND

LOYALTY MANAGEMENT GROUP CANADA INC.
(hereinafter called the "Tenant")

OF THE SECOND PART

WHEREAS:

A. By a lease dated the 28th day of May, 1997 (the "Lease") the Landlord leased to the Tenant for and during the term of ten (10) years commencing on the 1st day of September, 1997 to and including the 31st day of August, 2007 (subject to Section 12.04 of the Lease) certain premises as in the Lease described as the multistorey building known municipally as 4110 Yonge Street in the City of North York, in the Municipality of Metropolitan Toronto, in the Province of Ontario;

B. Section 12.04 of the Lease provided that the Landlord and Tenant shall enter into a written agreement confirming any changes or postponements with respect to the Commencement Date and other dates; and

C. The Landlord and Tenant have agreed to postpone the Commencement Date and other dates in accordance with the terms and provisions of section 12.04 of the Lease by reason of the delay in the beginning of the Fixturing Period from June 1, 1997 to June 19, 1997.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the sum of TWO ($2.00) DOLLARS now paid by each of the parties to the other (the receipt and sufficiency of which is hereby acknowledged) and other mutual covenants and agreements hereby set out, the Landlord and Tenant hereby agree as follows:

1. The Landlord and Tenant hereby acknowledge, confirm and agree that the foregoing recitals are true and accurate in substance and in fact.

2. The following dates in the Lease are hereby amended as follows:

   (a) The Commencement Date in section 1.02 shall be changed

   FROM: THE 1ST DAY OF SEPTEMBER, 1997
   TO: THE 17TH DAY OF SEPTEMBER, 1997

(b) The last date of the Term set out in section 1.02 shall be changed

FROM: THE 31ST DAY OF AUGUST, 2007
TO: THE 16TH DAY OF SEPTEMBER, 2007

(c) The date referred to in section 12.05(c) shall be changed

FROM: MARCH 1, 2002
TO: MARCH 17, 2002

(d) The Termination Date defined in section 12.05 shall be changed

FROM SEPTEMBER 1, 2002
TO: SEPTEMBER 17, 2002

(e) The date referred to in the definition of"Refusal Space" in section 12.07 shall be changed

FROM: JUNE 2, 1998
TO: JUNE 18, 1998

(f) The date referred to in the first line of section 12.07(b) shall be changed

FROM: JUNE 1, 1998
TO: JUNE 17, 1998

(g) The period referred to in section 12.07(b)(i) shall be changed

FROM: SEPTEMBER 1, 1998 TO AUGUST 31, 2002
TO: SEPTEMBER 17, 1998 TO SEPTEMBER 16, 2002

(h) The period referred to in section 12.07(b)(ii) shall be changed

FROM: SEPTEMBER 1, 2002 TO AUGUST 31, 2007
TO: SEPTEMBER 17, 2002 TO SEPTEMBER 16, 2007

3. Section 2.02 Net Rent is hereby deleted in it entirety and the following substituted in its place and stead:

"The Tenant shall pay Net Rent as follows:

(a) From September 17, 1997 to August 31, 1998, (being part of the first year of the Term) both inclusive, the sum of SEVEN HUNDRED AND FIFTY-SEVEN THOUSAND, FOUR HUNDRED DOLLARS AND TWENTY CENTS ($757,400.20) per annum payable in equal monthly instalments of SIXTY THREE THOUSAND, ONE HUNDRED AND SIXTEEN DOLLARS AND SIXTY EIGHT CENTS ($63,116.68) each in advance on the first day of each calendar month during such period of the Term.

(b) From September 1, 1998 to August 31, 2002, (being the remainder of the first year and part of the next four years of the Term) both inclusive, the sum of NINE HUNDRED AD SEVENTY-SEVEN THOUSAND, NINE HUNDRED DOLLARS AND TWENTY CENTS ($977,900.20) payable in equal monthly instalments of EIGHTY ONE THOUSAND, FOUR HUNDRED AND NINETY ONE DOLLARS AND SIXTY EIGHT CENTS ($81,491.68) each in advance on the first day of each calendar month during such period of the Term.

(c) From September 1, 2002 to September 16, 2002, both inclusive, the sum of NINE HUNDRED AND EIGHTY-TWO THOUSAND, FOUR HUNDRED DOLLARS AND TWENTY CENTS ($982,400.20) per annum payable in one instalment of FORTY THREE THOUSAND, SIXTY FOUR DOLLARS AND TWELVE CENTS ($43,064.12) on the first day of September, 2002.

(d) From September 17, 2002 to September 16, 2007, (being the last five years of the Term) both inclusive, the sum of ONE MILLION, ONE HUNDRED AND SEVEN THOUSAND, FOUR HUNDRED AND EIGHT DOLLARS ($1,107,408.00) per annum payable in equal monthly instalments of NINETY TWO THOUSAND, TWO HUNDRED AND EIGHTY FOUR DOLLARS ($92,284.00) each in advance on the first day of each calendar month during such period of the Term.

The Net Rent for the period of the Term set out in subsection 2.02(a) is based on an annual rate of ten dollars and thirty cents ($10.30) per square foot of Rentable Area of the Premises. The Net Rent for the period of the Term set out in subsection 2.02(b) is based on an annual rate of TEN DOLLARS AND THIRTY CENTS ($10.30) per square foot of the Rentable Area of the Premises (other than the First Additional Premises) and TWELVE DOLLARS AND TWENTY-FIVE CENTS ($12.25) per square foot of the Rentable Area of the First Additional Premises. The Net Rent for the period of the Term set out in subsection 2.02(c) is based on an annual rate of TEN DOLLARS AND THIRTY CENTS ($10.30) per square foot of the Rentable Area of the Premises (other than the First Additional Premises) and TWELVE DOLLARS AND FIFTY CENTS ($12.50) per square foot of the Rentable Area of the First Additional Premises. The Net Rent for the period of the Term set out in subsection 2.02(d) is based on an annual rate of TWELVE DOLLARS ($12.00) per square foot of the Rentable Area of the Premises (other than the First Additional Premises) and TWELVE DOLLARS AND FIFTY CENTS ($12.50) per square foot of the Rentable Area of the First Additional Premises. As soon as reasonably possible after completion of construction of the Premises, the Architect shall measure the Net Rentable Area of the Premises and shall certify to the Tenant the Rentable Area of the Premises and Rent shall be adjusted accordingly."

4. Except as otherwise provided herein, all defined terms in this amending agreement shall have the same definitions as in the Lease.

5. The Landlord and Tenant confirm that in all other respects, the terms, covenants and conditions of the Lease remain unchanged and in full force and effect except as modified by this amending agreement.

6. This amending agreement shall enure to the benefit of and be binding upon the parties hereto, their successors and assigns of the Landlord and the permitted successors and permitted assigns of the Tenant.

IN WITNESS WHEREOF the parties have executed this amending agreement as of the day and date first above written.

YCC LIMITED

(LANDLORD)

PER: /s/ [Illegible]

AUTHORIZED SIGNATURE

PER: /s/ [Illegible]

AUTHORIZED SIGNATURE

LONDON LIFE INSURANCE COMPANY

(LANDLORD)

PER: /s/ Jonathan Button

AUTHORIZED SIGNATURE
Jonathan Button
Director of Real Estate

PER: /s/ Philip Gunn

AUTHORIZED SIGNATURE
Philip Gunn
Manager of Finance

LOYALTY MANAGEMENT GROUP CANADA INC.
(TENANT)

PER: /s/ [Illegible]

AUTHORIZED SIGNATURE

PER: /s/ [Illegible]

AUTHORIZED SIGNATURE

WE HAVE AUTHORITY TO BIND THE CORPORATION

LEASE AMENDING AGREEMENT

THIS AGREEMENT is dated the 15TH day of JANUARY, 1998

BETWEEN:

YCC LIMITED AND
LONDON LIFE INSURANCE COMPANY
(hereinafter called the "Landlord")

OF THE FIRST PART

- and -

LOYALTY MANAGEMENT GROUP CANADA INC.
(hereinafter called the "Tenant")

OF THE SECOND PART

WHEREAS:

A. By a lease dated the 28TH day of MAY, 1997, AND SUBSEQUENT LEASE AMENDING AGREEMENT DATED JUNE 19,1997, (collectively, the "Lease"), the Landlord leased to the Tenant for and during a term, (the "Term"), of TEN (10) years, commencing on the 17TH day of SEPTEMBER, 1997 and expiring on the 16TH day of SEPTEMBER, 2007 certain premises, (the "Premises"), comprising a Rentable Area of approximately SEVENTY-THREE THOUSAND FIVE HUNDRED AND THIRTY-FOUR (73,534) square feet located on the 2ND AND 3RD floors shown outlined in red on the plan attached to the Lease as Schedules "B-1 AND B-2", located at 4110 YONGE STREET, (the "Building"), in the City of TORONTO, in the Municipality of METROPOLITAN TORONTO, in the Province of ONTARIO.

B. PURSUANT TO SECTION 1.01 AND SECTION 12.07, THE LANDLORD AND TENANT HAVE AGREED THAT THE FIRST ADDITIONAL PREMISES AND THE SPECIAL REFUSAL SPACE SHALL BE ADDED TO THE PREMISES AND the lease SHALL BE AMENDED in accordance with the terms and conditions hereinafter set forth.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the sum of Two Dollars ($2.00) now paid by each of the Parties to the other (the receipt and sufficiency whereof is hereby acknowledged), and other mutual covenants and agreements, the Parties do hereby agree as follows:

1. The Parties hereby acknowledge, confirm and agree that the foregoing recitals are true in substance and in fact.

2. The Lease is amended as of the 1ST day of AUGUST, 1998, (the "Effective Date"), as follows:

(a) SECTION 1.01 (GRANT AND PREMISES) IS AMENDED BY DELETING IN THE FIRST AND LAST LINES OF THE SECOND PARAGRAPH, THE WORDS AND FIGURES "SEPTEMBER 1, 1998" AND INSERTING IN THEIR PLACE THE WORDS AND FIGURES "AUGUST 1, 1998".

(b) SECTION 2.02 (NET RENT) OF THE LEASE IS AMENDED AS FOLLOWS:

(i) BY DELETING FROM THE FIRST LINE OF SUBSECTION (a) THE WORDS AND FIGURES "AUGUST 31, 1998 (BEING THE FIRST YEAR OF THE TERM)" AND INSERTING IN THEIR PLACE THE WORDS AND FIGURES "JULY 31, 1998"; AND

(ii) BY DELETING FROM THE FIRST LINE OF SUBSECTION (b) THE WORDS AND FIGURES "SEPTEMBER 1, 1998" AND INSERTING IN THEIR PLACE THE WORDS AND FIGURES "AUGUST 1, 1998".

(c) SECTION 12.07 (FIRST REFUSAL RIGHT) IS AMENDED AS FOLLOWS:

1. (A) BY DELETING REFERENCE TO THE 4TH FLOOR IN THE FIRST LINE OF THE FIRST PARAGRAPH AND;

(B) BY DELETING FROM THE FIRST PARAGRAPH, THE WORDS "AND FROM AND INCLUDING JUNE 2, 1998, SHALL INCLUDE FOR GREATER CERTAINTY THE SPECIAL REFUSAL SPACE";

2. BY DELETING IN THE FIRST, SECOND AND THIRD LINES OF THE FIRST PARAGRAPH OF SUBSECTION (b) THE WORDS "PROVIDED THE TENANT HAS GIVEN WRITTEN NOTICE TO THE LANDLORD ON OR BEFORE JUNE 1, 1998 THAT THE TENANT REQUIRES THE SPECIAL REFUSAL SPACE, THE LANDLORD SHALL LEASE THE SPECIAL REFUSAL SPACE

TO THE TENANT COMMENCING SEPTEMBER 1, 1998" AND INSERTING IN THEIR PLACE THE WORDS "THE LANDLORD SHALL LEASE TO THE TENANT AND THE TENANT SHALL LEASE FROM THE LANDLORD THE SPECIAL REFUSAL SPACE COMMENCING AUGUST 1, 1998";

3. THE LAST PARAGRAPH OF SUBSECTION (b) IS DELETED;

4. BY DELETING IN SUBSECTION (b)(i) THE WORDS AND FIGURES "SEPTEMBER 17, 1998" AND INSERTING IN THEIR PLACE THE WORDS AND FIGURES "AUGUST 1,1998"; AND

5. BY DELETING SUBSECTION (d).

(h) SCHEDULE "B-4", ATTACHED HERETO AND FORMING A PART OF THIS LEASE AMENDING AGREEMENT, IS ADDED TO THE LEASE.

3. EXCEPT AS OTHERWISE PROVIDED HEREIN, ALL REFERENCES IN THE LEASE TO THE "PREMISES" SHALL BE DEEMED TO INCLUDE THE FIRST ADDITIONAL PREMISES AND THE SPECIAL REFUSAL PREMISES. EACH OF THE PARTIES CONFIRMS THE OBLIGATIONS OF THE LANDLORD TO PAY THE SECOND LEASEHOLD IMPROVEMENT ALLOWANCES OF $25.00 PER SQUARE FOOT OF RENTABLE AREA OF THE FIRST ADDITIONAL PREMISES AND THE SPECIAL REFUSAL SPACE PURSUANT TO THE TERMS AND CONDITIONS SET OUT IN SECTION 12.01(b).

4. The Parties confirm that in all other respects, the terms, covenants and conditions of the Lease remain unchanged and in full force and effect, except as modified by this Agreement. It is understood and agreed that all terms and expressions when used in this Agreement, unless a contrary intention is expressed herein, have the same meaning as they have in the Lease.

5. This Agreement shall enure to the benefit of and be binding upon the Parties hereto, the successors and assigns of the Landlord and the permitted successors and permitted assigns of the Tenant.

IN WITNESS WHEREOF the Parties hereto have duly executed this Agreement as of the day and year first above written, by affixing their respective corporate seals under the hands of their proper signing officers duly authorized in that behalf or by setting their respective hands and seals in their personal capacity, as the case may be.

YCC LIMITED

(Landlord)

Per: /s/ [Illegible]

Authorized Signature

Per: /s/ [Illegible]

Authorized Signature

LONDON LIFE INSURANCE COMPANY

(Landlord)

Per: /s/ Philip Gunn

Philip Gunn
Manager of Finance
Authorized Signature

Per: /s/ M.E. Snell

M.E. SNELL
DIRECTOR, LEASING
Authorized Signature

LOYALTY MANAGEMENT GROUP CANADA INC.

(Tenant)

Per: /s/ [Illegible]

Authorized Signature

Per: /s/ [Illegible]

Authorized Signature

I/We have authority to bind the corporation

SCHEDULE "B-4"

FLOOR PLAN SHOWING THE SPECIAL REFUSAL PREMISES CROSSHATCHED.

[Floor Plan]

DEED OF LEASE

THIRD EDITION 1993(2)

DEED made the 3rd day of August 1999

LANDLORD BOSWELL INTERNATIONAL MARINE (PTE) LIMITED

TENANT FINANCIAL AUTOMATION LIMITED

THE LANDLORD leases to the Tenant and the Tenant takes on lease the premises described in the First Schedule together with the right to use:

a) The Landlord's fixtures and fittings contained in the premises.

b) The common areas of the property.

c) The car parks described in the First Schedule.

FOR the term from the commencement date and at the annual rent (subject to review if applicable) as set out in the First Schedule.

THE LANDLORD AND THE TENANT covenant as set out in the Second Schedule.

SIGNED by the Landlord BOSWELL INTERNATIONAL MARINE (PTE) LIMITED
(by affixing its
common seal)
in the presence of: /s/ [ILLEGIBLE]

SIGNED by the Tenant FINANCIAL AUTOMATION LIMITED

in the presence of: /s/ C. Acarram
Authorized Signatory

/s/ [ILLEGIBLE]

FIRST SCHEDULE

PREMISES: Levels 2(2950.2 FEET SQUARED), 6 (2950.2 FEET SQUARED), 7 & 8 (5,800.22 FEET SQUARED) a total area of 11,700.62 FEET SQUARED of the Landlord's land and building situated at 18 St Martins Lane, Auckland and contained in Certificate of Title 1506/26 (as outlined in red on the attached plan)

CARPARKS: Sixteen (16) car parks

TERM: Six (6) years

COMMENCEMENT DATE: 13 September 1999

FURTHER TERMS: Two (2) terms of two (2) years each

RENEWAL DATES: 13 September 2005 and 13 September 2007 (if renewal exercised)

FINAL EXPIRY DATE: 12 September 2009 (if renewals exercised)

ANNUAL RENT: (Subject to review if applicable)	Premises rent:	$131,536.00 pa plus GST
	Sixteen (16) car parks @ $35.00 pw:	$29,120.00 pa plus GST
	Annual Rent:	$160,656.00 pa plus GST*

* Pursuant to clause 1.2 the annual rental up to 12 September 2000 shall be $144,491.00 pa plus GST. From 13 September 2000 the annual rental will be as above.

MONTHLY PAYMENTS OF RENT:	Premises:	$10,961.34 plus GST
	Car parks:	$2,426.67 plus GST
	Total:	$13,388.00 plus GST

RENT PAYMENT DATES: The 1st day of each month commencing on the 1st day of October 1999

REVIEW DATES: 13 September 2003, 13 September 2005 and 13 September 2007 (if renewal exercised)

PROPORTION OF OUTGOINGS:	-45.08%
(Clause 3.1) Proportion of Lift expenses	-48.35%

DEFAULT INTEREST RATE: 12% per annum

BUSINESS USE: General office and administration.

NAMING RIGHTS: $4,000.00 pa plus GST commencing on the Rent Payment Date. Monthly payments will be $333.34 plus GST.

IMPROVEMENTS RENT PERCENTAGE: 15%
(Clause 23)

INSURANCE - Full replacement and reinstatement.

OUTGOINGS
(CLAUSE 3)

1. Rates or levies payable to any local or territorial authority.

2. Charges for water gas electricity telephones and other utilities or services.

3. Rubbish collection charges.

4. New Zealand Fire Service charges and the maintenance charges in respect of all fire detection and fire fighting equipment.

5. Such proportion of the Landlord's land tax as the value of the land forming part of the property bears to the total value of all land included in the Landlord's assessment for land tax.

6. Insurance premiums and related valuation fees (Clause 9).

7. Service contract charges for air conditioning, lifts and other building services.

8. INTERIOR Cleaning maintenance and repair charges including charges for interior repainting, decorative repairs and the maintenance and repair of building services to the extent that such charges do not comprise part of the cost of a service maintenance contract, but excluding charges for structural repairs to the building INCLUDING MINOR REPAIRS TO THE ROOF.

9. The provisioning of toilets and other shared facilities.

10. The cost of ground maintenance i.e. lawns, gardens and planted areas including plant hire and replacement.

11. Yard and carparking area maintenance and repair charges but excluding charges for structural repairs to the building.

12. The costs incurred and payable by the landlord in supplying to the territorial authority a building warrant of fitness and obtaining reports as required by Section 45 of the Building Act 1991.

13. SECURITY CONTRACT INCLUDING MONITORING FEES AND CALL OUT SERVICE.

14. THE COSTS ASSOCIATED WITH THE IMPLEMENTATION OF AND MAINTENANCE OF A HEALTH AND SAFETY SYSTEM FOR THE BUILDING.

SECOND SCHEDULE

TENANT'S PAYMENTS

RENT

1.1 THE Tenant shall pay the annual rent by equal monthly payments in advance (or as varied pursuant to any rent review) on the rent payment dates. The first monthly payment (together with rent calculated on a daily basis for any period from the commencement date of the term of the first rent payment date) shall be payable on the first rent payment date. All rent shall be paid without any deductions by direct payment to the Landlord by AUTOMATIC BANK PAYMENT AUTHORITY or as the Landlord may direct.

1.2 THE TENANT SHALL HAVE A RENT REDUCTION OF 50% ON THE ANNUAL RENTAL OF LEVEL 2 FOR ONE (1) YEAR SO THAT THE ANNUAL RENTAL PAYABLE UNTIL 12 SEPTEMBER 2000 IS REDUCED BY $16,165.00.

RENT REVIEW

2.1 THE annual rent may be reviewed by the Landlord as follows:

(a) The Landlord shall commence a review by not earlier than three (3) months prior to a review date or at any time up to the next following review date giving written notice to the Tenant specifying the annual rent considered by the Landlord to be the current market rent as at that review date.

(b) If, by written notice to the Landlord within twenty-eight (28) days after receipt of the Landlord's notice, the Tenant disputes that the proposed new annual rent is the current market rent then the new rent shall be determined in accordance with clause 2.2 BUT the new rent shall not be less than the annual rent payable during the period of twelve (12) months immediately preceding the relevant review date.

(c) If the Tenant fails to give such notice (time being of the essence) the Tenant shall be deemed to have accepted the annual rent specified in the Landlord's notice.

(d) The annual rent so determined or accepted shall be the annual rent from the review date or the date of the Landlord's notice if such notice is given later than three (3) months after the review date.

(e) Pending the determination of the new rent, the Tenant shall pay the rent specified in the Landlord's notice provided that the rent is substantiated by a registered valuer's report. Upon determination of the new rent an appropriate adjustment shall be made.

(f) The rent review at the option of either party may be recorded in a Deed, the cost of which and the stamp duty thereon shall be payable by the Tenant.

2.2 IMMEDIATELY following receipt by the Landlord of the Tenant's notice the parties shall endeavour to agree upon the current market rent, but if agreement is not reached within fourteen (14) days then the new rent may be determined either:

(a) By one party giving written notice to the other requiring the new rent to be determined by arbitration, or

(b) If the parties so agree by registered valuers acting as experts and not as arbitrators as follows:

(1) Each party shall appoint a valuer and give written notice of the appointment to the other party within fourteen (14) days of the parties agreeing to so determine the new rent.

(2) If the party receiving a notice fails to appoint a valuer within the fourteen (14) day period then the valuer appointed by the other party shall determine the new rent and such determination shall be binding on both parties.

(3) The valuers appointed before commencing their determination shall appoint an umpire who need not be a registered valuer.

(4) The valuers shall determine the current market rent of the premises and if they fail to agree then the rent shall be determined by the umpire.

(5) Each party shall be given the opportunity to make written or verbal representations to the valuers or the umpire subject to such reasonable time and other limits as the valuers or the umpire may prescribe and they shall have regard to any such representations but not be bound thereby.

When the new rent has been determined the arbitrators or the valuers shall give written notice thereof to the parties. The notice shall provide as to how the costs of the determination shall be borne and such provision shall be binding on the parties.

OUTGOINGS

3.1 THE Tenant shall pay the outgoings in respect of the property which are specified in the First Schedule. Where any outgoing is not separately assessed or levied in respect of the premises then the Tenant shall pay such proportion thereof as specified in the First Schedule or if no proportion is specified then such fair proportion as shall be agreed or failing agreement determined by arbitration.

3.2 THE Landlord may vary the proportion of any outgoing to ensure that the tenant pays a fair proportion of the outgoing.

3.3 IF any outgoing is rendered necessary by another tenant of the property or that tenant's employees, contractors or invitees causing damage to the property or by another tenant failing to comply with that tenant's leasing obligations, then such outgoing shall not be payable by the Tenant.

3.4 THE outgoings shall be apportioned between the Landlord and the Tenant in respect of periods current at the commencement and termination of the term.

3.5 THE outgoings shall be payable on demand or if required by the Landlord by monthly instalments on each rent payment date of such reasonable amount as the Landlord shall determine calculated on an annual basis. Where any outgoing has not been taken into account in determining the monthly instalments it shall be payable on demand.

3.6 AFTER the 31st March in each year of the term or such other date in each year as the Landlord may specify, and after the end of the term, the Landlord shall supply to the Tenant reasonable details of the actual outgoings for the year or period then ended. Any over payment shall be credited or refunded to the Tenant and any deficiency shall be payable to the Landlord on demand.

3.7 THE Tenant's liability to pay outgoings during the term shall subsist notwithstanding the end or earlier termination of the term.

3.8 NOTWITHSTANDING any other provision in this lease, but with the exception of clause 18.2, the Tenant shall only be liable to pay the outgoings specified in the first schedule.

GOODS AND SERVICES TAX

4.1 THE Tenant shall pay to the Landlord or as the Landlord shall direct the Goods and Services Tax payable by the Landlord in respect of the rental and other payments payable by the Tenant hereunder.

The tax in respect to the rental shall be payable on each occasion when any rental payment falls due for payment and in respect of any other payment shall be payable upon demand.

4.2 IF the Tenant shall make default in payment of the rental or other moneys payable hereunder and the Landlord becomes liable to pay additional Goods and Services Tax then the Tenant shall on demand pay to the Landlord the additional tax.

INTEREST ON UNPAID MONEY

5. IF the Tenant defaults in payment of the rent or other moneys payable hereunder for fourteen (14) days then the Tenant shall pay on demand interest at the default interest rate on the moneys unpaid from the due date for payment down to the date of payment.

COSTS

6. THE Tenant shall pay the Landlord's solicitors costs of and incidental to the stamp duty payable, and the Landlord's legal costs (as between solicitor and client) of and incidental to the enforcement or attempted enforcement of the Landlord's rights remedies and powers under this lease. THE LANDLORD SHALL PAY $500 TOWARDS THE TENANT'S LEGAL COSTS IN RELATION TO THE PREPARATION OF THIS LEASE.

INDEMNITY

7. THE Tenant shall indemnify the Landlord against all damage or loss resulting from any act or omission on the part of the Tenant or the Tenant's employees contractors or invitees. The Tenant shall recompense the Landlord for all expenses incurred by the Landlord in making good any damage to the property resulting from any such act or omission. The Tenant shall be liable to indemnify only to the extent that the Landlord is not fully indemnified under any policy of insurance.

LANDLORD'S PAYMENTS

OUTGOINGS

8. SUBJECT to the Tenant's compliance with the provisions of Clause 3 the Landlord shall pay all outgoings in respect of the property not payable by the Tenant direct. The Landlord shall be under no obligation to minimise any liability by paying any outgoing or tax prior to receiving payment from the Tenant.

INSURANCE

9. THE Landlord shall at all times during the term keep and maintain any buildings on the property insured under a policy of the type shown in the First Schedule against loss damage or destruction by fire and such other risks as the Landlord may reasonably determine and such cover may extend to -

(a) a twelve (12) month indemnity in respect of consequential loss of rent,

(b) loss damage or destruction of windows and other glass and all the Landlord's fixtures fittings and chattels, and

(c) adequate public risk cover.

MAINTENANCE AND CARE OF PREMISES

TENANT'S OBLIGATIONS

10.1 THE Tenant shall (subject to any maintenance covenant by the landlord) in a proper and workmanlike manner and to the reasonable requirements of the Landlord:

(a) MAINTAIN THE PREMISES
Keep and maintain the interior of the premises including the Landlord's fixtures and fittings in the same clean order repair and condition as they were in at the commencement of this lease and will at the end or earlier determination of the term quietly yield up the same in the like clean order repair and condition. In each case the Tenant shall not be liable for fair wear and tear arising from reasonable use or damage by fire earthquake flood storm act of God inevitable accident or any risk against which the Landlord is insured unless the insurance moneys are rendered irrecoverable in consequences of any act or default of the Tenant or the Tenant's agents employees contractors or invitees.

(b) REPAIR MINOR BREAKAGES
Repair all glass breakages and breakage or damage to all doors windows light fittings and power points of the premises and shall keep that portion of the electrical system of the premises from the switchboard to all power outlets in good operating condition. This provision shall apply notwithstanding any other provision in this lease.

(c) PAINTING
Paint and decorate those parts of the interior of the premises which have previously been painted and decorated when the same reasonably require repainting and redecoration.

(d) FLOOR COVERINGS
Keep all floor coverings in the premises clean and replace all worn or damaged floor coverings with floor coverings of similar quality when reasonably required by the Landlord.

(e) MAKE GOOD DEFECTS
Make good any damage to the property caused by improper careless or abnormal use by the Tenant or those for whom the Tenant is responsible.

10.2 WHERE the Tenant is leasing all of the property the Tenant shall:

(a) MAINTAIN YARDS
Keep and maintain any car parks pavings and other sealed or surfaced areas in good order and repair.

(b) CARE OF GROUNDS
Keep any grounds yards and surfaced areas in a tidy condition and maintain any garden or lawn areas in a tidy and cared for condition.

(c) WATER AND DRAINAGE
Keep and maintain the storm or waste water drainage system including downpipes and guttering clear and unobstructed.

(d) OTHER WORKS
Carry out such works to the property as the Landlord may require in respect of which outgoings are payable by the Tenant.

10.3 THE Tenant shall not be liable for the maintenance or repair of any building service the subject of a service maintenance contract but this clause shall not release the Tenant from any obligation to pay for the cost of any such contract or charges in respect of any such maintenance or repair.

10.4 WHERE the Tenant is obligated to make good damage to the property of the Landlord then the Landlord shall reimburse the Tenant for the cost of making good the damage to the extent of any insurance moneys receivable by the Landlord in respect of such damage.

TOILETS

11. THE toilets sinks and drains shall be used for their designed purposes only and no substance or matter shall be deposited in them which could damage or block them.

RUBBISH REMOVAL

12. THE Tenant shall regularly cause all rubbish and garbage to be removed from the premises and will keep any rubbish bins or containers in a tidy condition. The Tenant will also at the Tenant's own expense cause to be removed all trade waste boxes and other goods or rubbish not removable in the ordinary course by the local authority.

LANDLORD'S MAINTENANCE

13.1 THE Landlord shall keep and maintain THE BUILDING IN A WEATHER PROOF AND WATERTIGHT CONDITION AND SHALL KEEP AND MAINTAIN THE BUILDING AND the building services in good order and repair but the Landlord shall not be liable for any:

(a) Repair or maintenance which the Tenant is responsible to undertake; or

(b) Want of repair or defect in respect of building services so long as the Landlord is maintaining a service maintenance contract covering the work to be done; or

(c) Repair or maintenance which is not reasonably necessary for the Tenant's use and enjoyment of the premises.

(d) Loss suffered by the Tenant arising from any want of repair or defect unless the Landlord shall have received notice in writing thereof from the Tenant and shall not within a reasonable time thereafter have taken appropriate steps to remedy the same.

13.2 THE Landlord shall keep and maintain service maintenance contracts for lifts, airconditioning and at the Landlord's option any other building services unless it is the obligation of the Tenant to maintain such contracts.

NOTIFICATION OF DEFECTS

14. THE Tenant shall give to the Landlord prompt notice of any accident to or defect in the premises of which the Tenant may be aware and in particular in relation to any pipes or fittings used in connection with the water electrical gas or drainage services.

LANDLORD'S RIGHT OF INSPECTION

15. THE Landlord and the Landlord's employees contractors and invitees may at all reasonable times enter upon the premises to view their condition. If the Landlord shall give the Tenant written notice of any failure on the part of the Tenant to comply with any of the requirements of Clause 10 the Tenant shall with all reasonable speed so comply.

LANDLORD MAY REPAIR

16. IF default shall be made by the Tenant in the due and punctual compliance with any repair notice given pursuant to the previous clause or in the event that any repairs for which the Tenant is responsible require to be undertaken as a matter of urgency then without prejudice to the Landlord's other rights and remedies expressed or implied the Landlord may be the Landlord's employees and contractors with all necessary equipment and material at all reasonable times enter upon the premises to execute such works. Any moneys expended by the Landlord in executing such works shall be payable by the Tenant to the

Landlord upon demand together with interest thereon at the default interest rate from the date of expenditure down to the date of payment.

ACCESS FOR REPAIRS

17. THE Tenant shall permit the Landlord and the Landlord's employees and contractors at all reasonable times to enter the premises to carry out repairs to the premises or adjacent premises and to install inspect repair renew or replace any services where the same are not the responsibility of the Tenant all such repairs inspections and work to be carried out with the least possible inconvenience to the Tenant.

USE OF PREMISES

BUSINESS USE

18.1 THE Tenant shall not without the prior written consent of the Landlord use or permit the whole or any part of the premises to be used for any use other than the business use. The Landlord's consent shall not be unreasonably or arbitrarily withheld in respect of any proposed use.

(a) not in substantial competition with the business of any other occupant of the property which might be affected by the use

(b) reasonably suitable for the premises and

(c) conforming with all town planning ordinances, provisions and consents.

If any change in use renders any increased or extra premium payable in respect of any policy or policies of insurance on the premises the Landlord as a condition of granting consent may require the Tenant to pay the increased or extra premium.

18.2 IF any change in use requires compliance with Section 46 of the Building Act 1991 the Landlord, as a condition of granting consent, may require the Tenant to comply with Section 46 of the Act and to pay all compliance costs.

18.3 IF the premises are a retail shop the Tenant shall keep the premises open for business during usual trading hours and fully stocked with appropriate merchandise for the efficient conduct of the Tenant's business.

LEASE OF PREMISES ONLY

19. THE tenancy shall relate only to the premises and the Landlord shall at all times be entitled to use occupy and deal with the remainder of the property without reference to the Tenant and the Tenant shall have no rights in relation thereto other than the rights of use herein provided.

NEGLECT OF OTHER TENANT

20. THE Landlord shall not be responsible to the Tenant for any act of default or neglect of any other tenant of the property.

ADDITIONS AND ALTERATIONS

22.1 THE Tenant shall neither make nor allow to be made any alterations or additions to any part of the premises without first producing to the Landlord on every occasion plans and specifications and obtaining the written consent of the Landlord (not to be unreasonably or arbitrarily withheld) for that purpose. If the Landlord shall authorise any alterations or additions the Tenant will at the Tenant's own expense if required by the Landlord at the end of the term reinstate the premises. The Tenant will promptly discharge and procure the withdrawal of any liens of charges of which notice may be given to the Tenant or the Landlord in respect of any work carried out by the Tenant.

22.2 THE Tenant, when undertaking any "building work" to the premises (as that term is defined in the Building Act 1991), shall comply with all statutory requirements including the obtaining of building consents and code compliance certificates pursuant to that Act.

COMPLIANCE WITH STATUTES AND REGULATIONS

23.1 THE Tenant shall comply with the provisions of all statutes, ordinances, regulations and by-laws relating to the use of the premises by the Tenant or other occupant and will also comply with the provisions of all licences, requisitions and notices issued by any competent authority in respect of the premises or their use by the Tenant or other occupant PROVIDED THAT:

(a) The Tenant shall not be required to make any structural repairs or alterations other than those required by reason of the particular nature of the business carried on by the Tenant or other occupant of the premises or the number or sex of persons employed on the premises.

(b) The Tenant shall not be liable to discharge the Landlord's obligations as owner under the Building Act 1991 unless any particular obligation is the responsibility of the Tenant as an occupier of the premises.

23.2 If the Landlord is obliged by any such legislation or requirement to expend moneys on any improvement addition or alteration to the premises then the Landlord shall be entitled to charge in addition to the rent an annual sum equal to the Improvements Rent Percentage of the amount so expended by the Landlord and the monthly payments of rent shall increase accordingly from the first day of the month in which such improvement addition or alteration is completed. If the Landlord would be obliged to expend an unreasonable amount then the Landlord may determine this lease and any dispute as to whether or not the amount is unreasonable shall be determined by arbitration.

NO NOXIOUS USE

24. THE Tenant shall not

(a) bring upon or store within the premises nor allow to be brought upon or stored within the premises any machinery goods or things of an offensive noxious illegal or dangerous nature, or of such weight size or shape as is likely to cause damage to the building or any surfaced area,

(b) use the premises or allow them to be used for any noisome noxious illegal or offensive trade or business, or

(c) allow any act or thing to be done which may be or grow to be nuisance disturbance or annoyance to the Landlord, other tenants of the property, or any other person, and generally the Tenant shall conduct the Tenant's business upon the premises in a clean quiet and orderly manner free from damage nuisance disturbance or annoyance to any such persons but the carrying on by the Tenant in a reasonable manner of the business use or any use to which the Landlord has consented shall be deemed not to be a breach of this clause.

TENANT NOT TO VOID INSURANCES

25. THE Tenant shall not carry on or allow upon the premises any trade or occupation or allow to be done any act or thing which

(a) shall make void or voidable any policy of insurance on the property or

(b) may render any increased or extra premium payable for any policy of insurance except where in circumstances in which any increased premium is payable the Tenant shall have first obtained the consent of the insurer of the premises and the Landlord and made payment to the insurer of the amount of any such increased or extra premium as may be payable but the carrying on by the Tenant in a reasonable manner of the business use or of any use to which the Landlord has consented shall be deemed not to be a breach of this clause.

In any case where in breach of this clause the Tenant has rendered any insurance less effective or void and the Landlord has suffered loss or damage thereby the Tenant shall forthwith compensate the Landlord in full for such loss or damage.

DAMAGE TO OR DESTRUCTION OF PREMISES

TOTAL DESTRUCTION

26. IF the premises or any portion of the building of which the premises may form part shall be destroyed or so damaged

(a) as to render the premises untenantable then the term shall at once terminate or

(b) in the reasonable opinion of the Landlord as to require demolition or reconstruction, then the Landlord may within three (3) months of the date of damage or destruction give the Tenant one (1) months written notice to terminate and a fair proportion of the rent and outgoings shall cease to be payable according to the nature and extent of the damage.

Any termination pursuant to this clause shall be without prejudice to the rights of either party against the other.

PARTIAL DESTRUCTION

27.1 IF the premises or any portion of the building of which the premises may form part shall be damaged but not so as to render the premises untenantable and

(a) the Landlord's policy or policies of insurance shall not have been invalidated or payment of the policy moneys refused in consequence of some act or default of the Tenant and

(b) all the necessary permits and consents shall be obtainable,

THEN the Landlord shall with all reasonable speed expend all the insurance moneys received by the Landlord in respect of such damage towards repairing such damage or reinstating the premises and/or the building but the Landlord shall not be liable to expend any sum of money greater than the amount of the insurance money received.

27.2 Any repair or reinstatement may be carried out by the Landlord using such materials and form of construction and according to such plan as the Landlord thinks fit and shall be sufficient so long as it is reasonably adequate for the Tenant's occupation and use of the premises.

27.3 Until the completion of the repairs or reinstatement a fair proportion of the rent and outgoings shall cease to be payable according to the nature and extent of the damage.

27.4 If any necessary permit or consent shall not be obtainable or the insurance moneys received by the Landlord shall be inadequate for the repair or reinstatement then the term shall at once terminate but without prejudice to the rights of either party against the other.

DEFAULT
DISTRESS

28. THE Landlord may distrain for rent or other moneys payable under this lease remaining unpaid fourteen (14) days after due date.

RE-ENTRY

29. THE Landlord may re-enter the premises at the time or at any time thereafter

(a) if the rent shall be in arrear fourteen (14) days after any of the rent payment dates,

(b) in case of breach by the Tenant of any covenant or agreement on the Tenant's part herein expressed or implied,

(c) if the Tenant shall make or enter into or endeavor to make or enter into any composition assignment or other arrangement with or for the benefit of the Tenant's creditors,

(d) in the event of the insolvency bankruptcy or liquidation of the Tenant,

(e) if the Tenant shall suffer distress or execution to issue against the Tenant's property goods or effects under any judgment against the Tenant in any Court for a sum in excess of five thousand dollars ($5000.00)

and the term shall terminate on such re-entry but without prejudice to the rights of either party against the other.

LOSS ON RE-ENTRY

30. UPON re-entry the Landlord may remove from the premises any chattels in the apparent possession of the Tenant and place them outside the premises and the Landlord shall not be answerable for any loss resulting from the exercise of the power of re-entry.

ESSENTIALITY OF PAYMENTS

31.1 FAILURE to pay rent or other moneys payable hereunder on the due date shall be a breach going to the essence of the Tenant's obligations under the Lease. The Tenant shall compensate the Landlord and the Landlord shall be entitled to recover damages from the Tenant for such breach. Such entitlement shall subsist notwithstanding any determination of the lease and shall be in addition to any other right or remedy which the Landlord may have.

31.2 THE acceptance by the landlord of arrears of rent or other moneys shall not constitute a waiver of the essentiality of the Tenant's continuing obligation to pay rent and other moneys.

REPUDIATION

32. THE Tenant shall compensate the Landlord and the Landlord shall be entitled to recover damages for any loss or damage suffered by reason of any acts or omissions of the Tenant constituting a repudiation of the lease or the Tenant's obligations under the lease. Such entitlement shall subsist notwithstanding any determination of the lease and shall be in addition to any other right or remedy which the Landlord may have.

REMOVAL OF TENANTS FIXTURES

33. THE Tenant not being in breach may at any time before and will if required by the Landlord at the end or earlier termination of the term remove all the Tenant's fixtures and fittings and make good at the

Tenant's own expense all resulting damage and if not removed within seven (7) days of the Landlord's request ownership of the Tenant's fixtures and fittings passes to the Landlord.

QUIET ENJOYMENT

34. THE Tenant paying the rent and performing and observing all the covenants and agreements herein expressed and implied shall quietly hold and enjoy the premises throughout the term without any interruption by the Landlord or any person claiming under the Landlord.

RENEWAL OF TERM

35. IF the Tenant has not been in breach of this lease and has given to the Landlord written notice to renew the lease at least three (3) calendar months before the end of the term then the Landlord will at the cost of the Tenant renew the lease for the new further term from the renewal date as follows:

(a) The annual rent shall be agreed upon or failing agreement shall be determined in accordance with clause 2.2 but such annual rent shall not be less than the rent payable during the period of twelve (12) months immediately preceding the renewal date.

(b) Such annual rent shall be subject to review during the further term on the review dates or if no dates are specified then after the lapse of the equivalent periods of time as are provided herein for rent reviews.

(c) The renewed lease shall otherwise be upon and subject to the covenants and agreements herein expressed and implied except that the term of this lease plus all further terms shall expire on or before the final expiry date.

(d) Pending the determination of the renewal rent the Tenant shall pay the rent proposed by the Landlord provided that the rent is substantiated by a registered valuer's report. Upon determination an appropriate adjustment shall be made.

(e) THE TENANT SHALL BE ENTITLED TO RENEW IN RESPECT OF ANY OR ALL FOUR LEVELS. IN THE EVENT OF PARTIAL RENEWAL, THE RENTAL SHALL ABATE ON A PRO RATA BASIS, BASED ON THE FLOOR AREAS AND THE LANDLORD AND TENANT WILL ENTER INTO A DEED OF VARIATION OF LEASE TO RECORD THE CHANGE IN RENTAL AND FLOOR AREA.

ASSIGNMENT OR SUBLETTING

36.1 THE Tenant shall not assign sublet or otherwise part with the possession of the premises or any part thereof without first obtaining the written consent of the Landlord which the Landlord shall give if the following conditions are fulfilled:

(a) The Tenant proves to the satisfaction of the Landlord that the proposed assignee or subtenant is (or in the case of a company the shareholders of the proposed assignee or subtenant are) respectable responsible and has the financial resources to meet the Tenant's commitments under this lease.

(b) All rent and other moneys payable have been paid and there is not any subsisting breach of any of the Tenant's covenants.

(c) In the case of an assignment a deed of covenant in customary form approved or prepared by the Landlord is duly executed and delivered to the Landlord.

(d) In the case of an assignment to a company (other than a listed public company) a deed of guarantee in customary form approved or prepared by the Landlord is duly executed by the principal shareholders of that company and (if required by the Landlord) by the Directors and delivered to the Landlord.

(e) The Tenant pays the Landlord's proper costs and disbursements in respect of the approval or preparation and stamping of any deed of covenant of guarantee and (if appropriate) all fees and charges payable in respect of any reasonable enquires made by or on behalf of the Landlord concerning any proposed assignee subtenant or guarantor.

36.2 WHERE the Landlord consents to a subletting the consent shall extend only to the subletting and notwithstanding anything contained or implied in the sublease the consent shall not permit any subtenant to deal with the sublease in any way in which the Tenant is restrained from dealing without consent.

36.3 ANY assignment or subletting of the type or in the manner referred to in Section 109(2) of the Property Law Act 1952 shall be a breach of the provisions of this lease.

36.4 WHERE any Tenant is an unlisted company then any change in the legal or beneficial ownership of any of its shares or issue of new capital whereby in either case there is a change in the effective management or control of the company is deemed to be an assignment of this lease.

GENERAL

HOLDING OVER

38. IF the Landlord permits the Tenant to remain in occupation of the premises after the expiration or sooner determination of the term, such occupation shall be a monthly tenancy only terminable by one month's written notice at the rent then payable and otherwise on the same covenants and agreements (so far as applicable to a monthly tenancy) as herein expressed or implied.

ACCESS FOR RE-LETTING

39. THE Tenant will at all reasonable times during the period of three months immediately preceding expiration of the term permit intending tenants and others with written authority from the Landlord or the Landlord's agents at all reasonable times to view the premises.

SUITABILITY

40. NO warranty or representation expressed or implied has been or is made by the Landlord that the premises are now suitable or will remain suitable or adequate for use by the Tenant or that any use of the premises by the Tenant will comply with the by-laws or ordinances or other requirements of any authority having jurisdiction.

WAIVER

41. NO waiver or failure to act by the Landlord in respect of any breach by the Tenant shall operate as a waiver of another breach.

LAND TRANSFER TITLE OR MORTGAGEE'S CONSENT

42. THE Landlord shall not be required to do any act or thing to enable this lease to be registered or be required to obtain the consent of any mortgagee of the premises to this lease and the Tenant will not register a caveat in respect of the Tenant's interest hereunder.

NOTICE

43. SUBJECT to the provisions of the Property Law Act 1952 any notice to be given to the Landlord or the Tenant hereunder shall be deemed sufficiently served if

(a) sent by registered post to the addressee's last known address in New Zealand, or

(b) in the case of a body corporate sent to its registered office, or

(c) if there is not last known address or registered office, placed conspicuously on any part of the premises.

Any notice so posted or placed shall be deemed to have been served on the day following the posting or placing thereof. Anything served or given by the Landlord shall be valid if served or given under the hand of the Managing Director, General Manager, Secretary or a director or other authorised representative of the Landlord.

ARBITRATION

44.1. UNLESS any dispute or difference is resolved by mediation or other agreement, the same shall be submitted to the arbitration of one arbitrator who shall conduct the arbitral proceedings in accordance with the Arbitration Act 1996 and any amendment thereof or any other statutory provision then relating to arbitration.

44.2 IF the parties are unable to agree on the arbitrator, an arbitrator shall be appointed, upon request of any party, by the President or Vice President for the time being of the District Law Society of the district

with in which the premises are situated. That appointment shall be binding on all parties to the arbitration and shall be subject to no appeal. The provisions of Article 11 of the First Schedule of the Arbitration Act 1996 are to be read subject hereto and varied accordingly.

44.3 THE procedures prescribed in this clause shall not prevent the Landlord from taking proceedings for the recovery of any rent or other monies payable hereunder which remain unpaid or from exercising the rights and remedies in the event of such default prescribed in clauses 28 and 29 hereof.

INTERPRETATION

45 IN this lease

(a) "the Landlord" and the "the Tenant" means where appropriate the executors, administrators, successors and permitted assigns of the Landlord and the Tenant

(b) "the property" and the "the building" mean the land and building(s) of the Landlord which comprise or contain the premises. Where the premises are part of a unit title development the words "the property" mean the land and building(s) comprised in the development.

(c) "the common areas" means those parts of the property the use of which is necessary for the enjoyment of the premises and which is shared with other tenants and occupiers.

(d) Whenever words appear in this lease that also appear in the First Schedule then those words shall mean and include the details supplied after them in the First Schedule.

(e) Where the context requires or admits, words importing the singular shall import the plural and vice versa.

46. NAMING RIGHTS

1 THE LANDLORD GRANTS TO THE TENANT THE EXCLUSIVE RIGHT TO NAME THE BUILDING THROUGHOUT THE TERM SUBJECT TO TERMINATION OF THIS RIGHT IN ACCORDANCE WITH POINT 9.

2 ANY NAME CHOSEN FOR THE BUILDING BY THE TENANT IS SUBJECT TO APPROVAL BY THE LANDLORD BUT THIS APPROVAL WILL NOT BE UNREASONABLY WITHHELD OR DELAYED IN RESPECT OF A NAME WHICH IS APPROPRIATE TO THE IDENTITY OF THE BUSINESS OF THE TENANT AND WHICH IS NOT OFFENSIVE OR DETRIMENTAL TO THE LANDLORD OR LIKELY TO CAUSE EMBARRASSMENT TO THE LANDLORD. HOWEVER IN ANY EVENT THE TENANT MUST COMPLY WITH ALL TERRITORIAL AUTHORITY REQUIREMENTS RELATING TO THE NAME AND ALL SIGNAGE ON WHICH IT IS PLACED.

3 ANY SIGN WHICH THE TENANT WISHES TO ERECT ON THE BUILDING TO DISPLAY THE NAME SIGN OR SIGNS SHALL BE OF A SIZE AND IN THE STYLE AND IN A LOCATION APPROPRIATE TO THE SIZE OF THE BUILDING AND MUST BE APPROVED BY THE LANDLORD. FROM TIME TO TIME THE TENANT MAY CHANGE THE STYLE AND/OR LOCATION OF SUCH SIGNS WITH THE PRIOR WRITTEN APPROVAL OF THE LANDLORD WHICH APPROVAL WILL NOT BE UNREASONABLY WITHHELD OR DELAYED.

4 THE NAMING RIGHTS FEE AS SET OUT IN THE FIRST SCHEDULE SHALL BE REVIEWED ON EACH DATE THAT THE RENT IS REVIEWED ("REVIEW DATE") IN ACCORDANCE WITH 2.1 OF THIS LEASE ADJUSTED AS NECESSARY TO IN ORDER TO CALCULATE THE CURRENT MARKET RENT FOR THE RIGHTS.

5 THE TENANT SHALL KEEP ANY SUCH SIGN OR SIGNS IN GOOD ORDER REPAIR AND CONDITION AND SHALL AT ALL TIMES COMPLY WITH ALL STATUTES, ORDINANCES, REGULATIONS, BY-LAWS OR OTHER ENACTMENTS OR NOTICES OR ORDERS WHICH MAY BE GIVEN BY ANY AUTHORITY AFFECTING OR RELATING TO SUCH SIGNS AND WILL KEEP THE LANDLORD INDEMNIFIED IN RESPECT OF ANY NON-COMPLIANCE.

6 AT OR PRIOR TO THE EXPIRATION OF THE TERM THE TENANT SHALL REMOVE ALL SIGNS ERECTED OR DISPLAYED ON ANY PART OF THE INTERIOR OR EXTERIOR OF THE BUILDING AND WILL MAKE GOOD ALL DAMAGE TO THE BUILDING CAUSED BY SUCH REMOVAL. IF THE TENANT SHALL NOT HAVE EFFECTED SUCH REMOVAL AND MAKING GOOD ON THE EXPIRATION OF THE TERM THEN THE LANDLORD MAY REMOVE SUCH SIGNS AS THE TENANT SHALL HAVE FAILED TO

REMOVE AND THE TENANT SHALL PAY ON DEMAND ALL COSTS AND EXPENSES INCURRED BY THE LANDLORD IN SO DOING.

7 IT IS ACKNOWLEDGED THAT ANY SIGNS BY THE TENANT ARE ERECTED AT THE RISK OF THE TENANT IN ALL RESPECTS AND THAT THE TENANT SHALL BE RESPONSIBLE FOR ALL MAINTENANCE AND SERVICING OF THEM.

8 THE TENANT WILL INDEMNIFY AND KEEP INDEMNIFIED THE LANDLORD AGAINST ALL ACTIONS, CLAIMS, DEMANDS, LOSSES, DAMAGES, COSTS AND EXPENSES FOR WHICH THE LANDLORD SHALL OR MAY BECOME LIABLE IN RESPECT OF OR ARISING FROM THIS NAMING RIGHT.

9 THIS NAMING RIGHT SHALL TERMINATE ON THE EARLIER OF THE DATE OF TERMINATION OF THIS LEASE OR UPON THE TENANT CEASING TO BE THE TENANT IN OCCUPATION OF THE BUILDING PROVIDED HOWEVER THAT THE TENANT SHALL BE ENTITLED TO RENEW THE LEASE IN TERMS OF CLAUSE 35 HEREOF BUT NOT THE NAMING RIGHTS GRANTED HEREIN.


[GRAPHIC]


[GRAPHIC]


[GRAPHIC]


[GRAPHIC]


[GRAPHIC]


[GRAPHIC]


[GRAPHIC]

OFFICE LEASE

THIS LEASE, made as of the 24 day of December, 1986, between Office City, Inc., 209 East State Street, Columbus, Ohio 43215, an Ohio corporation hereinafter called the Landlord, and World Financial Network, Inc., a Delaware corporation, whose address is in care of The Limited, Inc., P.0. Box 16000, 2 Limited Parkway, Columbus, Ohio 43216, hereinafter called the Tenant,

WITNESSETH:

1. GRANT. Landlord's obligations hereunder are contingent upon its obtaining both a cancellation of the existing lease for the premises with F.W. Woolworth Co. and the approval of Equitable Life Insurance Co., the mortgagee of the premises, to a termination of the existing Lease and substitution of the within Lease as substituted collateral security for the mortgage loan. Subject to Landlord's satisfying the foregoing contingencies, Landlord hereby leases to the Tenant, and the Tenant hereby hires and rents from the Landlord the following described building at 4590 East Broad Street, Columbus, Ohio 43218, and being more particularly described as follows:

> BEING the building formerly occupied by Woolco, containing approximately 103,161 square feet, more or less, on the first floor of said building, plus mezzanine (as outlined in red on Exhibit A), together with a non-exclusive right to use the "Common Areas" of Landlord's shopping center known as "Airport Commerce Park" in which the building is located, hereinafter referred to as "premises".

As used herein, "Common Areas" include the parking areas, driveways, service driveways, service areas, sidewalks, any landscaped areas, shopping center sign, and parking lot lighting poles and light fixtures of the shopping center which are collectively referred to as Common Areas.

Landlord shall maintain the Common Areas which shall remain under Landlord's control and be subject to rearrangement, enlargement or diminution and to such reasonable rules and regulations as are prescribed by Landlord from time to time. Tenant, and any employees or agents, shall not fence, block, allow property to remain in or upon or otherwise obstruct the Common Areas.

Landlord agrees that at all times during the term of this Lease, roadways and passageways shall be provided for the passage of Tenant's customers by motor vehicle and on foot between the premises, parking areas, and the public streets, and highways adjoining the shopping center.

Landlord has previously constructed paved, black-topped parking areas with painted lines as shown on Exhibit A, sized to accommodate a minimum of 5 standard sized U.S. automobiles for each 1,000 square feet of gross leasable area within the shopping center which Landlord shall maintain in good condition.

2. USE. The Tenant agrees to use the premises solely for its office and administrative purposes and related uses, and for no other purpose without Landlord's prior written consent.

3. TERM. The term of this Lease is one (1) year beginning on the 1st day of February, 1987, and ending on the last day of January, 1988, unless terminated earlier, as hereinafter provided, or extended, at the option of Tenant, for three 1-year renewal periods, as permitted by Section 9, infra.

4. RENT AND CHARGES. As used herein, "Lease Year" shall mean the first 12 months of the term hereof and each successive 12 month period thereafter. Rent shall commence ninety (90) days after the date Landlord delivers possession of the premises to the Tenant with all Landlord's work completed*

Without deduction or demand, Tenant will pay Landlord at 209 East State Street, Columbus, Ohio 43215, or to such

* or the date Tenant substantially completes Tenant's work and improvements in the premises, whichever date is earlier.

other person or at such other place as the Landlord may designate in writing:

A. Rent: Tenant shall pay Landlord as rent the sum of Three Hundred Nine Thousand Four Hundred Eighty Three and no/100 Dollars ($309,483.00) per annum which shall be paid in equal monthly installments, in advance on the first day of each and every month, in the amount of Twenty Five Thousand Seven Hundred Ninety and 25/100 Dollars ($25,790.25) each.

B. Tenant's Share of Costs and Expenses: Tenant's share of the applicable Common Area Charge, insurance and real estate taxes and assessments shall be determined by multiplying the charges, costs or expenses by a fraction, the numerator of which is the number of square feet in the premises and the denominator of which is the total square feet of gross leasable storeroom area in the shopping center (being the area outlined in green on Exhibit A), but excluding free-standing, single use buildings the tenants of which maintain the buildings and pay the real estate taxes attributable thereto. Unless otherwise stated herein, the calendar year shall be the period of time for which the applicable costs and expenses shall be determined. If the Commencement Date or date of termination is other than on the first or last day of the year, then the Tenant's share for such first or last day of the year shall be apportioned and adjusted based on the number of days of the term which fall within that calendar year.

C. Common Area Charge: Throughout the term of this Lease, Tenant shall pay to Landlord, as a "Common Area Charge", Tenant's share of all costs and expenses of every kind and nature paid or incurred by Landlord in (a) operating, maintaining, refurbishing, replacing, improving, repairing and lighting the Common Areas located in the shopping center which are available for use in common by occupants of the shopping center and/or their customers and invitees, (b) operating, maintaining, refurbishing,

repairing, replacing (the yearly depreciation for any replacement costs shall be chargeable to tenants), improving and lighting the service areas, garbage and refuse disposal facilities, shopping center maintenance and storage room, loading area and all other areas and facilities located in the shopping center which are used in the maintenance and operation of the shopping center, (c) operating, maintaining, repairing, replacing (the yearly depreciation for any replacement costs shall be chargeable to tenants) and improving the shopping center signs and (d) providing security and on- and off-site traffic control. Such expenses shall include, but not be limited to costs of on-site management and supervision, cleaning, refurbishing, repairing, maintaining, replacing (the yearly depreciation for any replacement costs shall be chargeable to tenants) and improving (but less the amount of any insurance proceeds, or condemnation awards), lighting, snow and ice removal and control, line painting, landscaping, providing security, providing public liability, property damage, fire and extended coverage on the common facilities and such other insurance as Landlord deems appropriate, total compensation and benefits (including premiums for worker's compensation and other insurance) paid to or on behalf of on-site employees; personal property taxes; supplies, fire protection and fire hydrant charges; water and sewer charges, utility charges, licenses and permit fees; parking area surcharges or levies, reasonable depreciation of equipment used in operating, maintaining, refurbishing, repairing, replacing and improving the Common Areas and service areas and rent paid for the leasing of any such equipment, and administrative charges equal to fifteen percent (15%) of the total of all the foregoing items for Landlord's overhead expenses in administrating the Common Areas and facilities and service areas. Provided however, that as to the replacement or installation of capital items in or on the

common and service areas or of the common facilities, the actual costs and expenses thereof will be amortized over a five year period following such replacement or installation, except if Landlord is required under generally accepted accounting principles to depreciate any such capital items over a period longer than 5 years in which case such longer period shall be used for the purposes of this Section.

Notwithstanding that which is contained in the Lease to the contrary, Landlord's costs for purposes of computing Tenant's Common Area Charge shall expressly exclude (i) wages, salaries, fees and fringe benefits paid to administrative or executive personnel or officers or partners of Landlord; (ii) any charge for depreciation of the shopping center buildings and any interest or other financing charge for the same; (iii) any charge for Landlord's income taxes, excess profit taxes, franchise taxes; (iv) all costs relating to activities for the solicitation of and execution of leases of other space in the shopping center; (v) the cost of any electric current furnished to any other leasable area of the shopping center; (vi) the cost of correcting defects in the original construction of the shopping center; and (vii) to the extent paid for by insurance, the cost of any repair made by Landlord because of the total or partial destruction of the Common Areas subsequent to the date of original construction.

Landlord's books and records compiled with respect to Landlord's Common Area expenses shall be subject to audit by Tenant. Landlord shall maintain accurate books and records in accordance with generally accepted accounting principles (except that the cash basis instead of accrual basis may be used) for not less than 2 years. Should such an audit indicate that the cost of operating and maintaining the Common Areas has been overstated by more than 3% of the actual cost of operating and maintaining said Common Areas (including any adjustments required to be made under the

Lease) then the Landlord shall be obligated to pay to Tenant the reasonable cost of such audit together with interest on Tenant's overpayment at the rate of 12% per annum from the date found to be due until paid. In any event Landlord shall promptly repay any amount owing to Tenant as a result of an overstatement.

The estimated amount of Tenant's Common Area Charge shall be paid in monthly installments in advance on the first day of each month in the amount of $3,008.86. Following the close of Landlord's annual accounting period, Landlord shall furnish to Tenant a detailed by categories statement of the actual amount of Tenant's Common Area Charge for such period. If the actual amount of Tenant's Common Area Charge is less than the total amount theretofore paid by Tenant for such period, the excess shall be credited against Tenant's next succeeding payment(s). If the actual amount of Tenant's Common Area Charge shall exceed the total amount theretofore paid by Tenant for such period, Tenant shall pay to Landlord, within fifteen (15) days following receipt of Landlord's statement, the amount shown as due thereon.

D. Taxes and Assessments:

1. Real Estate Taxes and Assessments: Tenant agrees to reimburse Landlord for Tenant's share of all real estate taxes and assessments, both general and special, which may be levied or assessed by the lawful taxing authorities against the land, buildings and all other improvements of the shopping center and which become due and payable during the term of this Lease. Tenant shall pay to Landlord monthly, in advance, on the first day of each month the amount of $3,008.86 for the estimated Tenant's share of taxes. All real estate taxes and assessments which become due and payable in the years in which this Lease commences or terminates shall be apportioned and adjusted pro-rata. Tenant's share of taxes shall be based on the most recently available tax rate and valuation. If the actual amount of

Tenant's share of taxes with respect to any tax year, once determined, is less than the total amount theretofore paid by Tenant for such period, the excess shall be credited on Tenant's next succeeding payment(s) pursuant to this subsection or refunded to the Tenant. If the actual amount of Tenant's share of taxes with respect to any tax year, once determined, shall exceed the total amount theretofore paid by Tenant for such period, as foresaid, Tenant shall pay to Landlord the difference between the actual amount paid by Tenant and the amount due on the basis of such tax bill for such period within fifteen (15) days after notice thereof from Landlord. A copy of the tax bill submitted by Landlord to Tenant shall be evidence of the amount of such real estate taxes and assessments levied or assessed, as well as the items taxed. Such copy of the tax bill shall be delivered to Tenant within 90 days after the end of each calendar year. If the commencement date is other than the first day of a calendar month, then the first monthly payment shall be prorated on a per diem basis.

Notwithstanding anything contained herein to the contrary, Tenant's obligation hereunder to reimburse Landlord for payment of real estate taxes shall not include penalties imposed for late payment of any real estate tax or assessment and shall not include penalties imposed for late payment of any real estate tax or assessment, shall not include any real estate assessment levied prior to the commencement date of the term of this Lease. Nothing herein contained shall be construed to include as a real estate tax any inheritance, estate, succession, transfer, gift, franchise, corporation, income, net profit tax or capital levy that is or may be imposed on Landlord.

Notwithstanding anything in this Lease to the contrary, real estate taxes shall be payable by Tenant on a monthly basis only if Landlord is obligated to escrow the taxes on a monthly basis by its mortgagee; otherwise, the same shall be

paid after the initial payment by Landlord to the governing authority and within twenty (20) days following receipt by Tenant of written demand therefor from Landlord.

In regard to any assessment or charge that may be payable in installments, Tenant's share of taxes shall be determined as if Landlord had elected to pay the assessment in installments, and Tenant shall be responsible for only those installments or parts of installments which are payable for the term of this Lease.

There will be no duplication in charges to the Tenant by reason of the provision in this Lease setting forth Tenant's obligation to reimburse Landlord for payment of real estate taxes and any other provision of the Lease.

2. Municipal, County, State or Federal Taxes: Tenant at all times shall be responsible for and shall pay, before delinquency, all municipal, county, state or federal taxes assessed against any leasehold interest or any fixtures, furnishings, equipment, stock-in-trade or other personal property of any kind owned, installed or used in or on the premises by Tenant.

3. Rental Taxes: Should any governmental taxing authority acting under any present or future law, ordinance or regulation, levy or assess or impose a tax, excise and/or assessment (other than an income or corporation franchise tax) upon or against the rentals payable by Tenant to Landlord, either by way of substitution for or in addition to any existing tax on land and buildings or otherwise, Tenant shall be responsible for and shall pay such tax, excise and/or assessment, or shall reimburse Landlord for the amount thereof, as the case may be.

E. Fire and Extended Coverage Insurance: Landlord agrees to carry policies insuring Landlord's improvements upon the shopping center against such perils or loss as Landlord may deem appropriate (including, but without limitation, fire, vandalism and malicious mischief and such

other perils covered by extended coverage endorsements). Landlord's fire and extended coverage policy shall be in an amount equal to at least eighty percent (80%) of the replacement cost of such improvements. Tenant agrees to reimburse Landlord for Tenant's share of the expenses for said insurance which shall be due and payable in monthly installments payable, in advance, on the first day of each month, in the amount of $859.68, which is Landlord's reasonable estimate of Tenant's share of insurance expenses. If the actual amount of Tenant's share of insurance expenses is less than the total amount theretofore paid by Tenant for such period, the excess shall be credited on Tenant's next succeeding payments(s) or refunded to Tenant. If the actual amount of Tenant's share of insurance expenses shall exceed the total amount theretofore paid by Tenant for such period, Tenant shall pay to Landlord the difference between the actual amount paid by Tenant and the amount due for the actual insurance expenses for such period within ten (10) days after notice thereof from Landlord. If the commencement date is other than the first day of a calendar month, then the first monthly payment shall be prorated on a per diem basis. Any insurance billed to Tenant under this Article 4, section (e) will not be charged to Tenant under Article 4, section (c).

Within 90 days after the end of each calendar year, Landlord shall forward to Tenant a statement of the insurance expenses for the year together with copies of the premium invoices.

F. Maximum Charges for First Year and Subsequent Increases in Estimated Payments: Landlord agrees that for the first Lease Year, Tenant's share of the following charges shall not exeed:

Section	Charge	Maximum Amount
4C	Common Area Charge	$37,000.00
4D	Taxes and Assessments	$37,000.00

By written notice to Tenant by ordinary mail, Landlord may increase the amount of the monthly payments subsequent to the

first Lease Year towards Tenant's share of the charges, costs and expenses provided in Subsections C through E above if the actual charges, costs and expenses subsequent to the first Lease Year exceed the amount paid on the estimated basis.

G. No Duplication of Charges: Notwithstanding anything in this Lease to the contrary, there will be no duplication in charges to the Tenant by reason of the provisions in this Lease setting forth Tenant's obligation to reimburse Landlord for common area expenses, real estate taxes and assessments, insurance and any other provision herein.

5. MAINTENANCE AND REPAIRS.

A. Tenant's Obligations: The Tenant will take good care of the premises, building, fixtures and appurtenances, and all alterations, additions and improvements to either; will repair all damage to the same resulting from the negligent or willful acts of the Tenant, its employees, agents or invitees; will suffer no waste or damage, will execute and comply with all laws, rules, orders, ordinances and regulations at any time issued or in force by any lawful authority, applicable to the Tenant's use or occupancy of the premises; and will repair, at or before the end of the term, all damage done by the installation or removal of office equipment, furniture and property.

Notwithstanding anything contained in this Lease to the contrary, there shall be no obligation on the part of Tenant to comply with any laws, directions, rules or regulations of any governmental body, agency, authority or the like or any insurance company or Board of Fire Underwriters or similar body which may require structural alterations, structural changes, structural repairs, or structural additions, unless they are required because of the particular or peculiar nature of Tenant's use or occupancy of the premises. If they are required because of the particular or peculiar nature of Tenant's use and occupancy, Tenant shall have the option of performing the work at its expense or ceasing use of the

premises, but remaining liable for rent and other charges through the term hereof.

B. Landlord's Obligations: At any time or times, the Landlord, either voluntarily or pursuant to governmental requirement, may, at the Landlord's own expense, make repairs, alterations or improvements in or to the building or any part thereof, and, during such operations, may close entrances, doors, corridors, or other facilities in the building or any part thereof, and may close, block or otherwise perform work on and make use of any adjacent or nearby structure, land, street, alley, sidewalk or air space, all without any liability to the Tenant, its employees, agents or invitees, for any expense, injury, loss, damage, interference, or annoyance resulting from any such repairs, alterations, improvements, work or other use in connection therewith or caused thereby.

Landlord shall comply with those laws, directions, rules or regulations of any governmental body, agency, authority or the like or any insurance company or Board of Fire Underwriters or similar body which apply generally to office buildings and are not required because of Tenant's particular or peculiar use or occupancy and which may require structural alterations, structural changes, structural repairs, or structural additions.

Notwithstanding anything in this Lease to the contrary, Landlord shall, at its sole cost and expense, maintain the roof, downspouts and gutters, foundation, exterior walls, structural parts and members, and other structural components, the floor slab, underground and otherwise concealed utility systems of the premises in order and good repair throughout the term of this Lease except for damage or destruction caused by Tenant, its agents, employees or contractors. Landlord shall make all repairs, interior and exterior, resulting from shifting or settling of the foundations (including notwithstanding any provision to the

contrary herein replacements of all plate glass and other storefront components damaged thereby) and any repairs or replacements which require any excavation or structural work to effectuate the repair, maintenance or replacement, except for clogged sewer lines.

Landlord shall, at its sole cost and expense, make any repairs to the premises or the shopping center resulting from the act or omission of Landlord or its employees, agents, or contractors.

While Landlord shall not be required to pay overtime, time and one-half or double time therefor, Landlord shall use its best efforts to make any repairs, additions or alterations in, about or affecting the premises or adjoining premises, during non-business hours and shall promptly restore the premises, following any such work or activity. In the event such repairs, additions or alterations in, about or affecting the premises or adjoining premises, materially and substantially interfere with Tenant's business operations for more than 1 day, the Tenant, in addition to any other remedy which it may have at law hereunder, may cease or continue its business operations during such impairment, as it desires, with a full abatement of all rent and other charges payable hereunder until such impairment ceases.

6. ASSIGNMENT AND SUBLETTING. Tenant shall not sell, assign, mortgage, or transfer this Lease, sublet the premises or any part thereof, or allow any transfer hereof, or any lien upon the Tenant's interest by operation of law, without the prior written consent of the Landlord.

Nothing herein contained shall be deemed to limit or restrict the rights of Tenant to, without Landlord's consent, sublet the premises, or any portion thereof, or assign this Lease, or any interest therein, to (i) any parent, subsidiary or affiliated corporation of Tenant (ii) any subsidiary of any parent of Tenant, (iii) any corporation with which Tenant may merge or consolidate, or (iv) any corporation acquiring

all or substantially all of the assets or stock of Tenant.

Any assignment or subletting hereunder shall not release or discharge Tenant of or from any liability, whether past, present or future, under this Lease, and Tenant shall continue fully liable thereunder. The assignee shall assume Tenant's obligations and the subtenant or subtenants shall agree to comply with and be bound by all of the terms, covenants, conditions, provisions and agreements of this Lease to the extent of the space sublet, and Tenant shall deliver to Landlord promptly after execution, an executed copy of each such assignment and assumption or sublease and an agreement of compliance by each such subtenant.

Any sale, assignment, mortgage, transfer, or subletting of this Lease by Tenant which is not in compliance with the provisions of this Section shall be void and of no effect.

The Landlord may assign this Lease and shall not be liable for obligations thereafter accruing hereunder; provided that the Landlord's assignee shall assume the Landlord's obligations hereunder accruing on or after the date of assumption.

7. ALTERATIONS. The Tenant shall not make any alterations in or additions to the premises without the Landlord's advance written consent in each instance. The Landlord's decision to refuse such consent shall be reasonable. If the Landlord consents to such alterations or additions, before commencement of the work or delivery of any materials onto the premises or into the building, the Tenant shall furnish the Landlord with plans and specifications, names and addresses of contractors, and necessary permits. All additions and alterations shall be installed in a good, workmanlike manner and only new, high grade materials shall be used. The Tenant hereby agrees to hold the Landlord harmless from any and all laibilities of every kind and description which may arise out of or be connected in any way with said alterations or additions. Before commencing any

work in connection with alterations or additions, the Tenant shall furnish the Landlord with certificates of insurance from all contractors performing labor or furnishing materials insuring the Landlord against any and all liabilities which may arise out of or be connected in any way with said additions or alterations. The Tenant shall pay the cost of all such alterations and also the cost of decorating the premises occasioned by such alterations and additions. Upon completing any alterations or additions, the Tenant shall furnish the Landlord with contractors' affidavits and full and final waivers of lien covering all labor and materials expended and used provided Tenant shall not be obligated to provide waivers of lien from any contractor or materialmen supplying less than $10,000 in goods or services to the premises and Tenant shall not be obligated to submit waivers of lien from any contractor if the period for filing liens has elapsed and no lien has been filed by that contractor. All alterations and additions shall comply with all insurance requirements and with all ordinances and regulations of the City of Whitehall or any department or agency thereof, and with the requirements of all statutes and regulations of the State of Ohio or of any department or agency thereof. All additions, hardware, non-trade fixtures and all improvements, including wall and floor coverings, temporary or permanent, in or upon the premises, whether placed there by the Landlord or the Tenant, shall become the Landlord's property and shall remain upon the premises at the termination of this Lease by lapse of time or otherwise without compensation or allowance or credit to the Tenant.

The term "Trade Fixtures" as used in this Lease shall include but not be limited to, computer systems, phone banks, removable wall panels, removable decorations, mirrors, decorative hardware and decorative lighting fixtures, shelving, signs and personal property.

Notwithstanding anything in this Lease to the contrary,

Tenant shall be permitted to make non-structural alterations and/or additions to the premises which in each instance cost less than $75,000 without the prior consent of Landlord.

8. SIGNS. The Tenant will not permit or suffer any signs, advertisements or notices to be displayed, inscribed upon or affixed on any part of the outside of the building except those which have been approved by Landlord. Landlord agrees Tenant shall have the right to install approved signs on the exterior walls of the building identifying Tenant's business.

9. OPTIONS TO EXTEND TERM. Landlord hereby grants Tenant three (3) options to extend the term of this Lease, each for one (1) year, the first of which, if exercised, shall commence at the end of the term of the Lease ("first option term") and the remaining two on each successive year thereafter. Each such option term shall be upon the same terms and conditions as contained in the Lease except as provided herein.

If Tenant shall exercise the option period, it shall give Landlord written notice at least six (6) months prior to the end of the term or the immediately preceding option term that it will exercise the option.

All the terms and conditions of the Lease shall apply during each option term except that such option to extend term shall terminate when exercised.

10. NOTICES. All notices and demands herein required or permitted shall be in writing. In every case, when under the provisions of this Lease it shall be necessary or desirable for the Landlord to serve any notice or demand on the Tenant, such notice or demand shall be served by registered or certified mail, postage prepaid, addressed to the attention of Tenant's Real Estate Department at the address first stated above with copy to The Limited, Inc., P.O. Box 16000, Columbus, Ohio 43216, Attention, Corporate Real Estate Department, or to such changed address

or addresses which Tenant may designate by Notice to Landlord. Any such notice or demand to be given to the Landlord, shall, until further notice, be by registered or certified mail, postage prepaid, addressed to the Landlord at 209 East State Street, Columbus, Ohio 43215.

11. LANDLORD'S RESERVATIONS. The Landlord reserves the following rights:

(a) During the last ninety (90) days of the term, and if prior to that time the Tenant vacates the premises, to show the premises for reoccupancy, and

(b) To take any and all measures, including inspections, repairs, alterations, additions and improvements to the building, as may be necessary or desirable for the safety, protection or preservation of the premises or the building or the Landlord's interests, or as may be necessary or desirable in the operation of the building.

After reasonable advance written notice, Landlord may enter upon the premises and may exercise any or all of the foregoing rights hereby reserved without being deemed guilty of an eviction or disturbance of the Tenant's use or possession and without being liable in any manner to the Tenant.

12. EXCULPATION. To the extent permitted by law, the Tenant releases the Landlord and the Landlord's agents, servants, and employees, from and waives all claims for damage to person or property sustained by the Tenant resulting from the building or any equipment or appurtenance becoming out of repair, or resulting from any accident in or about the building, or resulting directly or indirectly from any act or neglect of any tenant or occupant of the shopping center in which the building is located or of any other person, excepting the negligence and/or acts or omissions of the Landlord and the Landlord's agents, servants, and employees. This Section shall apply especially, but not

exclusively, to any flooding of the premises, and to damage caused by sprinkling devices, air conditioning apparatus, water, snow, frost, excessive heat or cold, falling ceiling, sewage, gas, odors or noise, or the bursting or leaking of pipes or plumbing fixtures, and shall apply equally whether any such damage results from the act or neglect of other tenants, occupants or servants of the shopping center or of any other person except Landlord as provided above, and whether such damage be caused or result from any thing or circumstance above mentioned or referred to, or any other thing or circumstance whether of a like nature or of a wholly different nature. If any such damage, whether to the premises or to the building or any part thereof, or whether to the Landlord or to other tenants in the building, results from any act or neglect of the Tenant, the Landlord may, at the Landlord's option, after 30 days written notice to Tenant, repair such damage and the Tenant shall, upon demand by the Landlord, reimburse the Landlord forthwith for the total cost of such repairs. The Tenant shall not be liable for any damages caused by its act or neglect if the Landlord or a tenant has recovered the full amount of the damages from insurance, and the insurance company has waived in writing its rights of subrogation against the Tenant. All property belonging to the Tenant or any occupant or guest of the premises shall be there at the sole risk of the owner thereof and the Landlord shall not be liable for damages thereto or theft or misappropriation thereof, except if due to the acts, omissions or negligence of the Landlord or its agents, employees or contractors.

13. HOLDOVER. If the Tenant retains possession of the premises or any part thereof after the termination of the term by lapse of time or otherwise, the Tenant shall pay the Landlord rent at the rate of rental specified in Section 4 for the time the Tenant thus remains in possession. If the tenant remains in possession of the premises, or any part

thereof, after the termination of the term by lapse of time or otherwise, such holding over shall constitute a month to month tenancy. The provisions of this Section do not preclude the Landlord's rights of reentry or any other right hereunder.

14. RULES AND REGULATIONS. The Tenant shall observe and comply with any reasonable rules and regulations promulgated from time to time by the Landlord, as in the Landlord's judgment are reasonably necessary for the safety, care and cleanliness of the building or for the preservation of good order therein. Any changes in rules by Landlord shall be effective upon notice thereof to the Tenant. The Landlord shall not be liable to the Tenant for violation of such rules and regulations by any other tenant, its servants, employees, agents, visitors, customers, invitees, or licensees.

15. LEASE SUBORDINATE. The Landlord's title is and always shall be paramount to the title of the Tenant, and nothing herein contained shall empower the Tenant to do any act which shall encumber the title of the Landlord. This Lease shall be subordinate and subject at all times to the mortgage covering the premises or which at any time hereafter shall be made, and to all renewals, modifications, consolidations, or replacements thereof, and to all advances made, or hereafter to be made, upon the security of any such mortgage, and the Tenant shall execute such further instruments subordinating this Lease to any such mortgage as the Landlord shall reasonably request, provided, however, that any mortgagee shall agree in writing that the Tenant's possession of the premises will not be disturbed if Tenant is not in default under this Lease.

16. TENANT'S DEFAULT. All rights and remedies of the Landlord herein enumerated shall be cumulative, and none shall exclude any other right or remedy allowed by law.

(a) if any voluntary or involuntary petition or

similar pleading under any section or sections of any bankruptcy act shall be filed by or against the Tenant, or any voluntary or involuntary proceeding in any court or tribunal shall be instituted to declare the Tenant insolvent or unable to pay the Tenant's debts, and in the case of any involuntary petition or proceeding, the petition or proceeding is not dismissed within thirty (30) days from the date it is filed, the Landlord may elect, but is not required, and with or without notice of such election, and with or without entry or other action by the Landlord, to forthwith terminate this Lease, and, notwithstanding any other provision of this Lease, the Landlord shall forthwith upon such termination be entitled to recover damages in an amount equal to the then present value of the rent specified in Section 4 for the residue of the stated term hereof, less the then present value of the fair rental value of the premises for the residue of the stated term.

(b) If the Tenant defaults in the payment of rent, or in payment of any sum deemed to be additional rent, under this Lease and the Tenant does not cure such default within ten (10) days after written notice from Landlord of such default, or if the Tenant defaults in the prompt and full performance of any other provision of this Lease, and if the Tenant does not cure the default within thirty (30) days after demand by Landlord that the default be cured, unless the default involves a hazardous condition, which shall be cured forthwith upon the Landlord's demand, or if the leasehold interest of the Tenant be levied upon under execution or be attached by process of law and such attachment or levy is not vacated or dismissed within thirty (30) days, or if the Tenant makes an assignment for the benefit of creditors, or if a receiver be appointed for any property of the Tenant, or if the Tenant abandons the premises and

ceases paying rent, then and in any such event the Landlord may, if the Landlord so elects but not otherwise, either forthwith terminate this Lease and the Tenant's right to possession of the premises, or without terminating this Lease, forthwith terminate the Tenant's right to possession of the premises.

(c) Upon any termination of this Lease, whether by lapse of time or otherwise, or upon any termination of the Tenant's right to possession without termination of the Lease, the Tenant shall surrender possession and vacate the premises immediately, and deliver possession thereof to the Landlord, and hereby grants to the Landlord full and free license to enter into and upon the premises in such event with or without process of law and to repossess the premises as of Landlord's former estate and to expel or remove the Tenant and any others who may be occupying or within the premises and to remove any and all property therefrom, using such force as may be necessary, without being deemed in any manner guilty of trespass, eviction, or forcible entry or detainer, and without relinquishing the Landlord's rights to rent or any other right given to the Landlord hereunder or by operation of law.

(d) If the Tenant abandons the premises and ceases paying rent or otherwise entitles the Landlord so to elect, and the Landlord elects to terminate the Tenant's right to possession only, without terminating the Lease, the Landlord may, at the Landlord's option enter into the premises, remove the Tenant's signs and other evidences of tenancy, and take and hold possession thereof as in (c) of this Section provided, without such entry and possession terminating the Lease or releasing the Tenant, in whole or in part, from the Tenant's obligations to pay the rent hereunder for the full term, and in any such case the Tenant shall pay forthwith to

the Landlord, if the Landlord so elects, a sum equal to the entire amount of the rent specified in Section 4 for the residue of the stated term plus any other sums then due hereunder discounted to present value at an interest rate equal to 10% per annum. Upon and after entry into possession without termination of the Lease, the Landlord shall use reasonable efforts to re-rent the premises (or such part thereof as Landlord deems proper) for the account of the Tenant to any persons, firm or corporation other than the Tenant for such rent, for such time and upon such terms as the Landlord in the Landlord's sole discretion shall determine, and the Landlord shall not be required to obtain consent of the Tenant for such re-renting, nor to accept any tenant offered by the Tenant or to observe any instructions given by the Tenant about such re-renting. Tenant further expressly agrees that Tenant will not question, in any suit or other proceedings, the Landlord's reasonable judgment in any matter relating to such re-renting, including, without limitation, Landlord's efforts to re-rent and/or the terms of such re-renting. In any such case, the Landlord may make repairs, alterations and additions in or to the premises to the extent deemed by the Landlord necessary or desirable and the Tenant shall, upon demand, pay the cost thereof, together with the Landlord's expense of re-renting. If the consideration collected by the Landlord upon any such re-renting for the Tenant's account is not sufficient to pay monthly the full amount of the rent reserved in this Lease, together with the costs of repairs, alterations, additions, and the Landlord's expenses, the Tenant shall pay to the Landlord the amount of each monthly deficiency upon demand; and if the consideration so collected from any such reletting is more than sufficient to pay the full amount of the

rent reserved herein, together with the costs and expenses of the Landlord, the Landlord, at the end of the stated term of the Lease shall refund the surplus to the Tenant.

(e) Any and all property which may be removed from the premises by the Landlord pursuant to the authority of the Lease or of law, to which the Tenant is or may be entitled, may be handled, removed or stored by the Landlord at the risk, cost and expense of the Tenant, and the Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. The Tenant shall pay to the Landlord, upon demand, any and all expenses incurred in such removal and all storage charges against such property so long as the same shall be in the Landlord's possession or under the Landlord's control. Any such property of the Tenant not removed from the premises or retaken from storage by the Tenant within thirty (30) days after the end of the term, however terminated, shall be presumed to have been conveyed by the Tenant to the Landlord under this Lease as a bill of sale without further payment or credit by the Landlord to the Tenant.

(f) The Tenant shall pay upon demand all the Landlord's costs, charges and expenses, including the fees of counsel, agents and others retained by the Landlord, incurred in enforcing the Tenant's obligations hereunder or incurred by the Landlord in any litigation, in which the Tenant causes the Landlord, without the Landlord's fault, to become involved or concerned, plus interest at the highest non-usurious rate which Landlord might at such date have charged in making an unsecured loan of cash funds to Tenant (but in no event to exceed the rate of twelve per cent (12%) per annum) from the date of payment, which amount shall be deemed to be additional rent due and payable by the Tenant upon

demand by Landlord.

17. NO LIENS. The Tenant shall not permit any mechanics' or materialmen's liens to be filed against the premises, the real property of which the premises form a part or the Tenant's leasehold interest in the premises. The Landlord shall have the right at all reasonable times to post and keep posted on the premises any notices which it deems necessary for protection from such liens. If any such liens are so filed and not removed by Tenant within 30 days after notice thereof, the Landlord, even if it is not legally liable therefor, at its election, may pay and satisfy the same and in such event the sums so paid by the Landlord, with interest at the non-usurious highest rate which Landlord might at such date have charged in making an unsecured loan of cash funds to Tenant in such amount (but in no event to exceed the rate of twelve per cent (12%) per annum from the date of payment) shall be deemed to be additional rent due and payable by the Tenant at once without prior notice or demand.

18. CONDEMNATION.

(a) In the event that the whole or any part of the premises shall be lawfully condemned or taken in any manner for any public or quasi-public use, at Landlord's option this Lease and the term hereby granted shall forthwith cease and terminate on the date of the taking of possession by the condemning authority and the Landlord shall be entitled to receive the entire award without any payment to Tenant except any award for Tenant's trade fixtures and/or relocation expenses, the Tenant hereby assigning to the Landlord the Tenant's interest in the award, if any, and the rent shall be apportioned as of such date.

(b) In the event that a part of the building shall be so condemned or taken and if in the reasonable opinion of the Landlord, the building should be restored in such a way as to alter the premises materially, or the building should be

demolished, the Landlord may terminate this Lease without compensation to Tenant and the term and estate hereby granted by notifying the Tenant of such termination within sixty (60) days following the date of the taking of possession by the condemning authority, and this Lease and the term and estate hereby granted shall expire on the date specified in the notice of termination, not less than sixty (60) days after the giving of such notice, as fully and completely as if such date were the date hereinbefore set for the expiration of the term of this Lease, and the rent shall be apportioned as of such date. In the event of a partial taking of the premises and this Lease is not terminated then the rent payable by Tenant hereunder shall be abated in the same proportion as the portion of the premises taken bears to the total floor area of the premises prior to the taking.

If by reason of a taking by way of eminent domain of the premises or the building of which the premises are a part or of other parts of the shopping center, the premises are rendered substantially unusable for Tenant's business by reason of diminished access, Tenant may cease its operations until reasonable access is available, and during such period until accessibility is restored, the payment of rent and all other charges required hereunder shall abate.

19. DAMAGE OR DESTRUCTION. In the event of damage or destruction of the premises during the term by fire, the elements, or casualty, Landlord shall forthwith repair the same, provided such repairs can be made, in the Landlord's opinion, within one hundred twenty (120) days, but such damage or destruction shall not anull or void this Lease, except that Tenant shall be entitled to a proportionate reduction of rent while such repairs are being made, such proportionate reduction to be based upon the extent that the premises, or part thereof, may be untenantable. If, in the Landlord's opinion, such repairs cannot be made within one hundred twenty (120) days, Landlord may, at its option (to be

exercised within thirty (30) days after the date of such damage or destruction), make and complete such repairs as soon as possible thereafter, this Lease continuing in full force and effect and the rent to be proportionately reduced as aforesaid in this Section provided. In the event that the Landlord does not so elect to make such repairs (which cannot be made within said one hundred twenty (120) day period), this Lease may be terminated at the option of either party provided, however, Landlord shall not have the right to terminate this Lease unless Landlord simultaneously terminates the leases of all other tenants in the shopping center. The Tenant shall be entitled to a proportionate reduction of rent only if the premises are untenantable as aforesaid and no such rent reduction shall be allowed by reason of inconvenience, annoyance or injury to the Tenant's businesses because of such damage or destruction except if same renders the premises temporarily untenantable, or the necessity of repairing any portion of the building except if same renders the premises temporarily untenantable, or the making of such repairs except if same renders the premises temporarily untenantable, nor shall the Landlord be liable to the Tenant because of such inconvenience, annoyance or damage.

20. WAIVER OF SUBROGATION. Each party hereto hereby waives all claims for recovery from the other party for any loss or damage to any of its property insured under valid and collectible insurance policies, covering loss by fire or any of the perils insured under the standard extended coverage rider.

21. INDEMNIFICATION. Except for claims caused by or due to the acts, omissions or negligence of the Landlord, the Tenant agrees to indemnify and save harmless the Landlord against and from any and all claims by or on behalf of any person or persons, firm or firms, corporation or corporations, arising from Tenant's use of the premises or

the conduct of its businesses or from any activity, work, or thing done, permitted or suffered by the Tenant, its servants, contractors, agents and employees, in or about the premises, and will further indemnify and save the Landlord harmless against and from any and all claims arising from any breach or default on the Tenant's part in the performance of any covenant or agreement on the Tenant's part to be performed, pursuant to the terms of this Lease, arising from any act or negligence of the Tenant, or any of its agents, contractors, servants, employees or licensees, and from and against all costs, counsel fees, expenses and liabilities incurred in connection with any such claim or action or proceeding brought thereon; and in case any action or proceeding be brought against the Landlord by reason of any such claim, the Tenant upon notice from the Landlord covenants to resist or defend at the Tenant's expense such action or proceeding by counsel reasonably satisfactory to the Landlord, or Tenant's insurer.

Landlord hereby indemnifies and agrees to save Tenant, its officers, directors, employees, and agents harmless from and against any and all claims, suits, proceedings, actions, causes of action, responsibility, liability, demands, judgments, and executions (hereinafter referred to as "Claims") which either (i) arise from or are in connection with the possession, use, occupation, management, repair, maintenance, or control of the Common Areas or any portion thereof: (ii) arise from, or are in connection with an act or omission of Landlord, or its employees, agents or contractors in connection with the Common Areas; (iii) result from any default, breach, violation, or non-performance of this Lease or any provision of this Lease by Landlord; (iv) result from injury to any person or property or loss of life sustained in the Common Areas; or (v) result from occurrences of injury to or death of, any person or damage to property arising out of any work, construction, reconstruction, restoration,

maintenance or other work to be done hereunder by Landlord, unless such Claims are caused by the act or omission of Tenant, or its employees, agent or contractors.

22. DELIVERY OF POSSESSION. No promise of the Landlord to alter, remodel or improve the premises or the building and no representation respecting the condition of the premises or the building has been made by the Landlord to the Tenant, unless the same is contained herein, or made a part hereof. In the event of the failure of the Landlord to deliver possession of the premises at the time of the commencement of the term of this Lease, the Landlord shall not be liable for any damage caused thereby, nor shall this Lease thereby become void or voidable, nor shall the term herein specified be in any way extended, but in such event the term shall begin when the Landlord does deliver possession of the premises and the Tenant shall not be liable for any rent until the time that Landlord delivers such possession.

23. LANDLORD'S TITLE AND QUIET ENJOYMENT. Landlord's title to the premises and the shopping center is good and marketable, free of liens, encumbrances, (excluding any mortgages) and there are no restrictive covenants, easements, exclusive use provisions in other tenant's leases, or other agreements, zoning laws or other ordinaces or regulations which will prevent the Tenant from occupying the premises for the purpose herein provided, or prevent the full use of the parking areas and other common areas of the shopping center or otherwise prevent the shopping center from being developed in accordance with the general layout shown on Exhibit A or otherwise conflict with any of the provisions of this Lease.

Landlord has full right and authority to make and enter into this Lease for the full term granted herein and that no joinder or approval of any other person or entity is required with respect to Landlord's right and authority to enter into this Lease except as stated in Section 1 hereof.

Landlord represents and warrants to Tenant that on the

date of delivery of possession of the premises, to Tenant, the premises shall be free of all violations, orders, or notices of violations of all public or quasi-public authorities, and that Tenant shall be permitted by authorities having jurisdiction thereover to occupy the premises for the uses and purposes herein provided.

The Landlord covenants and agrees that the Tenant on paying said rent and performing the covenants aforesaid shall and may peaceably and quietly hold and enjoy the said premises for the term aforesaid, against any person claiming by, through, or under the Landlord.

24. LANDLORD'S AND TENANT'S IMPROVEMENTS.

A. Landlord covenants and agrees to do and perform the following prior to the date Tenant takes possession of the premises, weather permitting:

1. Place roof in good and servicable condition - secure and without leaks,

2. Place existing HVAC in good operating condition,

3. Replace and restore existing landscaping as reasonably necessary, and

4. Comply with any laws, ordinances, or regulations requiring the removal of asbestos, if any, in the premises except that any asbestos floor tile need not be removed.

B. Tenant covenants and agrees to do and perform the following:

1. Tenant accepts the premises "as is" except for such work to be performed by Landlord,

2. Tenant shall submit all plans and specifications for alterations and improvements to the premises for Landlord's approval which shall not be unreasonably withheld.

Any work, installation or equipment not called for in the Landlord's covenants above shall be furnished and performed by and at the expense of Tenant.

The parties shall endeavor to complete their respective portions of such work with due diligence, taking into account scarcity of materials, strikes, lockouts, governmental orders, directives and regulations.

Each party's work shall be done in a good and workmanlike manner and in compliance with all applicable codes, ordinances and other governmental laws and regulations. All materials shall be new and of first class quality.

Should Landlord fail to complete all Landlord's work as specified herein on the date Tenant takes possession of the premises, then Tenant shall have the right to send Landlord a "punch list" of items which remain to be completed. On receipt of such punch list, Landlord shall have 14 days to complete the items designated therein, and should the Landlord fail to do so within said 14 day period, then Tenant, in addition to any rights it may have hereunder, shall have the right to complete the punch list items on behalf of the Landlord and to deduct the entire cost of completion of such items from any and all rents and other charges due or to become due hereunder.

25. MISCELLANEOUS.

(a) No receipt of money by the Landlord from the Tenant after the termination of this Lease or after the service of any notice or after the commencement of any suit, or after final judgment for possession of the premises shall renew, reinstate, continue or extend the term of this Lease or affect any such notice, demand or suit.

(b) No waiver of any default of either party hereunder shall be implied from any omission by the other to take any action on account of such default if such default persists or be repeated, and no express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated. The invalidity or unenforceability of any provision hereof shall

not affect or impair any other provision.

(c) The word "Tenant" wherever used in this Lease shall be construed to mean "Tenants" if Tenant is more than one person or entity, and the necessary grammatical changes required to make the provisions hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

(d) Provisions inserted herein or affixed hereto shall not be valid unless appearing in the duplicate original hereof held by the Landlord.

(e) Each provision hereof shall extend to and shall, as the case may require, bind and inure to the benefit of the Landlord and the Tenant and their respective heirs, legal representatives, successors and assigns.

(f) The headings of sections are for convenience only and do not limit or construe the contents of the sections.

(g) Submission of this instrument for examination does not constitute a reservation of or option for the premises. The instrument becomes effective as a lease upon execution and delivery by both Landlord and Tenant.

(h) All amounts other than rent under Section 4 owed by the Tenant to the Landlord hereinunder shall be deemed to be additional rent and shall be paid within fifteen (15) days from the date the Landlord renders statements of account therefor.

(i) The Tenant may occupy the premises prior to the beginning of the term of this Lease with the Landlord's written consent, and in such case all the provisions of this Lease shall be in full force and effect as soon as the Tenant occupies the premises, except for the payment of rent.

(j) At the termination of this Lease by lapse of time or otherwise, the Tenant shall return the premises in as good condition as when the Tenant took possession, ordinary wear and loss by fire or other casualty excepted, failing which the Landlord may restore the premises to such condition and

the Tenant shall pay the cost thereof. Upon request of Landlord, the Tenant shall remove any floor covering laid by the Tenant, including removal of all nails, tacks, paper, glue, bases, and other vestiges of the floor covering, and shall restore the floor surface to the condition existing before such floor covering was laid. If the Landlord does not require the Tenant to remove the floor covering from the premises prior to the end of the term, the same shall be conclusively presumed to belong to and title thereto shall thereby pass to the Landlord without payment or credit by the Landlord to Tenant.

(k) The Tenant will not use the premises or any part thereof for any purpose other than the one first above stipulated, or for any purpose deemed by the Landlord's insurer or by the Landlord to be extra hazardous on account of fire risk or in violation of any law or legal requirement, or that will increase the existing rate of insurance on the building unless Tenant pays such insurance, or cause a cancellation of any insurance policy covering the building.

26. UTILITIES. Landlord represents to Tenant that there are water and sewer lines to the premises with capacities sufficient for Tenant's business. Landlord represents to Tenant that electric service is available to the premises and that such service is separately metered to the premises. In the event any utility service to the premises shall be interrupted due to the negligent act or omission of Landlord, its agents, contractors, or employees, and Tenant is thereby deprived of reasonable use of the premises, rent and all other charges payable hereunder shall abate until such services are fully restored and Landlord shall promptly restore service to the premises.

IN WITNESS WHEREOF, as of the day and year first above stated, this instrument has been duly executed by the parties

hereto in four (4) counterparts, each of which counterparts shall constitute an original Lease Agreement all said counterparts together constituting one and the same Lease Agreement.

Signed and Acknowledged
in the presence of the
undersigned Witnesses:

/s/ Jeanette M. Heselden
- ----------

/s/ Jeanette M. Heselden
- ----------

/s/ Marianne H. Bricker
- ----------

Landlord:
Office City, Inc.

By: /s/ Don M. Casto, III

Don M. Casto, III
Vice President

By: /s/ F. S. Benson, Jr.

F. S. Benson, Jr.
President

Tenant:
World Financial Network,
Inc.

/s/ [ILLEGIBLE]
- ----------

/s/ Elizabeth G. Grim
- ----------

By: /s/ Jerald M. Dick

Jerald M. Dick
Vice President

By:

LANDLORD'S ACKNOWLEDEGMENT

State of Ohio :
SS:
County of Franklin :

BE IT REMEMBERED, that on this 24th day of December, 198_, before me, the subscriber, a Notary Public in and for the aforesaid county and state, personally appeared the above named Landlord, Office City, Inc., by Don M. Casto III, its Vice President and F. S. Benson Jr., its President both of whom, as such officers, acknowledged to me that they signed the foregoing Lease, pursuant to authority conferred upon them by said corporation, and that the signing of said Lease was their free and deed as such officers, for and as the free act and deed of said corporation for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereinto subscribed my name and affixed the official seal of my office at Columbus in the State of Ohio on the day and year last above written.

(SEAL)

/s/ Jeanette M. Heselden

Notary Public

JEANETTE M. HESELDEN
Notary Public, State of Ohio
My commission expires 7-13-89

TENANT'S ACKNOWLEDGEMENT

State of Ohio :
SS:
County of Franklin :

BE IT REMEMBERED, that on this 31st day of December, 1986, before me, the subscriber, a Notary Public in and for the aforesaid county and state, personally appeared the above named World Financial Network, Inc., Tenant in the foregoing Lease, by Jerald M. Dick its Vice President and by _____ its _____ both of whom as such officers, acknowledged to me that they signed the foregoing Lease pursuant to proper corporate authorization, and that the signing of said Lease was their free act and deed as such officers and for and as the free act and deed of said corporation, for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereinto subscribed my name and affixed the official seal of my office at Columbus in the State of Ohio on the day and year last above written.

(SEAL)

/s/ Elizabeth G. Grim

Notary Public

ELIZABETH G. GRIM
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES DEC. 10, 1989

EXHIBIT A

[FLOOR PLAN]

GUARANTY

FOR VALUE RECEIVED, in consideration for and as an inducement to Landlord to make the within lease with Tenant, the undersigned guarantees the full performance and observance of all the covenants, conditions and agreements therein provided to be kept, performed and observed by Tenant, without demand or notice of non-payment, non-performance, or non-observance, all of which the undersigned hereby expressly waives. The undersigned agrees that the validity of this agreement and the obligations of the guarantor hereunder shall in nowise be terminated, affected or impaired by reason of the assertion by Landlord against Tenant of any of the rights or remedies reserved to Landlord pursuant to the provisions of the within lease. Undersigned waives notice of acceptance hereof. The undersigned further agrees that this guaranty shall remain and continue in full force and effect as to any renewal, modification or extension of this lease. It is further agreed that in any action or proceeding brought upon any matters whatsoever arising out of, under, or by virtue of the terms of the lease or this guaranty that trial by jury shall be waived.

Dated

Witnesses:

/s/ [ILLEGIBLE]

/s/ Elizabeth G. Grim

THE LIMITED, INC.

By: /s/ Jerald M. Dick

Jerald M. Dick

Its: Vice President

ALLIANCE DATA SYSTEMS

MODIFICATION OF LEASE

This Modification of Lease is made and entered into this 18th day of August 1999 by and between OFFICE CITY, INC., ("Landlord") and ADS ALLIANCE DATA SYSTEMS, INC., d/b/s ALLIANCE DATA SYSTEMS ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant previously entered into that certain Office Lease dated December 24, 1986, Amendment to Lease dated January 19, 1987, Assignment of Lease dated January 20, 1987, Second Amendment to Office Lease dated May 11, 1988, Third Amendment to Office Lease dated August 4, 1989 and Lease Extension dated June 28, 1994 (collectively the "Lease"), pertaining to certain space more particularly set forth therein, at the Shopping Center to commonly known as Airport Commerce Park located on 4590 East Broad Street in Columbus, Ohio 43213 and;

WHEREAS, said Lease, if not extended would terminate January 31, 2000, and;

WHEREAS, Landlord and Tenant are desirous of extending the Lease in accordance with the terms and conditions hereinafter set forth;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

STATEMENT OF MODIFICATIONS

1. Landlord and Tenant hereby agree to extend the Lease for an additional period of eight (8) years commencing on February 1, 2000 and terminating on January 31, 2008.

2. Section 9.b 0ptions to Extend Term is deleted in its entirety.

3. Section 4. Rent and Charges is amended as follows:

SUBSECTION A. Rent is deleted in its entirety and replaced with the following:

Rent for the period from February 1, 2000 through January 31, 2005 shall be Four Hundred Thirty-Eight Thousand Four Hundred Thirty-Four and 25/100 Dollars ($438,434.25) per year, payable in advance in equal monthly installments of Thirty-Six Thousand Five Hundred Thirty-Six and 19/100 Dollars ($36,536.19) on or before the first day of each month of the extended term.

Rent for the period of February 1, 2005 through January 31, 2008 shall be Four Hundred Ninety Thousand Fourteen and 75/100 Dollars ($490,014.75) per year, payable in advance in equal monthly installments of Forty Thousand Eight Hundred Thirty-Four and 56/100 Dollars (40,834.56) on or before the first day of each month of the extended term.

SUBSECTION C. Common Area Charge is hereby amended as follows:

1. The first sentence of the fourth paragraph of Section 4.C, shall be replaced with the following: The estimated amount of Tenant's Common Area Charge shall be paid in monthly installments in advance on the first day of each month in the amount of $859.68.

2. The Common Area Charge shall exclude the items set forth below which the Tenant hereby agrees to perform, at Tenant's expense. Not including the premises structure foundation and roof. Tenant shall pay all costs and expenses associated with operating, maintaining, refurbishing, replacing, improving, repairing the areas highlighted on Exhibit "A" attached hereto in a first class condition including:

- - The parking field, sidewalks, curbs and loading dock service areas
- - Existing traffic directional signs and pavement striping plus striping of the parking field
- - Daily control of all exterior areas including garbage and trash removal and disposal plus weekly mechanical sweeping of sidewalks, dock service areas, drive lanes and the parking field.
- - The exterior lighting system including light poles, light fixtures, electric service lines and electric usage
- - Exterior amenities including benches, trash receptacles, ash urns, recreational furniture and equipment
- - Landscaped areas including plant materials, mulch, mowing, edging, trimming and weed control
- - Underground utility lines that serve the TENANT'S premise from meters
- - Snow and ice control and removal from sidewalks, dock areas and the parking field.

Plus TENANT will pay for the following:

- - Pro-rate share of general liability / miscellaneous casualty / umbrella insurance including the 15% administrative burden
- - Building insurance and property assessments for the premises
- - Pro-rate share of a storm water assessments should the City of Whitehall initiate and invoice a storm water cost recovery program

SUBSECTION E. Fire and Extended Coverage Insurance is hereby amended by the addition of the following language:

Tenant will pay the following:

- - Tenant's share of general liability / miscellaneous casualty / umbrella insurance including the fifteen percent (15%) administrative burden.
- - Building insurance and property tax assessments for the premises.

Except set forth herein, all other terms and provisions of the Lease shall remain the same and the Landlord and the Tenant hereby ratify and confirm the terms and provisions of the Lease as amended herein.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Modification of Lease on the dates indicated below effective as of the date set forth above.

Signed and acknowledged in the presence of:

LANDLORD: OFFICE CITY, INC.

/s/ [ILLEGIBLE]
- ----------

By: /s/ Frank S. Benson, III

Frank S. Benson, III - President

/s/ [ILLEGIBLE]
- ----------

By: /s/ Don M. Casto, III

Don M. Casto, III - Vice President / Secretary

STATE OF OHIO
COUNTY OF FRANKLIN

Before me, a notary public in and for mid County and State, personally appeared LANDLORD, OFFICE CITY, INC., by Frank S. Benson, III it's President and by Don M. Casto, III it's Vice President / Secretary who acknowledged the signing of the foregoing instrument and that the same is the free act and deed of the Corporation and the free act and deed of them.....

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal, at Columbus, Ohio, this 1st day of September, 1999.

/s/ [ILLEGIBLE]

Notary Public
[SEAL]
[ILLEGIBLE]

Signed and acknowledged in the presence of:

TENANT: ADS ALLIANCE DATA SYSTEMS, INC.

/s/ [ILLEGIBLE]
- ---

By: /s/ [ILLEGIBLE] VP & Treasurer

/s/ [ILLEGIBLE]
- ---

By: /s/ [ILLEGIBLE] Technical Mgr.

STATE OF OHIO
COUNTY OF FRANKLIN

Before me, a notary public in and for said County and State, personally appeared the above named TENANT, ADS ALLIANCE DATA SYSTEMS, INC.

By [ILLEGIBLE] Its VP Treasurer
And By [ILLEGIBLE] Its Technical Manager

Who acknowledged that they did sign the foregoing instrument and that the same is the fee act and deed of said Corporation and the fee act and deed of each of them personally and as such officers.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal, at Columbus, Ohio, this 25 day of August, 1999.

/s/ [ILLEGIBLE]

Notary Public
[ILLEGIBLE]
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES SEPT. 14, 1999

EXHIBIT A

[MAP]

[LETTERHEAD]

April 20, 1998

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Office City, Inc.
209 East State Street
Columbus, OH 43215

Dear Sir or Madam:

RE: Office Lease between Office City, Inc., Landlord, [ILLEGIBLE]
World Financial Network National Bank, Tenant,
dated December 24, 1986 for premises located at
4590 E. Broad Street, Columbus, Ohio

This letter is to advise you that the Lease between Office City, [ILLEGIBLE] Network National Bank dated December 24, 1986 has been a [ILLEGIBLE] Financial Network National Bank to its affiliate, ADS Alliance Data Systems, Inc., a Delaware corporation, effective February 1, 1998.

In accordance with Paragraph 6 of the Lease, enclosed is a copy of the executed Assignment and Assumption Agreement.

You are requested to direct all future correspondence and notices to the following:

ADS Alliance Data Systems, Inc.
Attn: General Counsel
800 TechCenter Drive
Gahanna, OH 43230

Very truly yours,

/s/ Karen A. Morauski
Karen A. Morauski
Counsel

jlh

[LETTERHEAD]

July 20, 1994

Mr. Robert N. Johnston
Leasing Representative
Don M. Casto Organization
209 East State Street
Columbus, Ohio 43215

RE: LEASE EXTENSION - 4590 EAST BROAD ST, COLUMBUS OHIO 43213

Dear Bob:

Please acknowledge acceptance of the Lease Extension and "EXHIBIT A" by having an authorized officer of Office City, Inc. sign the two (2) enclosed original copies of the notification. Return one signed original copy to Tenant.

Very truly yours,

/s/ Nathan J. Tatum
Nathan J. Tatum
Director of Credit Operations

NJT/mb

Enclosures

LEASE EXTENSION - 4590 EAST BROAD ST, COLUMBUS OHIO 43213

This memorandum will serve as notice to Office City, Inc. ("Landlord") that World Financial Network National Bank ("Tenant") has exercised the option to extend the lease for the facility located at 4590 East Broad Street, Columbus Ohio 43213 for an additional term of five years, commencing February 1, 1995, to and including January 31, 2000, at the rental of $386,853.75 per annum.

Said lease is amended by EXHIBIT "A" to this Memorandum which outlines in more specific terms tenant's expectations of landlord's responsibilities in performing common area maintenance for leased property.

Said extension of Lease, as amended by EXHIBIT "A", is hereby ratified, confirmed and executed by the duly authorized officers as of the dates appearing in the acknowledgment clause below.

Signed and acknowledged in the
presence of the undersigned witnesses:

LANDLORD:

OFFICE CITY, INC.

/s/ Edyth M. Smith
- ----------

By: /s/ Harley C. Schofield

Harley C. Schofield, Asst. Secretary

/s/ Benna S. Waterfield
- ----------

/s/ Don M. Casto III

Don M. Casto III Vice President

TENANT:

WORLD FINANCIAL NETWORK NATIONAL BANK

/s/ [ILLEGIBLE]
- ----------

By: /s/ Ralph E. Spurgin

Ralph E. Spurgin
President and Chief Executive Officer

/s/ [ILLEGIBLE]
- ----------

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assignment") is made by and between World Financial Network National Bank, the assignor ("Lessee") and ADS Alliance Data Systems, Inc., a Delaware corporation ("Assignee").

WHEREAS, Lessee has entered into that certain Lease dated December 24, 1986 ("Lease") with Office City, Inc. ("Lessor"); and

WHEREAS, the Lease allows Lessee to assign its rights under the Lease to the Assignee; and

WHEREAS, Lessee wishes to sell, convey, assign and transfer all of its right, title and interest in and to the Lease to Assignee; and

WHEREAS, Assignee wishes to accept the sale, conveyance, assignment and transfer of the Lease and to assume all of Lessee's obligations thereunder;

NOW, THEREFORE, in consideration of the terms and conditions set forth herein, Lessee and Assignee agree as follows:

1. DEFINITIONS. Except as expressly provided herein, all capitalized terms contained in this Lease shall have the meanings set forth in the Lease. The Lease is incorporated herein by this reference.

2. ASSIGNMENT AND ASSUMPTION OF LEASE. On the Effective Date of this Assignment, Lessee hereby sells, conveys, assigns and transfers all of its right, title and interest in and to the Lease to Assignee. Assignee hereby accepts such sale, conveyance, assignment and transfer and hereby assumes all of Lessee's obligations and responsibilities under the Lease. It is the express intention of the parties that this assignment shall cause Assignee to be substituted in the place and stead of Lessee for all purposes relating to the Lease.

3. FUTURE ASSIGNMENTS OF LEASE BY ASSIGNEE. Assignee agrees, recognizes and acknowledges that any future assignment by it of the Lease will be subject to the terms and conditions set forth in the Lease.

4. REPRESENTATIONS AND WARRANTIES OF LESSEE. Lessee represents and warrants to Assignee that:

(a) It is duly organized and existing under the laws of the state of its organization;

(b) The execution, delivery and performance of this Assignment have been duly authorized by all requisite action of Lessee's officers and directors, and will not violate or breach any provision of any organizational document or other agreement or instrument to which Lessee is a party;

10. FURTHER ASSURANCES. Subject to the terms and conditions hereof, each party agrees to use its best efforts to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by this Assignment as expeditiously as practicable including, without limitation, the performance of such further acts or the execution and delivery of any additional instruments or documents as any party may reasonably request from time to time in order to carry out the purposes of this Assignment and the transactions contemplated hereby. This Section shall survive the consummation of the transactions contemplated by this Assignment.

11. TIME OF THE ESSENCE. Time is of the essence with respect to the performance of all transactions contemplated by this Assignment.

12. EFFECTIVE DATE. The "Effective Date" of this Assignment shall be the 1st day of February, 1998.

IN WITNESS WHEREOF, Lessee and Assignee have executed this Assignment as of the day and year first above written.

WORLD FINANCIAL NETWORK NATIONAL BANK

("LESSEE")

By: /s/ Robert Armiak

Name: Robert Armiak

Title: Treasurer

Date: February 1, 1998

ADS ALLIANCE DATA SYSTEMS, INC.

A DELAWARE CORPORATION ("ASSIGNEE")

By: /s/ Daniel T. Groomes

Name: Daniel T. Groomes

Title: Executive Vice President

Date: February 1, 1998

LANDLORD'S ACKNOWLEDGEMENT

STATE OF OHIO :
SS:
COUNTY OF FRANKLIN :

BE IT REMEMBERED, that on this 28th day of July, 1994, before me, the subscriber, a Notary Public in and for the aforesaid county and state, personally appeared the above named Landlord, Office City, Inc., by Don M. Casto III and Harley C. Schofield its, Vice President and Asst. Sec., who, as an officer, acknowledged to me, that he signed the foregoing Lease Extension. Exhibit "A", pursuant to authority conferred upon him by said corporation, and that the signing of said instrument was his own free act and deed as such officer, for and as the free act and deed of said corporation for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the official seal of my office at Columbus in the State of Ohio on the day and year last above written.

(SEAL) /s/ Edyth M. Smith

NOTARY PUBLIC

EDYTH M. SMITH
[SEAL] NOTARY PUBLIC, STATE OF OHIO
COMMISSION EXPIRES 8-26-95

TENANT'S ACKNOWLEDGMENT

STATE OF OHIO :
SS:
COUNTY OF FRANKLIN :

BE IT REMEMBERED, that on this 21st day of July, 1994, before me, the subscriber, a Notary Public in and for the aforesaid county and state, personally appeared the above named Tenant, World Financial Network National Bank, by Ralph E. Spurgin, its President and Chief Executive Officer, who acknowledged to me, that he signed the foregoing Lease Extension Exhibit "A", pursuant to authority conferred upon him by said corporation, and that the signing of said instrument was his own free act and deed as such officer, for and as the free act and deed of said corporation for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the official seal of my office at Columbus in the State of Ohio on the day and year last above written.

(SEAL)
/s/ Melissa L. Coyer

NOTARY PUBLIC

MELISSA L. COYER
[SEAL] NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES JULY 18, 1997

LEASE EXTENSION EXHIBIT "A"
4590 East Broad Street
Columbus, Ohio 43213

I. LANDSCAPING:

A. HOWELL'S TREE & LANDSCAPE SERVICE

- Mulch all planters with grade A mulch annually
- Dormant oil spray in early spring on all trees and existing junipers
- Spray all trees and junipers in late June or at the appropriate time for control of bag worms
- Trim all trees to shape and deadwood removal annually.
- Turn beds to keep mulch fresh looking - one (1) time per month

B. UNITED MANAGEMENT PERSONNEL

- Mow lawn as needed-minimum one (1) time per week
- Hand pick trash from beds and site one (1) time per week
- Edge lawn along Broad Street and Schofield Drive 1 time per week

II. SWEEPING AND SITE CLEANING

A. CONTRACT SWEEPERS

- Sweep all paved parking areas, including rear drive - two (2) times/week (broken glass, litter, and other debris). NO HAND PICKING IS INCLUDED

B. UNITED MANAGEMENT

- Hand pick trash-daily
- Sweep main walk on Broad St. as needed to remove gravel, salt, and debris
- Truck docks swept and drains cleaned as required - minimum once per week

III. SNOW REMOVAL/ICE TREATMENT

A. UNITED MANAGEMENT

- Push snow after accumulation of two (2) inches
- Salt if less than two (2) inches or during any icing condition. Normally done at 3 o'clock a.m. and checked again after lunch; recheck 8 or 9 o'clock p.m. and repeat as necessary
- Dock area is included in the above, but is to receive calcium chloride if temperature is less than 15 degrees

IV. SITE LIGHTING

A. Establish a light pole numbering system for each to track any recurring problems with specific parking lot lights.

B. Determine solution to eliminate splice electrical boxes in ground to avoid shortage caused by wires subject to water.

C. With tenants approval, rewire lighting poles wiring system to correct any problem, if necessary.

V. ASPHALT WORK / SITE WORK

A. MAIN DRIVE IN FRONT OF BUILDING. Take core samples and water sample to determine apparent problem with hydrostatic pressure or other causes for standing water at this location. Consider rework of sub-base, and milling off existing surface with new overlay in order to allow roof runoff outlets at the curb to drain properly.

B. MAIN DRIVE FROM BROAD STREET. Take grade level readings of existing conditions to determine best method of channeling water to the drain. Some milling of the surface may be required along with adding curb drains and piping to the nearest storm line to solve the problem. Also consider removing much of the concrete divider island and replacing it with striping. Overlay asphalt as necessary to complete the repair. For the balance of this driveway, patch and seal cracks as required.

C. Inspect recent overlay areas and determine extent of any major problems that require additional work. Otherwise, seal hairline cracks with flexible sealer to keep moisture from penetrating the surface.

D. MAIN EAST-WEST DRIVE LANE. Identify worst areas, cut out and patch. Take grade readings to determine if overlay can be done to allow proper drainage or if milling is needed to bring the surface in line with the new overlay height.

E. RESTRIPING. Complete annually.

F. SIDEWALKS. Repair, replace sections as requested by tenant in parking lot, along Broad Street, and in front of the building.

G. TRUCK DOCK. Complete, at landlords sole expense, necessary adjustments to the grade and slope of the truck docks to meet code. Such work is to be completed at a date mutually agreed to by both parties but must be completed no later than November 1, 1994.

NOTE:
CONTRACTOR & UNITED MANAGEMENT PERSONNEL ARE TO LOG IN AND OUT AT FRONT DESK.
PAYMENT TO CONTRACTOR WILL BE BASED ON THE SIGN-IN LOGS.

THIRD AMENDMENT TO OFFICE LEASE

This Third Amendment to Office Lease made this 4th day of August, 1989, by and between Office City, Inc., "Landlord", and World Financial Network National Bank, "Tenant",

WITNESSETH:

WHEREAS, Landlord and Tenant's Assignor, World Financial Network, Inc., entered into that certain Office Lease dated December 24, 1986, amended by Amendment to Office Lease dated January 19, 1987, verified by Lease Verification dated June 11, 1987, assigned by World Financial Network, Inc. to The Limited Credit Services, Inc. on May 27, 1987, amended by Second Amendment to Office Lease dated May 11, 1988, and assigned by The Limited Credit Services, Inc. to Tenant on May 1, 1989, hereinafter collectively referred to as "Lease"; and

WHEREAS, the parties desire to amend the Lease to give Tenant the right to contract for the installation of a communication services tower at the leased premises and to further give Tenant the right to maintain said tower during the lease term.

NOW, THEREFORE, effective January 1, 1989, the parties amend the Office Lease as follows:

Section 27. Communication Services Tower is added to the lease and the following shall be made a part thereof:

Landlord hereby grants Tenant the right to contract for the construction and installation of a communication systems tower to be approximately sixty feet (60') high and would be erected at a point approximately ten feet (10') away from the northwest corner of the building leased to the Tenant. The Tenant shall be responsible, at its own expense, for the construction, installation, maintenance, repair and removal of said tower during the term of the Lease. The Tenant hereby

agrees to hold the Landlord harmless from liability for any damages resulting from the construction, installation, maintenance, repair and removal of the communication systems tower, except if due to acts, omissions or negligence of the Landlord or its agents, employees or contractors.

Said Office Lease, as hereby amended, remains in full force and effect and is hereby ratified and confirmed by the parties.

IN WITNESS WHEREOF, the parties have caused this Third Amendment to Office Lease to be executed in four (4) counterparts by their respective duly authorized officers as of the dates appearing in the acknowledgment clauses below.

Signed and Acknowledged in the presence of the undersigned Witnesses:

LANDLORD:
Office City, Inc.

/s/ [ILLEGIBLE]
- ----------

By: /s/ Don M. Casto, III

Don M. Casto, III,
Vice President

/s/ Marianne H. Bricker
- ----------

By: /s/ Harley C. Schofield

Harley C. Schofield
Assistant Secretary

TENANT:
World Financial Network National Bank

/s/ Pamela A. Somerville
- ----------

By: /s/ John DeWolf

John DeWolf,
Vice President-Real
Estate Counsel

/s/ [ILLEGIBLE]
- ----------

By: /s/ George Sappenfield

George Sappenfield
Vice President-Real Estate

LEGAL FORM APP'D PAS

AS PER DIGEST

DIGEST APP'D

LANDLORD'S ACKNOWLEDGMENT

STATE OF OHIO :
SS:
COUNTY OF FRANKLIN :

BE IT REMEMBERED, that on this 4th day of August, 1989, before me, the subscriber, a Notary Public in and for the aforesaid county and state, personally appeared the above named Landlord, Office City, Inc., by Don M. Casto, III, its Vice President, and Harley C. Schofield, its Assistant Secretary, both of whom, as such officers, acknowledged to me that they signed the foregoing Third Amendment to Lease, pursuant to authority conferred upon them by said corporation, and that the signing of said instrument was their free act and deed as such officers, for and as the free act and deed of said corporation for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereinto subscribed my name and affixed the official seal of my office at Columbus in the State of Ohio on the day and year first above written.

(SEAL)

/s/ Marianne H. Bricker

NOTARY PUBLIC

MARIANNE H. BRICKER
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES 1-28-92

TENANT'S ACKNOWLEDGMENT

STATE OF OHIO :
SS:
COUNTY OF FRANKLIN :

BE IT REMEMBERED, that on this 26th of July, 1989, before me, the subscriber, a Notary Public in and for the aforesaid county and state, personally appeared World Financial Network National Bank, Tenant in the foregoing Lease, by John DeWolf, its Vice President-Real Estate Counsel and George Sappenfield, its Vice President-Real Estate, who as such officers, acknowledged to me that they signed the foregoing Third Amendment to Office Lease pursuant to proper corporate authorization, and that the signing of said instrument was their free act and deed as such officer and for and as the free act and deed of said corporation, for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereinto subscribed my name and affixed the official seal of my office at Columbus in the State of Ohio on the day and year last above written.

(SEAL)

/s/ Pamela A. Somerville

NOTARY PUBLIC

PAMELA A. SOMERVILLE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES FEBRUARY 25, 1993

LIMITED CREDIT SERVICES
4590 E. BROAD STREET
COLUMBUS, OHIO 43218

April 26, 1989

Don M. Casto Organization
209 E. State Street
Columbus, Ohio 43215

Dear Sir:

On March 1, 1987 Limited Credit Services, Inc. (LCS) World Financial Network, Inc. (WFN) and Don M. Casto Organization entered into a contract for the lease on the building on East Broad Street.

We have received permission from an agency of the federal government to reorganize as a national bank which will be called World Financial Network National Bank (WFNNB). In order to accomplish this reorganization, we must assign the contract to WFNNB.

In accordance with Section 6 of the contract references above, we hereby request your consent to assign, as of May 1, 1989, our rights and responsibilities under the contract to WFNNB. Failure to object to this assignment as defined in the contract will act as your consent. It should be noted that, except for the change in name, you should not observe any operational changes as a result of this assignment.

If you should have any questions concerning the assignment and your contractual relationship with (LCS) (WFN)/WFNNB, please feel free to contact me.

Thank you for your cooperation in this matter.

Sincerely,

/s/ Jim Johnson
Jim Johnson
Manager, Building Services

JJ/mb

cc: Robert McAndrew, Limited Corp.

BILL OF SALE AND ASSIGNMENT

This Bill of Sale and Assignment is executed as of the day of the 1st day of May, 1989 between LIMITED CREDIT SERVICES, INC., a Delaware corporation ("LCS") and WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association and sole stockholder of LCS ("Bank").

W I T N E S S E T H:

WHEREAS, the Board of Directors of LCS and Bank have approved the dissolution, liquidation and winding up of LCS; and

WHEREAS, LCS is distributing its assets to Bank and Bank is undertaking to refund the liabilities of LCS.

NOW THEREFORE, the parties hereto agree as follows:

Section 1. ASSETS TRANSFERRED. In cancellation of the shares of LCS owned by Bank, LCS hereby grants, sells, transfers and delivers to Bank, all of LCS's right, title and interest in the assets of LCS, to have and to hold forever, including, without limitation, the following: all stock certificates, stock ledger books and stock ledgers, minute books and tax returns of LCS, and all tax refunds and deposits receivable. LCS hereby appoints Bank as its attorney-in-fact to demand, receive, and collect for its own use and benefit all debts and obligations now owing to LCS. LCS further authorizes Bank to do all things legally permissible required to recover and collect such debts and obligations and to use LCS's name in such manner as Bank may deem necessary for the collection and recovery of such debts and obligations.

Section 2. REFUNDING OF LIABILITIES. Bank will provide for the refunding of the liabilities and obligations of LCS, including, without limitation, the liabilities and obligations of LCS, arising or continuing after the date hereof, whether matured or unmatured, other than liabilities which by their terms preclude recourse against LCS.

The parties hereto have executed this instrument as of the day and year first written above.

LIMITED CREDIT SERVICES, INC.

By: /s/ Timothy B. Lyons

Timothy B. Lyons, Vice President

WORLD FINANCIAL NETWORK NATIONAL BANK

By: /s/ Ralph E. Spurgin

Ralph E. Spurgin, President

SECOND AMENDMENT TO OFFICE LEASE

This Second Amendment to Office Lease made this 11th day of May, 1988, by and between Office City, Inc., Landlord, and The Limited Credit Services, Inc., Tenant,

WITNESSETH:

WHEREAS, Landlord and Tenant's Assignor, World Financial Network, Inc., entered into that certain Office Lease dated December 24, 1986, amended by Amendment to Office Lease dated January 19, 1987, verified by Lease Verification dated June 11, 1987 and assigned by World Financial Network, Inc. to Tenant on May 27, 1987, hereinafter collectively referred to as "Lease"; and

WHEREAS, the parties desire to amend the Lease to provide for Tenant's immediate exercise of its options to extend term, grant additional options to extend, acknowledge Landlord's approval of Tenant's plans and specifications for Tenant's proposed alterations to the demised premises and give Tenant's approval of a proposed dedication of a public street by Landlord,

NOW, THEREFORE, effective April 1, 1988 the parties amend the Office Lease as follows:

1. The typed portion of Section 3 is deleted and the following substituted therefor:

> The term of this Lease is eight (8) years beginning on the 1st day of February, 1987, and ending on the last day of January, 1995, unless terminated earlier, as hereinafter provided, or extended, at the option of Tenant, for one or two five-year option term(s), as permitted by Section 9, infra.

2.A The first sentence of Section 9 is deleted and the following is substituted therefor:

> Landlord hereby grants Tenant two (2) options to extend the term of this Lease, each for five (5) years, the first of which, if exercised, shall commence at the end of the term of the Lease ("first option term") and the second ("second option term") at the end of the first option term.

B. The last paragraph of Section 9 is amended by deleting the period and adding the following at the end of the paragraph:

and instead of the rent set forth in Section 4.A. the annual rent for each year of the option term(s) shall be as follows:

(a) The annual rent for each year of the first option term shall be $386,853.75 per annum which shall be paid in equal monthly installments, in advance on the first day of each and every month thereof, in the amount of $32,237.81.

(b) The annual rent for each year of the second option term shall be $490,014.75 per annum which shall be paid in equal monthly installments, in advance on the first day of each and every month thereof, in the amount of $40,834.56.

3. Landlord hereby consents to the Tenant's proposed alterations of and improvements to the demised premises which are shown and described in the latest revisions, dated 01/13/88, to the plans and specifications for the demised premises prepared for Tenant by Acock Schlegel Architects and M-E Building Consultants, consisting of 15 pages.

4. Tenant hereby consents to Landlord's dedicating to the City of Whitehall, the westerly 60' wide strip of the parking lot of the shopping center, presently used as an entrance-exit and service driveway, for purposes of a public road which would extend from East Broad Street to Poth Road.

5. Landlord warrants to Tenant that during the term of this Lease there shall not be less than 756 parking spaces available in the Shopping Center for Tenant, the other lessees of the Shopping Center and the respective agents, employees, customers and invitees of Tenant and the other lessees.

Said Office Lease, as hereby amended, remains in full force and effect and is hereby ratified and confirmed by the parties.

IN WITNESS WHEREOF, the parties have caused this Second Amendment to Office Lease to be executed in four (4)

counterparts by their respective duly authorized officers as of the dates appearing in the acknowledgment clauses below.

Signed and Acknowledged in the presence of the undersigned Witnesses:

/s/ [ILLEGIBLE]
- ----------

/s/ Marianne H. Bricker
- ----------

Landlord:
Office City, Inc.

By: /s/ Don M. Casto, III

Don M. Casto, III, Vice President

By: /s/ Harley C. Schofield

Harley C. Schofield Assistant Secretary

Tenant:
The Limited Credit Services, Inc.

/s/ [ILLEGIBLE]
- ----------

/s/ [ILLEGIBLE]
- ----------

By: /s/ Jerald M. Dick

Jerald M. Dick, Vice President

LANDLORD'S ACKNOWLEDEGMENT

STATE OF OHIO :
SS:
COUNTY OF FRANKLIN :

BE IT REMEMBERED, that on this 11th day of May, 1988, before me, the subscriber, a Notary Public in and for the aforesaid county and state, personally appeared the above named Landlord, Office City, Inc., by Don M. Casto, III, its Vice President, and Harley C. Schofield, its Assistant Secretary, both of whom, as such officers, acknowledged to me that they signed the foregoing Second Amendment to Lease, pursuant to authority conferred upon them by said corporation, and that the signing of said instrument was their free act and deed as such officers, for and as the free act and deed of said corporation for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereinto subscribed my name and affixed the official seal of my office at Columbus in the State of Ohio on the day and year last above written.

(SEAL)

/s/ Marianne H. Bricker

Notary Public

MARIANNE H. BRICKER
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES 1-28-92

LEGAL FORM APP'D [ILLEGIBLE]

AS PER DIGEST [ILLEGIBLE]

DIGEST APP'D

TENANT'S ACKNOWLEDGEMENT

STATE OF OHIO :
SS:
COUNTY OF FRANKLIN :

BE IT REMEMBERED, that on this 9th day of May, 1988, before me, the subscriber, a Notary Public in and for the aforesaid county and state, personally appeared The Limited Credit Services, Inc., Tenant in the foregoing Lease, by Jerald M. Dick its Vice President, who as such officer, acknowledged to me that he signed the foregoing Second Amendment to Lease pursuant to proper corporate authorization, and that the signing of said instrument was his free act and deed as such officer and for and as the free act and deed of said corporation, for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereinto subscribed my name and affixed the official seal of my office at Columbus in the State of Ohio on the day and year last above written.

(SEAL)

/s/ Pamela A. Somerville

Notary Public

PAMELA A. SOMERVILLE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES FEBRUARY 25,1993

LEASE VERIFICATION

This Verification made this 11th day of June, 1987, by and between OFFICE CITY, INC., Landlord, and THE LIMITED CREDIT SERVICES, INC., Tenant,

WITNESSETH

WHEREAS, the parties entered into that certain Lease dated December 24, 1986 under which Landlord leased to Tenant Storeroom # 1 of Office City Shopping Center, and,

WHEREAS, the exact commencement date was not specified in the Lease, but has now been determined,

NOW, THEREFORE, the parties hereby clarify said Lease by establishing the "Rent Commencement Date" as May 15, 1987. The term commenced on February 1, 1987, and will end on January 31, 1991, unless the Tenant has and exercises option(s) to extend the term.

It is further agreed that except for stipulating the aforesaid dates, this Verification does not in any other way modify, amend or supplement the Lease which remains in full force and effect.

IN WITNESS WHEREOF, Landlord has caused these presents to be signed and Tenant has hereby executed the same on the date first stated above.

LANDLORD: OFFICE CITY, INC.

By: /s/ Don M. Casto

Don M. Casto, III, Vice President

TENANT: THE LIMITED CREDIT SERVICES, INC.

/s/ Jerald M. Dick

Jerald M. Dick, Vice President

ASSIGNMENT OF LEASE

WORLD FINANCIAL NETWORK, INC., a Delaware corporation, hereinafter called the "Assignor", for the One Dollar ($1.00) and other good and valuable consideration to it paid, hereby assigns, sets over, transfers, and conveys, effective as of 20th of Jan, 1987, to THE LIMITED CREDIT SERVICES, INC., a Delaware corporation, hereinafter called the "Assignee", all of the Assignor's right, title and interest in and to a certain Lease, dated December 24, 1986 as amended January 19, 1987, between Assignor, as Tenant and Office City, Inc., as Landlord, for premises being 103,161 square feet of space known as 4590 East Broad Street, Columbus, Ohio (the "Lease").

Together with all of the estate, title and interest of the Assignor in the Lease and in said premises.

The Assignor covenants and agrees that the Lease is in full force and effect, and that there has been no default in any of the conditions, covenants and other provisions on the part of said Assignor to be kept and performed.

The Assignee, in consideration of this Assignment, covenants and agrees to keep and perform all the conditions, covenants and provisions of the Lease to be kept and performed by the Tenant therein, and to indemnify and save harmless the Assignor from and against all loss and expense by reason of any default of the Assignee in respect thereto.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Assignment to be executed on this 27th day of May, 1987.

Signed and acknowledged in the presence of:

/s/ [ILLEGIBLE]
- ----------

/s/ [ILLEGIBLE]
- ----------

WORLD FINANCIAL NETWORK, INC.

By: /s/ Jerald M. Dick

Jerald M. Dick

Its: Vice President

ASSIGNOR

THE LIMITED CREDIT SERVICES, INC.

/s/ [ILLEGIBLE]
- ----------

/s/ [ILLEGIBLE]
- ----------

By: /s/ Jerald M. Dick

Jerald M. Dick

Its: Vice President

ASSIGNEE

CONSENT OF LANDLORD AND RELEASE

The Landlord hereby consents to the Assignment of the referenced lease from World Financial Network, Inc. to The Limited Credit Services, Inc. and releases World Financial Network, Inc. from liability thereunder as though World Financial Network, Inc. had never been a party thereto.

OFFFICE CITY, INC.

By: /s/ Don M. Casto, III

Don M. Casto, III, Vice President

CONSENT OF GUARANTOR

The undersigned Guarantor of the lease hereby consents to the Assignment and acknowledges that the Guaranty shall remain in full force and effect.

THE LIMITED, INC.

By: /s/ Jerald M. Dick

Jerald M. Dick
Its Vice President

[ILLEGIBLE]

STATE OF OHIO,

COUNTY OF FRANKLIN, ss:

BEFORE ME, the undersigned authority on this date personally appeared Jerald M. Dick, Vice President of WORLD FINANCIAL NETWORK, INC., a Delaware corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument and being by me first duly sworn acknowledged to me that he executed the same as the act and deed of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 28th day of May, 1987.

/s/ Susan T Edwards

NOTARY PUBLIC

SUSAN T EDWARDS, Notary Public
State of Ohio
My Commission Expires April 6 1989

STATE OF OHIO,
COUNTY OF FRANKLIN, ss:

BEFORE ME, the undersigned authority, on this date personally appeared Jerald M. Dick, Vice President of THE LIMITED CREDIT SERVICES, INC., a Delaware corporation, known to me to be the person and officer whose name is subscribed to the foregoing instrument and being by me first duly sworn acknowledged to me that he executed the same as the act and deed of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 28th day of May, 1987.

/s/ Susan T Edwards

NOTARY PUBLIC

SUSAN T EDWARDS, Notary Public
State of Ohio
My Commission Expires April 6 1989

AMENDMENT TO OFFICE LEASE

This Amendment to Office Lease made this 19th day of January, 1987, by and between Office City, Inc., Landlord and World Financial Network, Inc., Tenant,

WITNESSETH:

WHEREAS, the parties who entered into that certain Office Lease dated December 24, 1986, desire to correct inadvertent errors as to length of the term and number of options to renew,

NOW, THEREFORE, the parties amend the Office Lease effective December 24, 1986, as follows:

1. The typed portion of Section 3 is deleted and the following substituted therefor:

> The term of this Lease is four (4) years beginning on the 1st day of February, 1987, and ending on the last day of January, 1991, unless terminated earlier, as hereinafter provided, or extended, at the option of Tenant, for four 1-year renewal periods, as permitted by Section 9, infra.

2. The first sentence of Section 9 is deleted and the following substituted therefor:

> Landlord hereby grants Tenant four (4) options to extend the term of this Lease, each for one (1) year, the first of which, if exercised, shall commence at the end of the term of the Lease ("first option term") and the remaining three on each successive year thereafter.

Said Office Lease, as hereby amended, remains in full force and effect and is hereby ratified and confirmed by the parties.

In Witness Whereof, the parties have caused this Amendment to Office Lease to be executed in six (6) counterparts by their respective duly authorized officers as of the dates appearing in the acknowledgment clauses below.

Signed and Acknowledged in the Presence Of:	LANDLORD: OFFICE CITY, INC.
/s/ [ILLEGIBLE] ----------	By: /s/ F.S. Benson, Jr. ---------- F.S. Benson, Jr., President
/s/ [ILLEGIBLE] ----------	By: /s/ Harley C. Schofield ---------- Harley C. Schofield Assistant Secretary

TENANT:
World Financial Network, Inc.

/s/ [ILLEGIBLE]

By: /s/Jerald M. Dick

VICE PRESIDENT

/s/ [ILLEGIBLE]

LANDLORD'S ACKNOWLEDGMENT

STATE OF OHIO :
: SS:
COUNTY OF FRANKLIN :

BE IT REMEMBERED, that on this 16th day of January, 1987, before me, the subscriber, a Notary Public in and for the aforesaid county and state, personally appeared the above named Landlord, Office City, Inc., by F. S. Benson, Jr., its President and Harley C. Schofield, its Assistant Secretary, both of whom, as such officers, acknowledged to me that they signed the foregoing Lease, pursuant to authority conferred upon them by said corporation, and that the signing of said Lease was their free act and deed as such officers, for and as the free act and deed of said corporation for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the official seal of my office at Columbus in the State of Ohio on the day and year last above written.

/s/ Jeanette M. Heselden

Notary Public
JEANETTE M. Heselden
Notary Public State of Ohio
My commission expires 7-13-89

TENANT'S ACKNOWLEDGMENT

STATE OF OHIO :
: SS:
COUNTY OF FRANKLIN :

BE IT REMEMBERED, that on this _____ day of January, 1987, before me, the subscriber, a Notary Public in and for the aforesaid county and state, personally appeared the above named World Financial Network Inc., Tenant in the Foregoing Lease, by Jerald M. Dick its Vice President who as such officer, acknowledged to me that he signed the foregoing Lease pursuant to proper corporate authorization, and that the signing of said Lease was his free act and deed as such officers and for and as the free act and deed of said corporation, for the uses and purposes therein set forth.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the official seal of my office at Columbus in the State of Ohio on the day and year last above written.

/s/ Elizabeth G. Grim

Notary Public

ELIZABETH G. GRIM
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES DEC. 10, 1989

GUARANTOR'S CONSENT

The Limited, Inc., Guarantor of Tenant's obligations under the above Office Lease, hereby consents, this 19th day of January, 1987, to the above Amendment.

THE LIMITED, INC.

By: /s/ Jerald M. Dick

TABLE OF CONTENTS
STANDARD OFFICE LEASE

ARTICLE 1.00
BASIC LEASE TERMS

ARTICLE 2.00
RENT

ARTICLE 3.00
OCCUPANCY AND USE

ARTICLE 4.00
UTILITIES AND SERVICE

ARTICLE 5.00
REPAIRS AND MAINTENANCE

ARTICLE 6.00
ALTERATIONS AND IMPROVEMENTS

ARTICLE 7.00
CASUALTY AND INSURANCE

ARTICLE 1.00 BASIC LEASE TERMS

1.01 PARTIES. THIS LEASE AGREEMENT ("Lease") is entered into by and between the following Lessor and Lessee: CONTINENTAL ACQUISITIONS, INC., an Ohio corporation ("Lessor"), 35 North Fourth Street, Suite 100, Columbus, Ohio 43215-3602 and WORLD FINANCIAL NETWORK NATIONAL BANK (U.S.) ("Lessee"), 4590 East Broad Street, Columbus, Ohio 43213.

1.02 LEASED PREMISES. In consideration of the rents, terms, provisions and covenants of this Lease, Lessor hereby leases, lets and demises to Lessee the land depicted in the attached Exhibit A which is located north of Shrock Road in Westerville, Ohio together with a 100,800 (approximate sq. ft.) building (the "Building") and parking, landscaping and related improvements to be constructed on the land pursuant to the terms of this Lease (collectively, with the Building, the parking, landscaping and related improvements to the land which are to be made pursuant to the terms of this Lease are known as the "Improvements"). The land depicted in Exhibit A and the Improvements are hereinafter referred to as the "leased premises". As promptly as possible after the date hereof, Lessor shall cause a survey of the leased premises to be prepared of the leased premises and the legal description prepared pursuant to such survey shall be substituted as Exhibit A to this Lease.

1.03 TERM. Subject to and upon the conditions set forth herein, the term of this Lease shall commence on the "completion date", which Lessor shall use its best efforts to establish as January 26, 1991, and shall terminate One Hundred Twenty (120) months thereafter.

1.04. FIXED MINIMUM RENT. Fixed minimum rent is $54,936.00 per month for the first sixty (60) months, subject to adjustment as provided in the following paragraphs of this Section 1.04. Fixed minimum rent for months 61 through 120 shall be 110.7% of the fixed minimum rent for the first 60 months, as the same shall be adjusted pursuant to this Section 1.04.

Certain of Lessor's costs of construction which were factors in the determination of the foregoing fixed minimum rent amount for the first sixty (60) months were based on estimates of the amounts such items will cost or the amounts of the bids to be received by Lessor from subcontractors to perform such work. Such estimated items (the "Audit Items") and the estimated costs of such items (the "Audit Item Estimates") are listed on the attached Exhibit C. Lessor shall give Nate Tatum or any successor Director of Credit Operations of Lessee prompt notice (which may be by telephone) of the receipt by Lessor of bids to perform Audit Items which are subject to being bid (the "Audit Bid Items") and, as part of such notice, Lessor shall, give to Lessee a recommendation as to the bid to accept.

Items to notify Lessor of Lessee's preference as to the bid to accept. If the total amount of the accepted bids for Audit Bid Items plus the actual costs of other Audit Items shall be different (either less or more) than the sum of the Audit Item Estimates for the Audit Items as set forth in Exhibit C, the fixed monthly rent for the first sixty (60) months shall be adjusted by an amount equal to the product of (a) the net difference between the Audit Item Estimates for all Audit Items and the actual costs for all Audit Items, multiplied by (b) .00967. Upon request by Lessee, Lessor shall provide to Lessee reasonable documentation showing the actual costs to Lessor for any or all of the Audit Items. Lessee shall have the right to audit Lessor's books and records with respect to Audit items.

Attached hereto as Exhibit D is a list of certain additional items of construction that Lessee has requested that Lessor cause to be performed (the "Additional Items"). Lessor shall request bids for the performance of the Additional Items. Lessee shall have the same rights and responsibilities with respect to notice of and expression of preference as to bids for Additional Items as Lessee has with respect to Audit Bid Items. The fixed monthly rent for the first sixty (60) months of the lease shall be increased by the product of (a) the total of Lessor's actual costs for the Additional Items multiplied by (b) .01322.

In the event that any Change Orders are approved or requested by Lessee and the Net Change Order Cost is a positive number (as calculated pursuant to Section 6.06), the Net Change Order Cost shall be reflected in the fixed minimum rent as follows: monthly rent for the first sixty (60) months of the Lease shall be increased by an amount equal to the product of (a) the Net Change Order Cost multiplied by (b) .00967.

In the event that the Net Change Order Cost is a negative number, the Net Change Order Cost shall be reflected in the fixed minimum rent as follows: monthly rent for first sixty (60) months of the Lease shall be decreased by an amount equal to the product of (a) the Net Change Order Cost multiplied by (b) .00967.

If Lessee requests Lessor to make additional improvements after completion of the leased premises, Lessee shall pay the agreed cost of such requested improvements within thirty (30) days after receipt of an invoice therefor.

1.05 NOTIFICATION ADDRESSES. (See 13.08).

Lessor's Address:	Lessee's Address:
Continental Acquisitions, Inc. c/o Continental Real Estate Companies 35 North Fourth Street Suite 100 Columbus, Ohio 43215 Attention: Property Management	World Financial Network National Bank (U.S.) 4590 East Broad Street Columbus, Ohio 43213 Attention: William J. Salamy

1.06 PERMITTED USE. General office and uses incidental thereto including, without limitation, the operation of a cafeteria for Lessee's employees and use of the parking lot and building for the occasional entertainment of employees and guests.

ARTICLE 2.00 RENT

2.01 FIXED MINIMUM RENT. Lessee agrees to pay monthly as fixed minimum rent during the term of this Lease the amounts of money set forth in Section 1.04 of this Lease, which amounts shall be payable to Lessor at the address stated in Section 1.05 above. The first monthly installment of rent shall be due and payable on the date of execution of this Lease by Lessee, and a like monthly installment shall be due and payable on or before the first day of each calendar month succeeding the completion date during the term of this Lease; provided, if the completion date should be a date other than the first day of a calendar month, the monthly rental set forth above shall be prorated to the end of that calendar month, and the monthly rental payable on the first day of the month next succeeding the completion date shall be equal to such prorated amount. Lessee shall pay, as additional rent, all other sums due and payable under this Lease on the date set forth herein by which such payments are to be made.

2.02 OPERATING EXPENSES. Subject to the provisions of Sections 3.03, 5.01, 6.08, 7.02 and 8.02, Lessee shall be responsible for the maintenance of both the interior and exterior portions of the leased premises and shall pay the operating expenses associated therewith.

2.03 DEFINITION OF OPERATING EXPENSES. [Intentionally Omitted.]

2.04 LATE PAYMENT CHARGE. Other remedies for nonpayment of rent notwithstanding, if the monthly rental payment is not received by Lessor on or before the tenth (10th) day of the month for which the rent is due, or if any other payment due Lessor by Lessee is not received by Lessor on or before the tenth (10th) day following receipt of an invoice or accounting, a late payment charge of five percent (5%) of such past due amount shall become due and payable in addition to such amounts owed under this Lease.

2.05 INCREASE IN INSURANCE PREMIUMS. If an increase in any insurance premiums paid by Lessor for the Building is caused by Lessee's use of the leased premises in a manner other than as set forth in Section 1.06, or if Lessee vacates the leased premises and causes an increase in such premiums, then Lessee shall pay as additional rent the amount of such increase to Lessor.

2.06 SECURITY DEPOSITS. [Intentionally Omitted.]

2.07 HOLDING OVER. In the event that Lessee does not vacate the leased premises upon the expiration or termination of this Lease, Lessee shall be a tenant for month to month for the holdover period and all of the terms and provisions of this Lease shall be applicable during that period, except that, unless Lessee and Lessor shall be negotiating for a renewal or extension of this Lease, Lessee shall pay Lessor as fixed minimum rent for the period of such holdover an amount equal to 150% of the fixed minimum rent which would have been payable by Lessee had the holdover period been a part of the original term of this Lease, based on the fixed minimum rent payable for the period immediately prior to such expiration or termination. Lessee agrees to vacate and deliver the leased premises to Lessor upon Lessee's receipt of notice from Lessor to vacate and the expiration of any notice period required by law. The rental payable during the holdover period shall be payable to Lessor on demand. Except to the extent provided in the first sentence of this Section 2.07, no holding over by Lessee, without the consent of Lessor, shall operate to extend the term of this Lease. In addition to rental due during any holdover period, in the event Lessee fails to surrender the leased premises upon termination or expiration of this Lease, then Lessee shall indemnify Lessor against loss or liability resulting from any delay of Lessee in not surrendering the leased premises including, but not limited to, any amounts required to be paid to third parties who had or have a right to occupy the leased premises and were unable to occupy said premises and any attorneys' fees related thereto. Any fixed minimum rent paid by Lessee with respect to the holdover period pursuant to the provisions of this Section 2.07 in excess of the fixed minimum rent that would have been payable if determined in accordance with the rates in effect immediately prior to the termination or expiration of the Lease shall be credited against Lessee's indemnity obligation, if any.

2.08 TAXES AND ASSESSMENTS.

2.08.01 PAYMENT OF TAXES. Lessee shall pay, as the same become due and payable, all taxes and assessments levied or imposed upon the leased premises or any part thereof, during the entire term of this Lease (including any renewals) commencing upon the completion date. Lessor shall provide Lessee with a copy of all tax bills for the leased premises promptly upon Lessor's receipt thereof. Lessee shall provide Lessor within ten (10) days after the date for payment of such taxes and assessments, a receipt showing payment for such taxes and assessments, unless Lessee shall have protested the same in good faith and shall have provided for the payment thereof upon the determination of such protest. If the taxing authority shall commence formal proceedings to foreclose its lien on the leased premises or to otherwise collect the taxes and assessments with respect to the leased premises from Lessor, Lessee shall promptly cause such taxes and assessments to be paid, without

prejudice to Lessee's right to contest the amount of such taxes and assessments. Any penalties or interest accruing on such taxes which Lessee is obligated to pay hereunder shall also be paid by Lessee, unless Lessor shall have failed to provide Lessee with copies of the tax bill with respect to which the penalties or interest are due at least 10 days prior to the due date of such taxes, in which event all penalties and interest with respect to such installment shall be paid by Lessor.

2.08.02 EXCLUDED TAXES. Notwithstanding anything contained herein to the contrary, Lessee's obligation hereunder shall not include any assessment levied prior to the completion date, nor any special assessment levied in respect of public or quasi-public improvements necessary for the construction or operation of any property other than the leased premises, including without limitation, the installation of water or sewer mains or the construction, paving or widening of public streets or roads for the benefit of such other property. Nothing herein contained shall be construed to include as taxes and assessments levied or imposed upon the leased premises any inheritance, estate, succession, transfer, gift, franchise, corporation, income or net profit tax that is or may be imposed on Lessor. Taxes and assessments for the first year of the term and for the last year of the term (including, if applicable, the first option term or second option term), shall be prorated. If any assessment or charge is payable in installments, Lessee's obligation in respect thereof shall be determined as if Lessor had elected to pay the assessment in installments, and Lessee shall be responsible for only those installments or parts of installments which would be attributable to the term of this Lease (including the first or second option term, if exercised). Lessor shall cause the leased premises to become a separate tax parcel as soon as practicable after the date hereof and, in all events, prior to the completion date. If Lessor shall fail to cause the leased premises to become a separate tax parcel at the time Lessee's obligation to pay taxes shall commence hereunder, Lessee's obligation to pay such taxes shall be limited to the taxes based on the value of the Building, and a pro rata share of the taxes based on the value of the land in the tax parcel, which pro rata share shall be equal to the product of such taxes based on the value of the land in the tax parcel multiplied by a fraction, the numerator of which is the area in square feet of the leased premises and the denominator of which is the area in square feet of the entire tax parcel.

2.08.03 CONTESTS OF TAXES AND ASSESSMENTS. Lessee shall, at its expense, upon notice to Lessor, have the right to contest any and all such real estate taxes and assessments in its own name or in the name of and on behalf of Lessor. Lessor shall, on the request of Lessee, cooperate in such contest, except for the cost thereof. If the taxing authority shall commence formal proceedings to foreclose its lien on the leased premises or to otherwise collect the taxes and assessments with respect to the leased premises from Lessor, Lessee shall promptly cause such taxes and assessments to be paid, together with any penalties and interest thereon (subject to the provisions of Section 2.08.01) without prejudice to Lessee's right to contest the amount of such taxes and assessments.

2.08.04 FAILURE TO PAY TAXES. If Lessee fails to pay such taxes and assessments, Lessor may do so upon thirty (30) days prior written notice to Lessee (unless Lessee is contesting the amount thereof pursuant to Section 2.08.03) but shall not be obligated to do so, and such payment made by Lessor shall be due from Lessee at the time of and along with the monthly installment of rent for the month next succeeding the month in which such taxes are paid by Lessor, together with interest at the rate of fifteen percent (15%) per annum.

ARTICLE 3.00 OCCUPANCY AND USE

3.01 USE. Lessee agrees that the leased premises shall be used and occupied only for the purpose as set forth in Section 1.06. Lessee shall occupy the leased premises and conduct its business in a lawful manner and in a manner so as not to create a nuisance. Lessee shall neither permit any waste on the leased premises nor allow the leased premises to be used in any way which would be extra hazardous on account of fire or which would in any way render void the fire insurance on the Building.

3.02 SIGNS. No sign of any type or description shall be erected, placed, or painted on the exterior portions of the leased premises or project except those signs submitted to Lessor and approved by Lessor in writing.

3.03 COMPLIANCE WITH LAWS, RULES AND REGULATIONS. Lessee, at Lessee's sole cost and expense, shall comply with all laws, ordinances, orders, rules and regulations of state, federal, municipal or other agencies or bodies having jurisdiction over the use, condition or occupancy of the leased premises. Lessee will comply with the rules and regulations of the Building or project adopted by Lessor which are set forth and attached to this Lease. Notwithstanding anything contained in this Lease to the contrary, there shall be no obligation on the part of Lessee to comply with any of the laws, directions, rules or regulations referred to which may require structural alterations, structural changes, structural repairs, or structural additions; all of which required structural alterations, changes, repairs or additions shall be the obligation of Lessor unless made necessary by the negligence or default of Lessee, in which event, Lessee shall comply at its expense.

3.04 WARRANTY OF POSSESSION. Lessor warrants that it has the right and authority to execute this Lease, and Lessee, upon payment of the required rents and subject to the terms, conditions, covenants and agreements contained in this Lease, shall have quiet possession of the leased premises during the full term of this Lease as well as any extension or renewal thereof. Lessor shall not be responsible for the acts or omissions of any third party not claiming by or through Lessor that may interfere with Lessee's use and enjoyment of the leased premises.

3.05 INSPECTION. Upon reasonable advance notice to Lessee, Lessor or its authorized agents shall at any and all reasonable times have the right to enter the leased premises to inspect the same, to supply any service to be provided by Lessor, to show the leased premises to prospective purchasers or to show the leased premises to prospective lessees during the last year of the term of the Lease, and to repair the leased premises. Lessee hereby waives any claim for damages for injury or inconvenience to or interference with Lessee's business, any loss of occupancy or use of the leased premises, and any other loss occasioned thereby; provided that Lessor shall undertake reasonable efforts to minimize the disruption to Lessee's business as a result of such entry by Lessor and if Lessor shall cause physical damage to the leased premises or Lessee's personal property contained therein as a result of such entry, Lessor shall promptly repair or replace the same at its own cost and expense. Lessor shall not, have the right to retain a key to the building on the leased premises. Lessor shall have the right to use any and all means which Lessor may deem proper to enter the leased premises in an emergency without liability therefor. Lessee shall provide Lessor with a list of persons having keys to the Building and their home telephone numbers.

ARTICLE 4.00 UTILITIES AND SERVICE

4.01 UTILITIES. Lessee shall contract for and pay for all water, gas, electricity and other utilities services during the term of this Lease which are required by Lessee. Lessee shall pay all telephone charges for the leased premises. From and after the time

Lessee is permitted to occupy the leased premises for installation of its furniture, fixtures and equipment until Substantial Completion of the January 26 Improvements (as hereinafter defined), Lessor shall continue to pay all utility charges with respect to the leased premises, but within 10 days after receipt by Lessee of copies of paid bills for utility services during such period, Lessee shall reimburse Lessor for one-half of the cost of the utility services during such period. During the period, if any. after Substantial Completion of the January 26 Improvements and Substantial Completion of all Improvements, Lessor shall continue to pay all bills for utility services but within 10 days after receipt by Lessee of copies of paid bills for utility services during such period, Lessee shall reimburse Lessor for a portion of the costs for utility services during such period in an amount equal to the total utilities costs during such period multiplied by the Partial Completion Fraction (as hereinafter defined). Upon Substantial Completion of all Improvements, all utilities shall be transferred into Lessee's name and paid by Lessee.

4.02 THEFT OR BURGLARY. Lessor shall not be liable to Lessee for losses to Lessee's property or personal injury caused by criminal acts or entry by unauthorized persons into the leased premises or the Building.

4.03 JANITORIAL SERVICE. Lessee shall contract for and obtain janitorial services to the leased premises and public areas of the Building at Lessee's expense with such frequency as Lessee shall deem proper. Lessee shall keep the leased premises in clean and orderly condition in accordance with customary practices in Columbus, Ohio for similar office buildings.

4.04 EXCESS UTILITY CONSUMPTION. [Intentionally Omitted.]

4.05 WINDOW COVERINGS. Lessee shall be responsible for the purchase and installation of window coverings for the Building.

4.06 CHARGE FOR SERVICE. [Intentionally Omitted.]

ARTICLE 5.00

5.01 LESSOR REPAIRS. Except as provided in Section 5.02 hereof, Lessor shall keep the foundation, the structural soundness of the exterior walls, structural parts, beams and members, the floors, floor slabs and other structural components in good repair. Lessor shall make all repairs, interior and exterior, if caused by shifting or settling of the foundation, footings or floor slab (including replacements of all plate glass and other components of the Building damaged thereby). Lessor shall at its own cost and expense without chargeback to Lessee perform the maintenance and repair obligations set forth in this Section and in Section 6.08. Except as expressly provided in this Lease, Lessor shall not be liable to Lessee for any damage or inconvenience, and Lessee shall not be entitled to any abatement or reduction of rent by reason of repairs, alterations or additions made by Lessor under this Lease. Lessor shall, at its own cost and expense without chargeback to Lessee, repair or replace any damage or injury to all or any part of the leased premises caused by any act or omission of Lessor or Lessor's agents, employees, invitees, licensees or visitors. Lessor shall perform all maintenance and repair obligations which are its responsibility hereunder so as to minimize the disruption of and interference with Lessee's business. If Lessor shall enter the leased premises to perform repairs to the Building and the performance of such repairs would cause a material disruption such that Lessee cannot transact its business, Lessee may require Lessor to perform such repairs during the period from 10:00 p.m. to 6:00 a.m. and during such additional hours, if any, when Lessee shall not be conducting its business in the leased premises. If the repairs Lessor is to perform shall be lengthy in duration, Lessee shall undertake reasonable efforts, without being required to disrupt its business or make the conduct of the same materially more

inconvenient, to enable Lessor to perform all or more of such repairs during daytime hours. In the event Lessor shall fail to make repairs, maintenance or replacements required herein within 30 days after notice (except in an emergency in which case Lessor shall respond immediately upon notice), Lessee shall have the right, but not the obligation, to make said repairs, maintenance or replacements on behalf of Lessor, and to bill Lessor for the cost thereof, with such amount to be paid by Lessor to Lessee within 15 days of the date of Lessee's bill. If Lessor shall fail to reimburse Lessee for such costs within 15 days, interest shall thereafter accrue on the amounts billed at the rate of 15% per annum and Lessee, at its option, may withhold amounts equal to such costs and interest from payments of rent or other payments falling due under this Lease; provided, however, any notice given or required to be given Lessor under this Section 5.01 shall also be given to any mortgagee of the leased premises of whom Lessee has been notified, and Lessee shall have no right of offset until Lessee has satisfied all of the conditions set forth in the Lease to Lessee's right of offset and Lessee has given such notice to Lessor's mortgagee, Lessee agrees to give Lessor prompt written notice of the need for any repair, maintenance or replacement of which Lessee has actual knowledge. Notwithstanding any other notice provision in this Lease, notice for repairs, maintenance or replacements deemed by Lessee to be of an emergency nature can be made in any reasonable manner calculated to give Lessor actual notice.

5.02 LESSEE REPAIRS. Lessee shall, at its own cost and expense, repair or replace any damage or injury to all or any part of the leased premises caused by any act or omission of Lessee or Lessee's agents, employees, invitees, licensees or visitors and repair or replace damage or injury to any portion of the leased premises, including but not limited to the roof, interior walls and partitions, floor surfaces, interior doors and fixtures that Lessor is not responsible to repair or replace pursuant to Section 5.01 hereof. Lessee shall maintain the heating, ventilating and air conditioning system at its sole cost an expense. Lessee shall keep the parking lot, grounds and Interior portions of the leased premises in a clean and orderly condition and shall maintain the parking lot, grounds and interior, non-structural portions of the leased premises in good condition and repair. Lessee shall keep the parking lots clear of ice and snow in a manner Lessee deems prudent. Lessee shall cause all lawns to be mowed and all landscaping to be properly maintained. If Lessee fails to make such repairs or replacements or perform such maintenance, within 15 days after notice from Lessor, Lessor may, at its option,, make the repairs or replacements or perform the maintenance, and the reasonable cost of such repairs, replacements or maintenance shall be charged to Lessee as additional rent and shall become payable by Lessee with the payment of the rent next due hereunder together with interest at the rate of 15% per annum.

5.03 REQUEST FOR REPAIRS. Subject to Section 5.01, all requests for repairs or maintenance that are the responsibility of Lessor pursuant to any provision of this Lease must be made in writing to Lessor in accordance with Section 13.08 hereof.

5.04 LESSEE DAMAGES. Lessee shall not allow any damage to be committed on any portion of the leased premises or Building, and at the termination of this Lease, by lapse of time or otherwise, Lessee shall deliver the leased premises to Lessor in as good condition as existed at the commencement date of this Lease, ordinary wear and tear and damage by fire, casualty or condemnation excepted. The cost and expense of any repairs necessary to restore the condition of the leased premises shall be borne by Lessee.

ARTICLE 6.00 ALTERATIONS AND IMPROVEMENTS

6.01 CONSTRUCTION OF IMPROVEMENTS. Lessor shall design and construct the Improvements in accordance with the Project Summary, the Plans (as hereinafter defined) and this Lease.

6.02 DETAILED PLANS AND SPECIFICATIONS. Lessor shall use its best efforts to develop detailed plans and specifications (the "Plans") as soon as possible after the date hereof for construction of the improvements. The Plans shall be consistent with the summary of the construction to be performed by Lessor attached hereto as Exhibit B (the "Project Summary"), the final terms agreed to in meetings by Lessor and Lessee, all state, federal, county and municipal laws, rules, regulations, orders and judgments, (collectively the "Requirements of Law"), including, without limitation, all zoning and environmental requirements, and with all easements, restrictions or reservations affecting the leased premises. As a specific provisions with respect to the foregoing, as promptly as practicable after execution of this Lease by the parties hereto, Lessor and Lessee shall prepare and approve detailed plans and specifications for the construction of the parking lot. Upon completion of the Plans, the Plans shall be initialed by Lessor and Lessee and shall be attached to and become a part of this Lease as Exhibit E hereto, or identified in a written addendum which will be attached to and become part of this Lease as Exhibit E hereto.

6.03 APPROVAL OF PLANS. No plans, drawings or specifications shall be deemed to be part of the Plans until approved in writing by Lessee. On or before August 28, 1990, Lessor, shall submit complete dimensioned architectural, structural and mechanical drawings for construction of the Improvements. On or before August 28, 1990, Lessor will submit complete finishing plans for Lessor's Work in the interior of the Improvements. Lessee agrees to review each phase of the Plans within five (5) business days after receipt thereof. If Lessee disapproves of any aspect of the proposed Plans, Lessee shall advise Lessor of the reasons for such disapproval, and shall review any resubmitted Plans within three (3) business days after receipt thereof. All of the Plans shall be subject to the approval of Lessee. Lessor and Lessee mutually agree that they will exercise good faith judgment in matters involving the preparation and approval of Plans and Lessor and Lessee further agree that in the interest of maintaining the work schedule for the project, the Lessor may commence site work prior to final approval of Plans as provided for in this Section 6.03.

6.04 CONSTRUCTION OF IMPROVEMENTS; SUBSTANTIAL COMPLETION. Promptly upon Lessee's approval of the Plans, Lessor shall procure, at its own sole cost and expense, all necessary licenses, permits, approvals and authorizations required by any applicable Requirement of Law, and shall promptly and diligently construct the Improvements in good and workmanlike manner, using first class workmanship and new, first class materials. Lessor shall use its best efforts to achieve Substantial Completion of the Improvements on or before January 18, 1991. As used herein, "Substantial Completion" means the date when construction of the Improvements is sufficiently complete, in accordance with the Plans, so that Lessee can occupy or utilize the Improvements for use as its office and all service areas required for the operation of the leased premises for its intended use, including, without limitation, the cafeteria, computer room and restrooms, shall be fully operational and the CRT terminals, Haworth furniture and telephone system have been installed and are fully operational. Without limiting the generality of the foregoing, Substantial Completion shall not be deemed to have occurred until such time as a certificate of occupancy for the leased premises has been issued; the leased premises has passed all applicable fire and safety inspections; all ceilings and lighting are in and operative; the parking lot and all entrances to the leased premises have been constructed and paved in accordance with the Plans; all walls and partitions which are Lessor's responsibility have been erected, with doors installed, and have received final painting or wall covering excluding striping of the walls by Lessee; all carpeting and flooring have been installed; all heating, ventilation, air conditioning, plumbing and electrical systems have been installed and are in good working condition; debris caused by Lessor's contractors and utility companies other than the telephone company have been removed, the leased premises have been cleaned and are in broom-clean condition; and exclusive possession of the leased premises, free and clear of Lessor's contractors, prior tenants, occupants, leases or rights of occupancy is available for delivery to Lessee. From time to time during the preparation of a construction schedule for the leased premises and during the course

of construction, Lessor shall provide to Lessee a progress chart showing approximate target dates for completion of various aspects of the construction and whether such construction is expected to be completed by such target dates and shall further advise Lessee in writing no later than ten (10) days after each calendar month of all delays in construction during the calendar month which have been occasioned by conditions Lessor deems to be beyond its reasonable control and which delays would have the result of extending the time for completion of the Improvements. Notwithstanding anything to the contrary provided in Section 13.02 of this Lease, the commencement of the Penalty Period shall not be extended for any delays caused by an act of God or force majeure to the extent that such delays shall be "made up" later in the same or any subsequent construction phase. For example, if construction shall be delayed two days during one phase of construction due to force majeure, but a subsequent phase of construction shall be completed such that completion of the project is only one day behind schedule, the commencement of the Penalty Period shall be extended by only one day.

6.05 LESSEE'S ARCHITECT AND CORRECTION OF WORK. Lessee shall have the right, at its own expense, to hire an architect ("Lessee's Architect") for the purpose of reviewing the Plans, monitoring progress of the construction of the Improvements, or both. Lessor shall give Lessee's Architect access to the leased premises at all times that work on the Improvements is in progress, and at all other reasonable times, for the purpose of monitoring the progress of construction and the compliance of the construction with the Plans.

6.05.01 Subject to the limitations on Lessor's obligation to repair defects in the leased premises as provided in Sections 5.01 and 6.08, Lessor shall promptly correct all work which is defective or fails to conform to the Plans whether observed before or after Substantial Completion and whether or not fabricated, installed or completed. Lessor shall bear all costs of correcting such defective work.

6.05.02 Lessor shall bear the cost of repairing all work of Lessee or separate contractors destroyed or damaged by the performance of Lessor's obligations to correct its work as provided in this Section 6.05.

6.06 CHANGE ORDERS. A "Change Order" is a written order to Lessor signed by Lessee issued after acceptance of the Plans, authorizing a change in the Plans, the Project Summary or the work. The net aggregate increase or decrease in the cost of constructing the Improvements which results from all Change Orders is the "Net Change Order Cost," which shall be a positive number in the event the Change Orders result in a net increase in the cost of constructing the Improvements, or a negative number if the Change Orders result in a net decrease. A Change Order signed by Lessor indicates his agreement therewith, including the adjustment in the Net Change Order Cost. Lessor shall be under no obligation to approve any Change Order requested by Lessee (a) if the aggregate of all Net Change Order Costs after giving effect to such Change Order would result in a net increase of $300,000 or more, or (b) unless Lessee agrees to modify this Lease to reflect any extended date for Substantial Completion of the Improvements which Lessor reasonably determines will be required as a result of the proposed changes. Lessee may order changes in the work within the general scope of the Plans consisting of additions, deletions or other revisions, the Net Change Order Cost being adjusted accordingly. All such changes in the work shall be authorized by Change Order, and shall be performed under the applicable conditions of the Plans.

6.07 ENTRY PRIOR TO THE COMPLETION DATE. At such time as construction of the Improvements has progressed to such point that installation of Lessee's telephone system, fixtures or equipment can be accomplished without unreasonably interfering with the progress of construction, Lessor shall so notify Lessee, and Lessee shall thereupon have the right from time to time to enter upon the leased

premises for the purpose of making such installations. At such time as Lessee shall begin to place its personal property in the leased premises, Lessee shall have the right to cause security personnel to be stationed on the leased premises at Lessee's cost and expense for the purpose of preventing loss of or damage to Lessee's property. If Lessee shall desire to install or place additional personal property on the leased premises prior to the completion date, Lessor may require the execution and delivery of a reasonable hold harmless letter or agreement by Lessee as a condition to placing such items on the leased premises. Any such entry shall be subject to all of the terms and conditions of this Lease, except that no rent or other charges (except as otherwise provided in Section 4.01) shall be payable in respect to any time prior to the Completion Date unless Lessee begins to operate its business in which event rent shall be payable on a pro rata per diem basis to the Completion Date. Each party shall use reasonable efforts, and shall cause its contractors to use reasonable efforts, to coordinate the respective work being done by them without interfering with work being done by the other.

6.08 LESSOR'S CONSTRUCTION WARRANTIES.

6.08.01 Lessor warrants and represents that the Improvements, when completed, shall comply with the Plans and all applicable Requirements of Law. If within one year after the date of Substantial Completion, any of the work performed by Lessor pursuant to this Article 6.00 is found to be defective or not in accordance with the Plans, or otherwise not in compliance with other documents referred to in the preceding sentence, the Lessor shall correct it after receipt of written notice from Lessee to do so. Lessee shall give notice of non-complying or defective work within a reasonable time after discovery of the condition. With respect to Building components, other than the roof, for which manufacturers', materialmens' and contractors' warranties shall be issued, Lessor shall assign such warranties to the Lessee promptly upon expiration of Lessor's one-year construction warranty period. Lessor shall obtain a ten-year warranty for the roof which shall be issued in the names of Lessor and Lessee. Lessor shall cause a factory-certified installer to install the roof and shall permit a factory representative to supervise the installation of the roof. Lessor shall use its best efforts to secure manufacturers warranties for Building components so that they may be assignable to Lessee.

6.08.02 Nothing contained in this Section 6.08 shall be construed to establish a period of limitation with respect to any other obligation which Lessor might have under the Plans or this Lease, including Sections 6.08.03 and 7.06 hereof. The establishment of the time period of one year after the date of Substantial Completion relates only to the specific obligation of Lessor to correct the work, and has no relationship to the time within which its obligation to comply with other provisions of this Lease may be sought to be enforced, nor to the time within which proceedings may be commenced to establish Lessor's liability with respect to its obligations other than specifically to correct the work.

6.08.03. In addition to Lessor's repair obligations set forth in Section 5.01 or elsewhere in this Lease, Lessor shall be responsible for and repair and replace, at its sole cost and expense, all latent defects in Lessor's construction of the Improvements which shall be discovered during the two-year period after Substantial Completion of the Improvements. Lessee shall give notice of latent defects within a reasonable time after discovery of the same. If Lessee shall discover a latent defect in Lessor's construction of the improvements during such two-year period in the course of a repair of the leased premises by Lessee, Lessee shall give Lessor a reasonable opportunity to inspect such defect and Lessee shall then be entitled to complete such repair and require reimbursement of the costs thereof from Lessor pursuant to Section 5.01 of this Lease.

6.09 COMPLETION OF IMPROVEMENTS.

6.09.01 If Lessor shall determine during the course of construction that it may not be able to accomplish Substantial Completion of all Improvements in accordance with the Plans on or

before January 26, 1991, Lessor shall give prompt notice of such determination to Lessee. Lessor shall thereafter undertake to achieve Substantial Completion on or before January 26, 1991 of all interior Improvements in the area depicted in Exhibit F and marked by crosshatching, all exterior Improvements and all other Improvements designated by Lessee (the "January 26 Improvements"). If Lessor shall accomplish Substantial Completion of the January 26 Improvements by January 26, 1991, Lessee shall accept delivery of the January 26 Improvements and Lessee's obligation to pay fixed minimum rent and additional rent shall commence on January 26, 1991; provided that the proportion of fixed minimum rent, taxes and insurance that Lessee shall be obligated to pay for January 1991 and thereafter until all Improvements are substantially completed shall be equal to the product of the full amounts of such rent, taxes and insurance that would have been payable by Tenant if all Improvements had been substantially completed on January 26 multiplied by a fraction (the "Partial Completion Fraction"), the numerator of which is the area, in square feet, of the floor space of the interior January 26 Improvements and the denominator of which is the area, in square feet, of the total floor space within the Building. Lessor shall use its best efforts to cause the remaining Improvements to be completed by February 9, 1991. After January 26, 1991, Lessor shall cause the uncompleted portion of the Building to be barricaded off from the January 26 Improvements when appropriate, and Lessor shall undertake reasonable efforts to minimize disruption of Lessee's business as a result of Lessor's completion of the balance of the Improvements.

6.09.02 Subject to the provisions of Section 13.02, if Substantial Completion of the Improvements has not occurred on or before xxxxxxxxxxxxxxxxxxxxxx or such other date as may be mutually agreed upon between Lessor and Lessee, then for the period following the Outside Date until Substantial Completion (the "Penalty Period"), a penalty (the "Penalty") equal to the product of the number of days in the Penalty Period times $1667 (the "Per Diem Penalty") shall accrue. If the January 26 Improvements shall have been substantially completed on or before January 26, 1991, but the remaining Improvements shall not have been completed by the Outside Date, the per diem penalty shall be equal to the product of the Per Diem Penalty multiplied by the difference between one and the Partial Completion Fraction. Lessee shall recover the Penalty by offsetting the amount of such Penalty against Lessee's obligations to pay fixed minimum rent and additional rent as provided herein until such time as the amount offset by Lessee shall equal the amount of the Penalty. Should Substantial Completion not occur prior to XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX, Lessee shall have the right to notify Lessor and Lessor's construction lender that Lessee has elected to complete the construction of the Improvement itself by giving thirty (30) days advance notice of such election to Lessor and the construction lender, and the right to give such notice (the "Takeover Notice") shall extend until June 9, 1991. Promptly upon the expiration of the 30-day notice period (if Lessor has not caused Substantial Completion to occur during such period and Lessor's construction lender has not exercised its right, if any, to complete construction of the Improvements and commenced the completion of the Improvements), Lessor and Lessor's affiliates shall assign to Lessee all rights of Lessor or Lessor's affiliates in and to all contracts which are designated by Lessee for the construction of the Improvements or for supplying materials for the Improvements. Lessor shall cause all such contracts to be in a form so that they are assignable by Lessor to Lessee and so that Lessee shall not have any liability to the other parties to such contracts except with respect to services provided or materials delivered after the assignment of the contracts to Lessee. Upon the effectiveness of the Takeover Notice, Lessee shall have the right to go upon the leased premises to complete the construction of the Improvements in accordance with the Plans and such Change Orders as have been previously approved by Lessee. If Lessee shall complete the construction of the Improvements pursuant to this Section 6.09.02, Lessor, Lessor's successors and the architects of Lessor and Lessor's successors

shall have the same right of inspection as is given to Lessee in Section 6.05, and Lessee shall promptly and diligently complete the construction of the Improvements in a good and workmanlike manner and in compliance with all Requirements of Law, using first class workmanship and new, first class materials. Notwithstanding anything to the contrary provided in Sections 5.01 and 6.08, Lessor shall not be responsible for the repair of any Improvements and shall not be deemed to have made any warranties with respect to the Improvements if Lessee shall complete the construction of the Improvements, except that Lessor shall be responsible for the repair of Improvements, to the extent provided in Section 5.01, and shall be deemed to have made the warranties set forth in Section 6.08 with respect to any and all discrete portions of the Improvements which were completed by Lessor. Lessor shall cause Lessee to be a party to the construction loan agreement with Lessor's construction lender, which loan agreement shall recognize and provide for the foregoing rights of Lessee and shall provide for the payment of all remaining, unpaid construction draws to Lessee after Lessee shall have taken over construction of the Improvements, subject to the same draw requirements as were applicable to Lessor. If the remaining construction draws shall be insufficient to pay Lessee's actual, reasonable costs of completion of the Improvements, the excess of the costs over the remaining loan draws (plus an imputed interest factor on such unpaid excess costs at the rate of interest Lessor is required to pay on its construction loan) shall be recoverable by offsetting such amounts against Lessee's obligations to pay fixed minimum rent and additional rent as provided herein until such time as the amount offset by Lessee shall equal the amount of such excess costs plus interest at the foregoing rate. The foregoing right of offset for excess costs shall be in addition to the right of offset to recover the Penalty, and the offset for excess costs shall occur before the offset for the Penalty shall commence. If Lessee shall have completed the construction of the Improvements, Lessee's obligation to pay rent shall be deemed to have commenced on the earliest of (a) the date of the issuance of a certificate of occupancy for the leased premises, (b) the date Lessee shall have commenced the operation of its business in the leased premises, or (c) the date Lessee should have been able to commence the operation of its business in the leased premises if the completion of the construction of the Improvements by Lessee had been prosecuted with due diligence, subject, however, to force majeure.

6.10 LESSEE IMPROVEMENTS. Lessee shall not make or allow to be made any alterations or physical additions in or to the leased premises without first obtaining the written consent of Lessor, which shall not be unreasonably withheld, provided that Lessee shall be permitted to make non-structural site alterations or additions to the interior of the Building which in each instance cost less than $100,000 without the prior written consent of Lessor and further provided that Lessee shall be permitted to construct a generator room at the rear of the Building so long as the same is not visible from Schrock Road and to construct a microwave tower on the leased premises without the prior written consent of Lessor. Lessee shall provide Lessor with copies of all plans and specifications for Lessee's improvements. Lessee warrants and represents that all of Lessee's improvements shall be in compliance with all laws, ordinances, orders, rules and regulations of state, federal, municipal or other agencies or bodies having jurisdiction over the use, condition or occupancy of the leased premises. Lessee shall cause all of its improvements to be modified to comply with all such laws promptly upon receipt of notice that such improvements are not in compliance. Any alterations, physical additions or improvements to the leased premises made by Lessee shall at once become the property of Lessor and shall be surrendered to Lessor upon the termination of this Lease; provided, however, Lessor, at its option, may require Lessee to remove any physical additions and/or repair any alterations in order to restore the leased premises to the condition existing at the time Lessee took possession, all costs of removal and/or alterations to be borne by Lessee. This clause shall not apply to moveable equipment at the end of the term of this Lease.

ARTICLE 7.00 CASUALTY AND INSURANCE

7.01 SUBSTANTIAL DESTRUCTION. If the leased premises should be totally destroyed by fire or other casualty, or if the leased premises should be damaged so that rebuilding cannot reasonably be completed within 150 days after the date of written notification by Lessee to Lessor of the destruction, this Lease may be terminated by either party hereto by written notice to the other party given within thirty (30) days after such fire or casualty; provided, however, that if it shall be Lessor who elects to terminate the Lease, Lessee may prevent the Lease from being terminated if Lessee shall deliver to Lessor within fifteen (15) days of receipt by Lessee of Lessor's notice of termination a written waiver and release of Lessee's right, if any, to cancel the Lease as provided in Section 15.04 for all or a part of the period in which such right is available to Lessee and, if necessary, a written exercise of one of renewal options set forth in Section 15.01 so that the minimum remaining term of this Lease after giving effect to such notice from Lessee shall be at least five full years. Lessee shall not have the right to prevent the termination of the Lease by Lessor if Lessee shall have previously given notice of its election to cancel the Lease pursuant to Section 15.04 or if Lessee shall have failed to exercise its option to renew the Lease by the dates specified in Section 15.01.

7.02 PARTIAL DESTRUCTION. If the leased premises should be partially damaged by fire or other casualty, and rebuilding or repairs can reasonably be completed within 60 days from the date of written notification by Lessee to Lessor of the destruction, this Lease shall not terminate. If the leased premises should be partially damaged by fire or other casualty, and rebuilding or repairs can reasonably be completed within less than 150 but more than 60 days from the date of written notification by Lessee to Lessor of the destruction, this Lease shall not terminate unless the damage or destruction shall occur during the fourth through tenth years of this Lease, the 14th or 15th years of this Lease or the 19th or 20th years of this Lease, in which event Lessor may terminate this Lease by giving written notice to Lessee within thirty (30) days after such fire or casualty of Lessor's election to terminate the Lease. If Lessor shall give such a notice of termination, Lessee shall have the same right to prevent a termination of the Lease as is provided above in Section 7.01. If the Lease shall not be terminated pursuant to Section 7.01 or 7.02, Lessor shall at its sole risk and expense proceed with reasonable diligence to rebuild or repair the Building or other Improvements to substantially the same condition in which they existed prior to the damage. If the leased premises are to be rebuilt or repaired and are untenantable in whole or in part following the damage, the rent payable under this Lease during the period for which the leased premises are untenantable shall be adjusted to such an extent as may be fair and reasonable under the circumstances. In the event that Lessor fails to complete the necessary repairs or rebuilding within a reasonable period of time under the circumstances after the date of written notification by Lessee to Lessor of the destruction, Lessee may at its option terminate this Lease by delivering written notice of termination to Lessor, whereupon all rights and obligations under this Lease shall cease to exist. If this Lease shall be terminated pursuant to Section 7.01 or 7.02, the rent shall be abated for the unexpired portion of the Lease, effective as of the date of the written notification of termination is given by one party to the other.

7.03 PROPERTY AND LIABILITY INSURANCE. Commencing not later than the date of Substantial Completion of the Improvements, Lessee shall at all times during the term of this Lease maintain a policy or policies of insurance with the premiums paid in advance for fire, lightning, windstorm, hail, explosion, and extended coverage insurance with the so-called "All Risk" endorsement, issued by and binding upon some Responsible Insurance Carrier, insuring the Building against all risk of direct physical loss for the full replacement cost of the Building structure and its improvements and service equipment as of the date of the loss (other than excavation

and foundation costs), with such deductibles as Lessee and its affiliates carry in the course of their businesses. Lessor shall be named as an additional insured as its interests may appear with respect to all such property insurance policies maintained by Lessee with respect to the Building and Improvements and the holder of any mortgage of whom Lessee has received notice as hereinafter provided shall also be named as an additional insured pursuant to a standard mortgagee clause or endorsement. Lessee may self-insure for loss of, or damage to, Lessee's personal property (including, but not limited to, any furniture, machinery, goods or supplies) upon or within the leased premises and any trade fixtures installed or paid for by Lessee upon or within the leased premises. Commencing not later than the date of Substantial Completion of the Improvements, Lessee shall procure and keep in effect during the term hereof with a Responsible Insurance Carrier public liability and property damage insurance protecting Lessor and Lessee from all causes, including their own negligence, having minimum limits of liability of One Million and 00/100 Dollars ($1,000,000.00) for damages resulting to one person, Two Million and 00/100 Dollars ($2,000,000.00) for damages resulting from one casualty, and Five Hundred Thousand and 00/100 Dollars ($500,000.00) for property damage resulting from any one occurrence, with such deductibles as Lessee and its affiliates customarily carry in the course of their business. Except as provided in Section 7.06, Lessee shall be responsible for and pay to Lessor or such other person as Lessor shall direct the amounts of any loss or damage within the deductibles carried by Lessee with respect to any insurance required to be carried by Lessee under this Section 7.03. Certificates evidencing all policies to be carried hereunder by Lessee shall be delivered to Lessor and to the holder of any mortgage affecting the leased premises on or before the date of Substantial Completion of the Improvements, provided that Lessee shall have received reasonable prior written notice of such mortgagee's name and address. At least ten (10) days prior to the expiration date of any policy, certificates evidencing the renewal or replacement policy for such insurance shall be delivered by Lessee to Lessor and such mortgagee. All such policies shall contain agreements by the insurers that (i) any loss properly payable to Lessor and to the holder of any mortgage to whom a loss may be payable shall be payable notwithstanding any act or negligence of Lessee which might otherwise result in forfeiture of said insurance, and (ii) such policies shall not be cancelled or modified except upon ten (10) days' prior written notice to each named insured and loss payee. In the event Lessee shall fail to procure any insurance required by this Section 7.03 and after ten (10) days' written notice to Lessee of such failure, Lessor may, at its option, procure the same for the account of Lessee, and the cost thereof shall be paid to Lessor as additional rent upon receipt by Lessee of bills therefor. "Responsible Insurance Carrier" means an insurance company licensed to and authorized to do business in the State of Ohio and rated in Best's Insurance Guide or any successor thereto (or if there be none, an organization having a national reputation) as having a general policyholder rating of at least "A, Class X". Notwithstanding anything to the contrary hereinabove contained, Lessee, at its option, may include any of the insurance coverage hereinabove set forth in a general or blanket policy of insurance provided that any such general or blanket policy shall provide, or the insurer thereunder shall furnish Lessor with written assurance, that the policy limits required hereunder are satisfied by such policy and that such coverage and limits will be not less than that which would be provided under separate policies even if there is a total loss of all properties covered by the blanket policy.

7.04 WAIVER OF SUBROGATION. Anything in this lease to the contrary notwithstanding, Lessor and Lessee hereby waive and release each other of and from any and all right of recovery, claim, action or cause of action, against each other, their agents, officers and employees, for any loss or damage which is covered by insurance provided for hereunder, is required to be covered by insurance under the provisions of Section 7.03 or is otherwise carried by such party, regardless of cause or origin, including negligence of Lessor or Lessee and their agents, officers and employees. Lessor and

Lessee agree immediately to give their respective insurance companies which have issued policies of insurance with respect to the leased premises, written notice of the terms of the mutual waivers contained in this section, and to have the insurance policies properly endorsed to reflect the waiver of such rights of subrogation against Lessor and Lessee by the insurer.

7.05 INSURANCE INDEMNIFICATION. Except with respect to events described in Section 7.06, Lessee shall indemnify, defend and hold Lessor harmless from and against any and all expenses, liabilities, obligations, damages, penalties, claims, accidents, costs and expenses, including reasonable attorneys' fees, paid, suffered or incurred for death or damage or injury to persons or property in, on or about the leased premises from any cause whatsoever.

7.06 LESSOR TO HOLD HARMLESS.

7.06.01. CONSTRUCTION. Lessor will indemnify Lessee and save it harmless from and against any and all expenses, liabilities, obligations, damages, penalties, claims, accidents, costs and

expenses, including reasonable attorneys' fees, paid, suffered or incurred for death or damage or injury to persons or property in whole or in part out of the design or construction of the Improvements by Lessor or Lessor's agents, contractors or employees.

7.06.02. BREACH OF LEASE. Lessor will indemnify Lessee and save it harmless from and against any and all expenses, liabilities, obligations, damages, penalties, claims, accidents, costs and expenses, including reasonable attorneys' fees, paid, suffered or incurred for death or damage or injury to persons or property in whole or in part as a result of any breach by Lessor, Lessor's agents, independent contractors, servants, employees or licensees of any covenant or condition of this Lease, including without limitation the obligation of Lessor to repair the structural portions of the leased premises as provided in Section 5.01 or as the result of the carelessness, negligence or improper conduct of Lessor, Lessor's agent, servants and employees, or as a result of the breach by Lessor of any warranty contained in this Lease.

7.06.03. DEFENSE OF ACTION. In case any action or proceeding is brought against Lessee by reason of any claim against which Lessor is to indemnify Lessee pursuant to Section 7.06.01 or 7.06.02, Lessor, upon written notice from Lessee, will, at Lessor's expense, resist or defend such action or proceeding.

ARTICLE 8.00 CONDEMNATION

8.01 SUBSTANTIAL TAKING. If all or a substantial part of the leased premises are taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain or by purchase in lieu thereof, and the taking would prevent or materially interfere with the use of the leased premises for the purpose for which it is being used or if the total parking spaces on the leased premises shall be less than 675 because of one or more takings, this Lease shall terminate and the rent shall be abated during the unexpired portion of this Lease effective on the date physical possession is taken by the condemning authority; provided that if a portion of the parking lot shall be taken and the Lease would otherwise terminate pursuant to the foregoing provisions, Lessor shall have a period of 45 days after such taking to reconfigure the parking lot or to provide additional parking to Lessee adjacent to or abutting the leased premises, without any public roadways intervening between the parcels, so that the total parking spaces exclusively available to Lessee shall exceed 675. No reconfiguration of the parking lot shall materially impede access to the streets serving the leased premises or access to the Building. The parking lot as reconfigured shall be in compliance with all applicable laws and regulations, including zoning codes. Lessee shall have no claim to the condemnation award, except that Lessor shall be required to pay to Lessee out of the proceeds of Lessor's award received as a result of such taking Lessee's unamortized cost of leasehold improvements, such amortization to be on a straight-line basis over the scheduled original term of this Lease; provided that if the award to Lessor for all improvements on the leased premises shall be less than the combined cost of Lessor's and Lessee's improvements (the "Total Cost"), Lessee's share of the award for the improvements on the leased premises shall be equal to the product of the total award for improvements to the leased premises multiplied by a fraction, the numerator of which is Lessee's unamortized cost of leasehold improvements and the denominator of which is the Total Cost. Lessor shall undertake reasonable efforts to cause the condemning authority to separately value Lessee's Improvements. In addition, Lessee may make any other claim permitted under Ohio law against the condemning authority, as long as any award to Lessee shall in no way reduce the award to Lessor.

8.02 PARTIAL TAKING. If a portion of the leased premises shall be taken for any public or quasi-public use under any governmental law, ordinance or regulation, or by right of eminent domain or by purchase in lieu thereof, and this Lease is not terminated as

provided in Section 8.01 above, Lessor shall at Lessor's sole risk and expense, restore and reconstruct the Building and other improvements on the leased premises to the extent necessary to make it reasonably tenantable. The rent payable under this Lease during the unexpired portion of the term shall be adjusted to such an extent as may be fair and reasonable under the circumstances. Except to the extent provided in Section 8.01 for a taking of Lessee's improvements, Lessee shall have no claim to the condemnation award; however, Lessee may make any other claim permitted under Ohio law against the condemning authority, as long as any award to Lessee shall in no way reduce the award to Lessor.

ARTICLE 9.00 ASSIGNMENT OR SUBLEASE

9.01 LESSOR ASSIGNMENT. Lessor shall have the right to sell, transfer or assign, in whole or in part, its rights and obligations under this Lease and in the Building. Any such sale, transfer or assignment shall operate to release Lessor from any and all liabilities under this Lease arising after the date of such sale, assignment or transfer.

9.02 LESSEE ASSIGNMENT.

9.02.01 Lessee shall not assign this Lease, or allow it to be assigned by operation of law or otherwise (including without limitation by transfer of a majority interest of stock, merger, or dissolution, which transfer of majority interest of stock, merger or dissolution shall be deemed an assignment) or mortgage or pledge the same, or sublet the leased premises, in whole or in part, without the prior written consent of Lessor. No assignee or sublessee of the leased premises or any portion thereof may assign or sublet the leased premises or any portion thereof. Notwithstanding anything contained in this Lease to the contrary, (i) Landlord shall not unreasonably withhold its consent to any assignment of this Lease or subletting of the entire leased premises, and (ii) Tenant may assign this Lease or sublet the leased premises, without Landlord's prior written consent, when such assignment or subletting is to a parent, subsidiary or other affiliate, or is in connection with a merger or consolidation or the sale of substantially all of the assets of Tenant to another corporation. In no event shall any assignment of this Lease or sublease of all or any portion of the leased premises ever release Lessee or any guarantor of this Lease from any obligation or liability hereunder.

9.02.02 Notwithstanding anything herein to the contrary, the transfer, assignment or hypothecation of any stock or interest of Tenant shall not be deemed an assignment or transfer of this Lease or Tenant's interest in and to the leased premises within the meaning and provisions of this Section 9.02 so long as the common stock of either Tenant or Tenant's parent is traded in the over-the-counter market or is listed on a national stock exchange.

9.03 CONDITIONS OF ASSIGNMENT.

9.03.01 If Lessee desires to assign or sublet all or any part of the leased premises and Lessor's consent to such assignment shall be required pursuant to Section 9.02, Lessee shall so notify Lessor at least 15 days in advance of the date on which Lessee desires to make such assignment or sublease. Such written notice shall be accompanied by a copy of the proposed assignment or sublease and such information as Lessor might request concerning the proposed sublessee or assignee to allow Lessor to make informed judgments as to the financial condition, reputation, operations and general desirability of the proposed sublessee or assignee. Following receipt of such notice and additional information as Lessor may request, Lessor at its option may:

(A) consent to the proposed assignment or sublease; or

(B) refuse, after a review of the appropriate documentation, to consent to the proposed assignment or sublease.

9.03.02 Lessor shall be deemed to have consented to the proposed assignment or sublease unless Lessor gives Lessee written notice providing otherwise within fifteen (15) days after Lessor's receipt of Lessee's notice of the proposed assignment or sublease.

9.03.03 Upon the occurrence of an event of default, if all or any part of the leased premises are then assigned or sublet, Lessor, in addition to any other remedies provided by this Lease or provided by law, may, at its option, collect directly from the assignee or sublessee all rents becoming due to Lessee by reason of the assignment or sublease. Any collection directly by Lessor from the assignee or sublessee shall not be construed to constitute a novation or a release of Lessee or any guarantor from the further performance of its obligations under this Lease.

9.04 RIGHTS OF MORTGAGEE. Lessee accepts this Lease subject and subordinate to any recorded mortgage lien presently existing or hereafter created upon the Building or project and to all existing recorded restrictions, covenants, easements and agreements with respect to the Building or project; provided that, as a condition to Lessee's obligations under this Lease, Lessee and the holder of any mortgage lien which shall be placed on the leased premises prior to Substantial Completion of the Improvements shall enter into a subordination, non-disturbance and attornment agreement on terms mutually satisfactory within 15 days of the date of the execution of the mortgage by Lessor, which agreement shall provide, INTER ALIA, that the mortgagee shall not disturb the tenancy of Lessee, so long as Lessee is not in default of its obligations under this Lease beyond any applicable notice and cure periods, and that any undisbursed construction loan proceeds shall be made available for the purposes set forth in Section 6.09 of this Lease (subject to Lessor's reasonable requirements). Lessor shall use its best efforts to cause any such mortgagee to agree that insurance proceeds and condemnation awards shall be used for the repair and restoration of the leased premises when so provided in Sections 7.02 and 8.02 of this Lease. Lessee agrees to subordinate Lessee's interest under this Lease to any mortgage lien placed on the leased premises after Substantial Completion of the Improvements, provided that as a condition to such subordination Lessee and such mortgagee shall enter into a mutually satisfactory non-disturbance, subordination and attornment agreement which shall include a covenant by the mortgagee not to disturb the tenancy of Lessee, so long as Lessee is not in default of its obligations under this Lease beyond any applicable notice and cure periods. Lessor shall use its best efforts to cause any such mortgagee to agree that insurance proceeds and condemnation awards shall be used for the repair and restoration of the leased premises when so provided in Sections 7.02 and 8.02 of this Lease. If the interests of Lessor under this Lease shall be transferred by reason of foreclosure or other proceedings for enforcement of any first mortgage on the leased premises, Lessee shall be bound to the transferee (sometimes called the "Purchaser"), under the terms, covenants and conditions of this Lease for the balance of the term remaining, including any extensions or renewals, with the same force and effect as if the Purchaser were Lessor under this Lease, and Lessee agrees to attorn to the Purchaser, including the first mortgagee under any such mortgage if it be the Purchaser, as its Lessor.

9.05 ESTOPPEL CERTIFICATES. Lessee agrees to furnish, from time to time but in no more frequent intervals than twice in any 12 month period, within ten (10) days after receipt of a request from Lessor or Lessor's mortgagee, a statement certifying, if accurate, the following: Lessee is in possession of the leased premises; the leased premises are acceptable; the Lease is in full force and effect; the Lease is unmodified; Lessee claims no present charge, lien, or claim of offset against rent; the rent is paid for the current month, but is not prepaid for more than one month and will not be prepaid for more than one month in advance; there is no existing default by reason of some act or omission by Lessor; and such other matters as may be reasonably required by Lessor or Lessor's mortgagee.

ARTICLE 10.00 DEFAULT AND REMEDIES

10.01 DEFAULT BY LESSEE. The following shall be deemed to be events of default by Lessee under this Lease:

(A) Lessee shall fail to pay any installment of rent or any other payment required pursuant to this Lease within three days after receipt of written notice of the nonpayment thereof from Lessor;

(B) Lessee shall fail to comply with any term, provision or covenant of this Lease, other than the payment of rent, and the failure is not cured within 30 days after written notice to Lessee, or within a reasonable time thereafter if the default is of such a nature that it cannot be cured within such 30-day period, and Lessee does not thereafter complete the same with reasonable diligence;

(C) Lessee shall file a petition or be adjudged bankrupt or insolvent under any applicable federal or state bankruptcy or insolvency law or admit that it cannot meet its financial obligations as they become due; or a receiver or trustee shall be appointed for all or substantially all of the assets of the Lessee; or Lessee shall make a transfer in fraud of creditors or shall make an assignment for the benefit of creditors; or

(D) Lessee shall do or permit to be done any act which results in a lien being filed against the leased premises or the Building and/or project of which the leased premises are a part and Lessee shall fail to cause such lien to be bonded off or released of record within 30 days after receipt of notice from Lessor of the filing of the claim of such lien.

10.02 REMEDIES FOR LESSEE'S DEFAULT. Upon the occurrence of any event of default set forth in this Lease, Lessor shall have the option to pursue any one or more of the remedies set forth herein without any notice or demand.

(A) Lessor may enter upon and take possession of the leased premises by process of law and lock out, expel or remove Lessee and any other person who may be occupying all or any part of the leased premises without being liable for any claim for damages, and relet the leased premises on behalf of Lessee and receive the rent directly by reason of the reletting. Lessee agrees to pay Lessor on demand any deficiency that may arise by reason of any reletting of the leased premises; further, Lessee agrees to reimburse Lessor for any expenditures made by it in order to relet the leased premises, including, but not limited to, reasonable and necessary remodeling and repair costs; provided that if the term of the new lease upon reletting shall extend beyond the scheduled expiration date of this Lease, Lessee's obligation to reimburse Lessor for remodeling costs shall be prorated and equal to the product of such reasonable and necessary remodeling costs multiplied by a fraction, the numerator of which is the unexpired term of this Lease as of the time of an event of default by Lessee and the denominator of which is the term of the new lease entered into by Lessor and the new tenant, without giving effect to any unexercised options to extend such new lease.

(B) Lessor may enter upon the leased premises without being liable for any claim for damages, and do whatever Lessee is obligated to do under the terms of this Lease. Lessee agrees to reimburse Lessor on

demand for any expenses which Lessor may incur in effecting compliance with Lessee's obligations under this Lease; further, Lessee agrees that Lessor shall not be liable for any damages resulting to Lessee from effecting compliance with Lessee's obligations under this Lease unless caused by the negligence or reckless conduct of Lessor.

(C) Lessor may terminate this Lease, in which event Lessee shall immediately surrender the leased premises to Lessor, and if Lessee fails to surrender the leased premises, Lessor may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the leased premises by process of law, and lock out, expel or remove Lessee and any other person who may be occupying all or any part of the leased premises without being liable for any claim for damages. Lessee agrees to pay on demand the amount of all loss and damage which Lessor may suffer by reason of the termination of this Lease under this section, whether through inability to relet the leased premises on satisfactory terms or otherwise.

Notwithstanding any other remedy set forth in this Lease, in the event Lessor has made rent concessions of any type or character, or waived any fixed minimum rent, and Lessee fails to take possession of the leased premises on the commencement or completion date or otherwise defaults at any time during the term of this Lease, the rent concessions, including any waived fixed minimum rent, shall be cancel led and the amount of the fixed minimum rent and other rent that would be due if there were no rent concessions shall be due and payable immediately as if no rent concessions or waiver of any fixed minimum rent had ever been granted. A rent concession or waiver of the fixed minimum rent shall not relieve Lessee of any obligation to pay any other charge due and payable under this Lease, including without limitation any sum due under Section 2.02 hereof. Notwithstanding anything contained in this Lease to the contrary, this Lease may be terminated by Lessor only by mailing or delivering written notice of such termination to Lessee, and no other act or omission of Lessor shall be construed as a termination of this Lease.

ARTICLE 11.00 RELOCATION

11.01 RELOCATION. [Intentionally omitted.]

ARTICLE 12.00 DEFINITIONS

12.01 ABANDON. [Intentionally omitted.]

12.02 ACT OF GOD OR FORCE MAJEURE. An "act of God" or "force majeure" is defined for purposes of this Lease as strikes, lockouts, sit-downs, material or labor restrictions by any governmental authority, unusual transportation delays, riots, floods, washouts, explosions earthquakes, fire, storms, weather (including wet grounds or inclement weather which prevents construction), acts of the public enemy, wars, insurrections and any other cause not reasonably within the control of Lessor or Lessee, as applicable, and which by the exercise of due diligence Lessor or Lessee is unable, wholly or in part, to prevent or overcome.

12.03 BUILDING OR PROJECT. "Building" or "Project" as used in this Lease means the Building and/or project described in Section 1.02, including the leased premises and the land upon which the Building or project is situated.

12.04 COMMENCEMENT DATE. [Intentionally omitted.]

12.05 COMPLETION DATE. "Completion Date" shall be the date on which Substantial Completion (as defined in Section 6.04) of the Improvements erected and to be erected upon the leased premises

shall have been accomplished in accordance with the plans and specifications described in Article 6.00. Subject to the provisions of Section 6.09, the Completion Date shall constitute the commencement of the term of this Lease for all purposes, whether or not Lessee has actually taken possession. Lessor shall use its best efforts to establish the completion date as the date set forth in Section 1.03. Upon Substantial Completion, Lessee shall deliver to Lessor a letter accepting the leased premises as suitable for the purposes for which they are let, subject to punchlist items, and, unless said date is after the date Lessee takes possession of the leased premises or unless said date is objected to by Lessor, the date of such letter shall constitute the completion date. Whether or not Lessee has executed such a letter of acceptance, taking possession of the leased premises by Lessee shall be deemed to establish conclusively that the improvements have been completed in accordance with the plans and specifications, are suitable for the purposes for which the leased premises are let, and that the leased premises are in good and satisfactory condition as of the date possession was so taken by Lessee, except for latent defects and punchlist items, if any. Punchlist items shall be completed within 30 days after preparation of the punchlist or within a reasonable time thereafter if such items are of such nature that they cannot be completed within such 30-day period, and Lessor shall complete the same with reasonable diligence. If Lessor shall fail to complete the punchlist items within the time period set forth in the preceding sentence, Lessee shall have the same rights with respect to such items as provided to Lessee in Section 5.01 with respect to Lessor's failure to make timely repairs that are its responsibility.

ARTICLE 13.00 MISCELLANEOUS

13.01 WAIVER. Failure of Lessor or Lessee to declare an event of default immediately upon its occurrence, or delay in taking any action in connection with an event of default, shall not constitute a waiver of the default, but Lessor or Lessee shall have the right to declare the default at any time and take such action as is lawful or authorized under this Lease. Pursuit of any one or more of the remedies set forth in Article 10.00 above shall not preclude pursuit of any one or more of the other remedies provided elsewhere in this Lease or provided by law, nor shall pursuit of any remedy constitute forfeiture or waiver of any rent or damages accruing to Lessor or Lessee by reason of the violation of any of the terms, provisions or covenants of this Lease. Failure by Lessor or Lessee to enforce one or more of the remedies provided upon an event of default shall not be deemed or construed to constitute a waiver or the default or of any other violation or breach of the terms, provisions and covenants contained in this Lease.

13.02 ACT OF GOD. Neither party shall be required to perform any covenant or obligation in this Lease, or be liable in damages or for the Penalty provided in Section 6.09.02, so long as the performance or non-performance of the covenant or obligation is delayed, caused or prevented by an act of God, force majeure or by the other party; provided that the Takeover Notice Date as provided in Section 6.09.02 of this Lease shall not be subject to extension due to an act of God or force majeure; further provided, that the foregoing provisions shall not excuse either party from the prompt payment of any charges or expenses due hereunder, including, without limitation, Lessee's obligation to pay fixed minimum rent and additional rent. By way of example but not limitation, it is hereby acknowledged and agreed that any delay in Lessor's substantially completing the improvements caused by the acts or omissions of Lessee, including, but not limited to, Lessee's failure to timely install (or furnish for installation by Lessor, as may be required in this Lease) its fixtures and furniture, phone switch equipment, kitchen equipment and/or carpeting, shall be deemed a delay caused by the other party for which the Outside Date shall be extended accordingly.

13.03 ATTORNEYS' FEES. If during the term of this Lease, Lessor or Lessee institutes any action or proceeding against the other relating to the provisions of this Lease or any default hereunder, the unsuccessful party in such action or proceeding agrees to reimburse the successful party for the reasonable expenses of such action, including reasonable attorneys' fees and disbursements incurred by the successful party, regardless of whether the action or proceeding is prosecuted to judgment. The term "attorneys' fees" wherever used in this Lease, shall mean only the reasonable charges for services actually performed and rendered, of independent, outside legal counsel who are not the employees of the party in question.

13.04 SUCCESSORS. This Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective heirs, personal representatives, successors and assigns. It is hereby covenanted and agreed that should Lessor's interest in the leased premises cease to exist for any reason during the term of this Lease, then notwithstanding the happening of such event this Lease nevertheless shall remain unimpaired and in full force and effect, and Lessee hereunder agrees to attorn to the then owner of the leased premises.

13.05 ALLOCATION OF RENT. Lessor and Lessee agree that no portion of the fixed minimum rent paid by Lessee after the expiration of any period during which such rent was abated shall be allocated by Lessor or Lessee to such abatement period, nor is such rent intended by the parties to be allocable to any abatement period.

13.06 BANKRUPTCY OR INSOLVENCY. It is understood and agreed that the following shall apply in the event of the bankruptcy or insolvency of Lessee:

(i) If a petition is filed by, or an order for relief is entered against Lessee under Chapter 7 of the United States Bankruptcy Code (the "Bankruptcy Code") and the trustee for Lessee elects to assume this Lease for the purpose of assigning it, such election or assignment, or both, may be made only if all of the terms and conditions of subparagraphs (ii) and (iv) below are satisfied. To be effective, an election to assume this Lease must be in writing and addressed to Lessor, and, in Lessor's business judgment, all of the conditions hereinafter stated, which Lessor and Lessee acknowledge to be commercially reasonable, must have been satisfied. If the trustee fails so to elect to assume this Lease within sixty (60) days after his appointment, this Lease shall be deemed to have been rejected, and Lessor shall then immediately be entitled to possession of the leased premises without further obligation to Lessee pr the trustee, and this Lease shall be terminated. Lessor's right to be compensated for damages in the bankruptcy proceeding, however, shall survive such termination.

(ii) If Lessee files a petition for reorganization under Chapters 11 or 13 of the Bankruptcy Code, or if a proceeding filed by or against Lessee under any other chapter of the Bankruptcy Code is converted to a Chapter 11 or 13 proceeding, and Lessee's trustee or Lessee as debtor-in-possession fails to assume this Lease within sixty (60) days from the date of the filing of such petition or conversion, then the trustee or the debtor-in-possession shall be deemed to have rejected this Lease. To be effective, any election to assume this Lease must be in writing addressed to Lessor and, in Lessor's business judgment, all of the following conditions, which Lessor and Lessee acknowledge to be commercially reasonable, must have been satisfied:

(a) The trustee or the debtor-in-possession has cured all defaults hereunder or, with respect to defaults that the trustee or debtor-in-possession has not cured, has provided to Lessor adequate assurance, as defined in this Subparagraph (ii), that:

(1) The trustee or debtor-in-possession will cure all monetary defaults under this Lease within ten (10) days from the date of assumption; and

(2) The trustee or debtor-in-possession will cure all non-monetary defaults under this Lease within thirty (30) days from the date of assumption.

(b) The trustee or the debtor-in-possession has compensated Lessor, or has provided Lessor with adequate assurance, as hereinafter defined, that within ten (10) days from the date of assumption, Lessor will be compensated for any pecuniary loss it has incurred arising from the default of Lessee, the trustee, or the debtor-in-possession, as recited in the Lessor's written statement of pecuniary loss sent to the trustee or debtor-in-possession.

(c) The trustee or the debtor-in-possession has provided Lessor with adequate assurance of the future performance of each of Lessee's obligations under this Lease; provided, however, that:

(1) From and after the data of assumption of this Lease, the trustee or the debtor-in-possession shall pay the fixed minimum rent payable under this Lease in advance in equal monthly installments on each date that such fixed minimum rent is payable and shall pay all additional rent payable hereunder when due;

(2) The trustee or debtor-in-possession shall also deposit with Lessor, as security for the timely payment of rent, an amount equal to three months fixed minimum rent and other monetary charges accruing under this Lease;

(3) If not otherwise required by the terms of this Lease, the trustees or the debtor-in-possession shall pay in advance, on each day that any installment of fixed minimum rent is payable, one-twelfth of Lessee's pro rata share of operating expenses and other obligations of Lessee under this Lease; and

(4) The obligations imposed upon the trustee or the debtor-in-possession will continue for Lessee after the completion of bankruptcy proceedings.

(d) For purposes of this subparagraph (ii), "adequate assurance" means that:

(1) Lessor determines that the trustee or the debtor-in-possession has, and will continue to have, sufficient unencumbered assets, after payment of all secured obligations and

administrative expenses, to assure Lessor that the trustee or debtor-in-possession will have sufficient funds timely to fulfill Lessee's obligations under this Lease and to keep the leased premises properly staffed with sufficient employees to conduct a fully operational, actively promoted business in the leased premises; and

(2) An order shall have been entered segregating sufficient cash payable to Lessee and/or a valid and perfected first lien and security interest shall have been granted in property of Lessee, trustee, or debtor-in-possession which is acceptable in value and kind to Lessor, to secure for the benefit of the Lessor the obligation of the trustee or debtor-in-possession to cure all monetary and non-monetary defaults under this Lease within the time periods set forth above.

(iii) In the event this Lease is assumed by a trustee appointed for Lessee or by Lessee as debtor-in-possession under the provisions of subparagraph (ii) above and, thereafter, Lessee is either adjudicated a bankrupt or files a subsequent petition for arrangements under Chapter 11 of the Bankruptcy Code, then Lessor may, at its option, terminate this Lease and all the Lessee's rights under it, by giving written notice of Lessor's election so to terminate.

(iv) If the trustee or the debtor-in-possession has assumed this Lease, pursuant to subparagraph (i) or (ii) above, the trustee or debtor-in-possession, as the case may be, may assign Lessee's interest under this Lease or the estate created by that interest to another person only if the intended assignee has provided adequate assurance of future performance, as defined in this subparagraph (iv), of all of the terms, covenants, and conditions of this Lease.

(a) For the purposes of this subparagraph (iv), "adequate assurance of future performance" means that each of the following conditions has been satisfied:

(1) The assignee has submitted a current financial statement, audited by a certified public accountant, which shows a net worth of working capital in amounts determined by Lessor to be sufficient to assure the future performance by the assignee of the Lessee's obligations under the Lease;

(2) If requested by Lessor, the assignee has obtained guarantees of the assignee's obligations hereunder, in form and substance satisfactory to Lessor, from one or more persons who satisfy Lessor's standards of creditworthiness; and

(3) Lessor has obtained all consents or waivers from third parties which may be required under any lease, mortgage, financing arrangement, or other agreement by which Lessor is bound, to enable Lessor to permit such assignment.

(v) When, pursuant to the Bankruptcy Code, the trustee or the debtor-in-possession is obligated to pay reasonable use and occupancy charges for the use of

all or part of the leased premises, it is agreed that such charges will not be less than the fixed minimum rent as defined in this Lease, plus additional rent and other monetary obligations of Lessee included herein.

(vi) Neither Lessee's interest in this Lease nor any estate of Lessee created in this Lease shall pass to any trustee, receiver, assignee for the benefit of creditors, or any other person or entity, or otherwise by operation of law under the laws of any state having jurisdiction of the person or property of Lessee, unless Lessor consents in writing to such transfer. Lessor's acceptance of rent or any other payments from any trustee, receiver, assignee, person, or other entity will not be deemed to have waived, or waive, either the requirement of Lessor's consent or Lessor's right to terminate this Lease as the result of any transfer of Lessee's interest under this Lease without such consent.

13.07 CAPTIONS. The captions appearing in this Lease are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of any section.

13.08 NOTICE. All rent and other payments required to be made by Lessee shall be payable to Lessor at the address set forth in Section 1.05 or at any address within the United States as Lessor may specify to Lessee from time to time by written notice given in accordance with this Section 13.08. All payments required to be made by Lessor to Lessee shall be payable to Lessee at the address set forth in Section 1.05, or at any other address within the United States as Lessee may specify to Lessor from time to time by written notice given in accordance with this Section 13.08. Any notice or document required or permitted to be delivered by the terms of this Lease shall be deemed to be delivered (whether or not actually received) when deposited in the United States mail, postage prepaid, certified mail, return receipt requested, addressed to the parties at the respective, addresses set forth in Section 1.05 or at any other address within the United States as one party has specified to the other from time to time by written notice given in accordance with this Section 13.08.

13.09 SUBMISSION OF LEASE. Submission of this Lease to Lessee for signature does not constitute a reservation of space or an option to lease. This Lease is not effective until execution by and delivery to both Lessor and Lessee.

13.10 CORPORATE AUTHORITY. Lessee represents that it is not a "tax-exempt entity" as such term is defined in Section 168(h)(2) of the Internal Revenue Code of 1986. Each of the persons executing this Lease on behalf of Lessor and Lessee does hereby personally represent and warrant that Lessor or Lessee, as applicable, is a duly authorized and existing corporation, that Lessor or Lessee, as applicable, is qualified to do business in the state in which the leased premises are located, that the corporation has full right and authority to enter into this Lease, and that each person signing on behalf of the corporation is authorized to do so. Lessee further represents and warrants to Lessor that any and all approvals from any federal, state or local governmental or quasi-governmental agency or instrumentality (including by way of example but not limitation, the Comptroller of the Currency) necessary for Lessee to enter into this Lease have been received by Lessee.

13.11 SEVERABILITY. If any provision of this Lease or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Lease and the application of such provisions to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

13.12 LESSOR'S LIABILITY. If Lessor shall be in default under this Lease and, if as a consequence of such default, Lessee shall recover a money judgment against Lessor, such judgment shall be satisfied only out of the right, title and interest of Lessor in the Building as the same may then be encumbered and identifiable rents, profits and proceeds therefrom and neither Lessor nor any person or entity comprising Lessor shall be liable for any deficiency. In no event shall Lessee have the right to levy execution against any property of Lessor nor any property or entity comprising Lessor other than its interest in the Building as herein expressly provided.

13.13 BROKER INDEMNIFICATION. Lessor agrees to indemnify and hold harmless Lessee from and against any liability or claim, whether meritorious or not, arising with respect to any broker whose claim arises by, through or on behalf of Lessor. Lessee agrees to indemnify and hold harmless Lessor from and against any liability or claim, whether meritorious or not, arising with respect to any broker whose claim arises by, through or on behalf of Lessee. Lessor shall pay a broker's commission to George M. Pryor, Jr., Real Estate Broker, in accordance with the commission agreement between Lessor and George M. Pryor, Jr.

13.14 CONSENT. Wherever provision is made in this Lease or the attached Exhibits for the approval of a party hereto, such approval shall not be unreasonably withheld, delayed or conditioned.

13.15. HAZARDOUS MATERIALS.

13.15.01 For purposes of this Lease hazardous materials ("Hazardous Materials") shall include, but shall not be limited to, any substances, materials or wastes that are regulated by any local governmental authority, the State of Ohio, or the United States of America because of toxic, flammable, explosive, corrosive, reactive, radioactive or other properties that may be hazardous to human health or the environment. Hazardous Materials also include, without limitation, any materials or substances that are listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.01) as amended from time to time. Subject to the fourth rule and regulation set forth in the attachment to this Lease, Lessee agrees that it will not use, handle, generate, treat, store or dispose of, or permit the use, handling, generation, treatment, storage or disposal of any Hazardous Materials in, on, under, around or above the leased premises now or at any future time and will indemnify, defend and save Lessor harmless from any and all actions, proceedings, claims and losses of any kind, including but not limited to those arising from injury to any person, including death, damage to or loss of use or value of real or personal property, and costs of investigation and cleanup or other environmental remedial work, which may arise in connection with Hazardous Materials introduced to the leased premises by Lessee or any of its agents, contractors or employees.

If at any time during the term of this Lease it is determined that there are any Hazardous Materials located in, on, under, around, or above the leased premises which are introduced to the leased premises by Lessee or any of its agents, contractors, or employees, that are subject to any federal, state or local environmental law, statute, ordinance or regulation, court or administrative order or decree, or private agreement ("Environmental Requirements"), including Environmental Requirements requiring special handling of Hazardous Materials in their use, handling, collection, storage, treatment or disposal, Lessee shall commence with diligence within thirty (30) days after receipt of notice of the presence of the Hazardous Materials and shall continue to diligently take all appropriate action, at Lessee's sole expense, to comply with all such Environmental Requirements. Failure of Lessee to comply with all Environmental Requirements shall constitute an event of default under this Lease.

13.15.02 Lessor represents and warrants to Lessee that Lessor knows of no Hazardous Materials that have been used, handled, generated, treated, stored or disposed of in, on, under, around or

above the leased premises. Lessor agrees that it will not use, handle, generate, treat, store or dispose of, or permit the use, handling, generation, treatment, storage or disposal of any Hazardous Materials in, on, under, around or above the leased premises now or at any future time and will indemnify, defend and save Lessee harmless from any and all actions, proceedings, claims and losses of any kind, including but not limited to those arising from injury to any person, including death, damage to or loss of use or value of personal property, and costs of investigation and cleanup or other environmental remedial work, which may arise in connection with Hazardous Materials introduced to the leased premises by Lessor or any of its agents, contractors or employees.

If at any time during the term of this Lease it is determined that there are any Hazardous Materials located in, on, under, around, or above the leased premises which are introduced to the leased premises by Lessor or any of its agents, contractors, or employees, that are subject to any federal, state or local environmental law, statute, ordinance or regulation, court or administrative order or decree, or private agreement ("Environmental Requirements"), including Environmental Requirements requiring special handling of Hazardous Materials in their use, handling, collection, storage, treatment or disposal, Lessor shall commence with diligence within thirty (30) days after receipt of notice of the presence of the Hazardous Materials and shall continue to diligently take all appropriate action, at Lessor's sole expense, to comply with all such Environmental Requirements.

If Hazardous Materials shall be found in, on, under or above the leased premises and bringing the leased premises into compliance with all applicable Environmental Requirements would cause the leased premises to be rendered untenantable in whole or in part or would prevent Lessee from operating its business in the leased premises in the normal course and such Hazardous Materials shall not have been introduced to the leased premises by Lessee or any of its agents, contractors or employees, and if such untenantability or inability to operate in the normal course continues for more than 150 days following the discovery of such Hazardous Materials, then until such untenantability or inability has ended, Lessee (and Lessor, unless Lessor or any of its agents, contractors or employees shall have introduced the Hazardous Materials to the leased premises) shall have the right to terminate this Lease by written notice to the other at any time after such 150 day period. During any period when the leased premises is untenantable or Lessee is prevented from operating its business therein in the normal course due to the presence of Hazardous Materials and if Lessee has not breached its obligations under Section 13.15.01, fixed minimum rent and other charges payable hereunder shall be abated in proportion to the floor area of the leased premises so affected.

ARTICLE 14.00 AMENDMENT AND LIMITATION OF WARRANTIES

14.01 ENTIRE AGREEMENT. IT IS EXPRESSLY AGREED BY LESSEE, AS A MATERIAL CONSIDERATION FOR THE EXECUTION OF THIS LEASE, THAT THIS LEASE, WITH THE SPECIFIC REFERENCES TO WRITTEN EXTRINSIC DOCUMENTS, IS THE ENTIRE AGREEMENT OF THE PARTIES; THAT THERE ARE, AND WERE NO VERBAL REPRESENTATIONS, WARRANTIES AND UNDERSTANDINGS, STIPULATIONS, AGREEMENTS OR PROMISES PERTAINING TO THIS LEASE OR TO THE EXPRESSLY MENTIONED WRITTEN EXTRINSIC DOCUMENTS NOT INCORPORATED IN WRITING IN THIS LEASE.

14.02 AMENDMENT. THIS LEASE MAY NOT BE ALTERED, WAIVED, AMENDED OR EXTENDED EXCEPT BY AN INSTRUMENT IN WRITING SIGNED BY LESSOR AND LESSEE.

14.03 LIMITATION OF WARRANTIES. LESSOR AND LESSEE EXPRESSLY AGREE THAT THERE ARE AND SHALL BE NO IMPLIED WARRANTIES OF MERCHANTABILITY, HABITABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OF ANY OTHER KIND ARISING OUT OF THIS LEASE, AND THAT THERE ARE NO WARRANTIES WHICH EXTEND BEYOND ThOSE EXPRESSLY SET FORTH IN THIS LEASE.

RULES AND REGULATIONS

1. Lessor agrees to furnish Lessee 2 keys without charge. Additional keys will be furnished at a nominal charge. All keys to leased premises shall be surrendered to Lessor upon termination of this Lease.

2. Lessee's contractors and installation technicians shall comply with Lessor's rules and regulations pertaining to construction and installation. This provision shall apply to all work performed on or about the leased premises or project, including installation of telephones, telegraph equipment, electrical devices and attachments and installations of any nature affecting floors, walls, woodwork, trim, windows, ceilings and equipment or any other physical portion of the leased premises or project.

3. Lessee shall not at any time occupy any part of the leased premises or project as sleeping or lodging quarters.

4. Lessee shall not place, install or operate on the leased premises or in any part of the Building any engine or place or use in or about the leased premises or project any explosives, gasoline, kerosene, oil, acids, caustics, or any flammable, explosive or hazardous material without the written consent of Lessor; provided that Lessee shall be permitted to keep a generator on the leased premises and fuel to operate the same for the purpose of temporary generation of electricity during power failures, so long as the storage and use of such generator and fuel shall be in compliance with all applicable laws, codes and regulations. Lessee shall also be permitted to keep ordinary cleaning materials, paints and solvents on the leased premises to the extent reasonably required for Lessee to perform its maintenance obligations under this Lease.

5. Lessor will not be responsible for lost or stolen personal property, equipment, money or jewelry from the leased premises or the project regardless of whether such loss occurs when the area is locked against entry or not.

6. No dogs, cats, fowl, or other animals shall be brought into or kept in or about the leased premises or project.

7. Employees of Lessor shall not receive or carry messages for or to any Lessee or other person or contract with or render free or paid services to any Lessee or to any of Lessee's agents, employees or invitees.

8. None of the parking, plaza, recreation or lawn areas, entries, passages, doors, elevators, hallways, stairways or atrium shall be blocked or obstructed or any rubbish, litter, trash, or material of any nature placed, emptied or thrown into these areas.

9. The water closets and other fixtures shall not be used for any purpose other than those for which they were constructed, and any damage resulting to them from misuse or by the defacing or injury of any part of the Building shall be borne by the person who shall occasion it. No person shall waste water by interfering with the faucets or otherwise.

10. [Intentionally Omitted.]

11. Nothing shall be thrown out of the windows or doors of the Building or down the stairways or other passages.

12. [Intentionally Omitted.]

13. All responsibility for damage to vehicles or persons is assumed by the owner of the vehicle or its driver.

14. [Intentionally Omitted.]

15. Lessor shall not be liable for any damages from the stoppage of elevators for necessary or desirable repairs or improvements or delays of any sort or duration in connection with the elevator service.

16. [Intentionally Omitted.]

17. [Intentionally Omitted.]

18. [Intentionally Omitted.]

19. [Intentionally Omitted.]

EXHIBIT "C"

UNITED CREDIT SERVICES

"AUDIT BID ITEMS"

AUDIT BID ITEMS	AUDIT ITEMS ESTIMATES
EARTHWORK Includes clear and grub, mass excavation and fill, truck off excess top soil and unacceptable fill, stripping and re-spreading of topsoil.	$108,180.00
SITE UTILITIES Includes domestic and fire water service lines to the building, fire protection line (and hydrants) to the building, sanitary sewer to the building, storm sewers, root drain laterals to the building, and site gas service to the building.	$ 84,515.00
LANDSCAPING	$ 30,000.00
IRRIGATION	$ 25,000.00
INSTALL TENANTS CARPET	$ 29,190.00
FURNISH AND INSTALL VINYL WALL BASE	$ 8,530.00
FURNISH AND INSTALL VCT	$ 5,480.00

EXHIBIT "D"

ADDITIONAL ITEMS

Switch room (computer room) work, including mechanical, electrical, fire suppression and protection, and flooring work, plus architectural and construction fees for the same.

Painted sidewalk.

Security system.

The cost of all Additional Items provided by Lessor pursuant to this Exhibit "D" shall be fully amortized over the initial ten (10) year term of the Lease and paid for by Lessee by means of an increase in the fixed minimum rent as set forth in Section 1.04 of the Lease. In the event Lessee elects to cancel this Lease in accordance with Section 15.04 of the Lease Addendum, Lessee shall pay to Lessor not later than the date the Final Payment is due (as defined in Section 15.04 of the Lease), in addition to any other payments required to be made to Lessor by Lessee pursuant to said Section 15.04, the unamortized amount of such Additional Items as of the Final Payment date.

To the extent Additional Items are of a nature that they can be removed from the leased premises, Lessee shall be entitled to remove the items listed above at the end of the Lease term and retain possession thereof, provided (a) such termination is not the result of Lessee's default hereunder; (b) Lessee repairs any and all physical damage to the remaining Improvements caused by such removal; and (c) if applicable, Lessee has paid the sums required by the preceding paragraph.

EXHIBIT "E"

TO BE INSERTED.

ADDENDUM TO LEASE DATED JULY 2, 1990
BETWEEN CONTINENTAL ACQUISITIONS, INC. AND
WORLD FINANCIAL NETWORK NATIONAL BANK (U.S.)

SECTION 15.01 RENEWAL OPTION: Provided that at the end of the primary term of this Lease Lessee is not in default of any of the terms, conditions or covenants contained in this Lease beyond any applicable cure period, Lessee (unless Lessee is an assignee or sublessee of the Lease to whom assignment or subletting of the Lease required the prior consent of Lessor under Section 9.03) is hereby granted an option to renew this Lease for two (2) additional terms of five (5) years each on the same terms and conditions contained herein except:

a) the second renewal opt ion term will contain no further renewal opt ions unless expressly granted by Lessor in writing;

b) the fixed minimum rent for the first renewal term shall be equal to 110.3% of the fixed minimum rent payable during months 61 through 120 of this Lease, and the fixed minimum rent for the second renewal term shall be equal to 109.8% of the fixed minimum rent payable during the first renewal term;

c) rent payments for each renewal term will commence on the first day of the renewed term; and

d) if Lessee desires to renew this Lease Lessee will notify Lessor of its intention to renew no later than six (6) months prior to the expiration date of the original Lease term or six (6) months prior to the end of the first renewal term.

SECTION 15.02. PROJECT SUMMARY: Attached hereto and made a part hereof is Exhibit "B" which is a summary of Lessors work for the project.

SECTION 15.03. COMPLETION DATE: [Intentionally Omitted.]

SECTION 15.04. CANCELLATION OPTION: Lessor hereby grants to Lessee the option to cancel this Lease effective at any time after the expiration of the sixtieth (60th) month from the completion date of this Lease until the expiration of the one hundred eleventh (111th) month from the completion date of this Lease provided Lessee (i) gives Lessor at least twelve (12) months prior written notice specifying therein the effective date of the cancellation (which effective date shall in no event be prior to the sixtieth (60th) month of the lease term) and (ii) on the effective date of the cancellation and on the same day of each month thereafter for the next eight consecutive months pay to Lessor an amount equal to the monthly fixed minimum rent payable by Lessee for the 61st through 120th months of the Lease as provided in Section 1.04 of this Lease (the Buyout Payments). Lessee shall also pay to Lessor a pro rata share of all real estate taxes and insurance premiums payable by Lessor with respect to the leased premises during the nine-month period after the effective date of the cancellation of the Lease (the Cancellation Period') and Lessee shall reimburse Lessor for all utility charges reasonably incurred by Lessor to maintain the leased premises in good condition during the Cancellation Period. Lessee shall reimburse Lessor for any taxes, insurance premiums or utility charges paid by Lessor during the Cancellation Period upon the later of 15 days of a demand for payment of the same by Lessor or the due date of the next Buyout Payment. Lessee shall pay the reasonably estimated taxes, insurance premiums and utility charges applicable to the balance of the Cancellation Period which have not been previously paid by Lessee together with the last installment of the Buyout Payments (the "Final Payment"). Lessor shall prepare and submit to Lessee its reasonable estimate of the unpaid taxes, insurance premiums and utility charges for the balance of the Cancellation Period to Lessee at least 10 days prior to the due date of the Final Payment., Lessee shall also pay together with the Final Payment the amounts required to be paid by Lessee pursuant to the provisions of Exhibit "D".

SECTION 15.05. HALON LANGUAGE: Lessee acknowledges that during the term of this Lease, its Halon installation may be legally banned or subject to mandatory modification or conversion to some other fire protection system. Lessee agrees that it will not, on the basis of such legal ban or mandatory modification or conversion, claim frustration of purpose, seek termination of the Lease, or seek abatement of rent. In addition, Lessee acknowledges and agrees that Lessee shall, at Lessee's sole cost and expense, (i) comply with any applicable laws, ordinances, orders, rules and regulations affecting the Halon installation including any which require the removal, modification or conversion thereof, and (ii) remove such Halon installation at Lessor's request upon the termination of this Lease.

FIRST AMENDMENT OF LEASE

THIS FIRST AMENDMENT OF LEASE (the "Amendment") is entered into by and between CONTINENTAL ACQUISITIONS, INC., an Ohio corporation ("Lessor"), and WORLD-FINANCIAL NETWORK NATIONAL BANK (U.S.) ("Lessee") as of the 11th day of September, 1990.

WHEREAS, Lessor and Lessee entered into an office lease as of July 2, 1990 providing for the construction and leasing of a 100,800 (approximate) square foot building on Schrock Road in Westerville, Ohio (the "Lease"); and

WHEREAS, Lessor and Lessee desire to amend the Lease as hereinafter set forth;

NOW THEREFORE, in consideration of the mutual covenants herein contained and contained in the Lease, Lessor and Lessee, intending to be legally bound, agree as follows:

Section 1. AMENDMENT. The second sentence of Section 6.04 of the Lease is hereby amended in its entirety to read as follows:

Lessor shall use its best efforts to achieve Substantial Completion of the Improvements on or before January 26, 1991.

Section 2. CONTINUED EFFECT. Except as amended hereby, the terms of the Lease remain in full force and effect and are confirmed by the parties hereto.

LESSOR	LESSEE
CONTINENTAL ACQUISITIONS, INC.	WORLD FINANCIAL NETWORK NATIONAL BANK (U.S.)
By: Franklin E. Kass	By: Ralph E. Spurgin
Franklin E. Kass, President	Ralph E. Spurgin, President and CEO
(Type Name and Title)	(Type Name and Title)
Witness:	Witness:
Witness:	Witness:

ACKNOWLEDGMENTS

STATE OF OHIO)
) SS:
COUNTY OF FRANKLIN)

The foregoing instrument was acknowledged before me this, _____ day of _____, 1990, by _____ of Continental Acquisitions, Inc., an Ohio corporation, on behalf of the corporation.

My commission expires:

Notary Public

STATE OF OHIO)
) SS SEAL
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____ , 1990, by _____ as _____ of World Financial Network National Bank (U.S.), a National Banking Association, on behalf of the association.

My commission expires:

Notary Public

SECOND AMENDMENT OF LEASE

THIS SECOND AMENDMENT OF LEASE is entered into by and between PARTNERS AT BROOKSEDGE, an Ohio general partnership ("Lessor"), and WORLD FINANCIAL NETWORK NATIONAL BANK (U.S.) ("Lessee") as of the 16th day of November, 1990.

WHEREAS, Continental Acquisitions, Inc. ("CAI"), Lessor's predecessor in interest, and Lessee entered into an office lease as of July 2, 1990 providing for the construction and leasing of a 100,800 (approximate) square foot building on Schrock Road in Westerville, Ohio, which lease was amended by a first amendment of lease between CAI and Lessee dated as of September 11, 1990 (collectively, the lease and the first amendment of lease are herein referred to as the "Lease"); and

WHEREAS, Lessor and Lessee desire to amend the Lease as hereinafter set forth;

NOW THEREFORE, in consideration of the mutual covenants herein contained and contained in the Lease, Lessor and Lessee, intending to be legally bound, agree as follows:

Section 1. AMENDMENTS.

1.1. SECTION 6.04. The second sentence of Section 6.04 of the Lease is hereby amended in its entirety to read as follows:

> Lessor shall use its best efforts to achieve Substantial Completion of the Improvements on or before January 26, 1991.

1.2. SECTION 6.09.02. The third sentence from the end of Section 6.09.02 is hereby amended in its entirety to read as follows:

> If the construction draws which are made available to Lessee shall be insufficient to pay Lessee's actual, reasonable costs of completion of the Improvements, the excess of the costs over such loan draws (plus an imputed interest factor on such unpaid excess costs at the rate of interest Lessor is required to pay on its construction loan) shall be recoverable by offsetting such amounts against Lessee's obligations to pay fixed minimum rent and additional rent as provided herein until such time as the amount offset by Lessee shall equal the amount of such excess costs plus interest at the foregoing rate.

Section 2. LEGAL DESCRIPTION OF THE LEASED PREMISES. As contemplated in Section 1.02 of the Lease, Lessor has caused a survey of the leased premises to be prepared. The legal description prepared pursuant to such survey is attached hereto as Exhibit A and such description shall be deemed to be substituted as Exhibit A to the Lease.

Section 3. CONTINUED EFFECT. Except as amended hereby, the terms of the Lease remain in full force and effect and are confirmed by the parties hereto.

IN THE PRESENCE OF:

PARTNERS AT BROOKSEDGE, an Ohio General Partnership

By: Continental Properties, an Ohio General Partnership

By:

Franklin E. Kass
Managing General Partner

- ---

- ---

By: Nationwide Property Management, Inc.,
an Ohio corporation, a Partner

- ----------

By:

Robert J. Woodward, Jr.
Vice President and General
Manager

- ----------

WORLD FINANCIAL NETWORK NATIONAL BANK (U.S.)

- ----------

By:

Its: PRESIDENT & CHIEF EXECUTIVE
OFFICER

- ----------

ACKNOWLEDGMENTS

STATE OF OHIO)
)SS:
COUNTY OF FRANKLIN)

The foregoing instrument was acknowledged before me this 16th day of November, 1990, by Franklin E. Kass, as the managing general partner of Continental Properties, an Ohio general partnership, a partner of Partners of Brooksedge, an Ohio general partnership, on behalf of such partnerships.

Notary Public

WILLIAM F. SIMPSON
ATTORNEY AT LAW
NOTARY PUBLIC STATE OF OHIO
MY COMMISSION HAS NO EXPIRATION DATE
SECTION 147.03 R. C.

STATE OF OHIO)
)SS:
COUNTY OF FRANKLIN)

The foregoing instrument was acknowledged before me this 16th day of November, 1990, by Robert J. Woodward, as vice president and general manager of Nationwide Property Management, Inc., an Ohio corporation and a partner of Partners of Brooksedge, an Ohio general partnership, on behalf of such corporation and partnership.

Notary Public

WILLIAM F. SIMPSON
ATTORNEY AT LAW
NOTARY PUBLIC STATE OF OHIO
MY COMMISSION HAS NO EXPIRATION DATE
SECTION 147.03 R. C.

STATE OF OHIO)
)SS:
COUNTY OF FRANKLIN)

The foregoing instrument was acknowledged before me this 15th day of November, 1990, by Ralph E. Spurgin, as president and CEO of World Financial Network National Bank (U.S.), a National Banking Association, on behalf of the association.

Notary Public

MELISSA COYER
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES xxxxxxxxxxxx

JOINDER BY GUARANTOR

The undersigned, THE LIMITED, INC., Guarantor ("Guarantor") of the Lease pursuant to the certain Guarantee dated July 2, 1990 (the "Guarantee") does by its execution below expressly join the foregoing Subordination, Nondisturbance and Attornment Agreement and acknowledge and agree as follows (with all defined terms contained therein to have the same meanings herein):

1. Guarantor does hereby acknowledge, consent to and agree to be bound by all of the matters set forth in the foregoing Agreement.

2. Guarantor does hereby agree that, from and after the date hereof, Guarantor shall provide to Mortgagee in the manner and at the address provided for in paragraph II of the foregoing Agreement any notice given or received by Guarantor under the terms and conditions of or in connection with the Lease or the Guarantee.

3. As of the date hereof, Guarantor hereby certifies as follows, knowing that Mortgagee will rely upon the accuracy of the information contained herein in making the Loan:

(a) The Lease, as described in the foregoing Agreement, is the Lease to which the Guarantee is appended and applies;

(b) The Guarantee is presently in full force and effect, has not been amended, supplemented, extended, renewed, terminated, changed or assigned in any respect, and no waiver of any provision thereof is presently in effect;

(c) Guarantor hereby acknowledges and consents to and agrees to be bound by the Assignment pursuant to which Continental Acquisitions, Inc., the original "Lessor" under the Lease, assigned to Lessor all of its rights under the Lease, and further hereby recognizes Lessor as the "Lessor" under the Lease;

(d) Guarantor has no knowledge of any charge, lien, claim or defense arising in favor of Lessee or Guarantor under the Lease or the Guarantee;

(e) To the best knowledge of Guarantor, there are no defaults by Lessor or Lessee and no existing conditions or events which, with the giving of notice or the passage of time or both, would constitute or become defaults of Lessor or Lessee, that have occurred and presently exist under the Lease; and

(f) There are no actions, whether voluntary or otherwise, pending against Guarantor under the bankruptcy or insolvency laws of the United States or any state thereof which would prevent Guarantor from fulfilling its obligations under the Guarantee.

IN WITNESS WHEREOF, the undersigned Guarantor has caused this instrument to be executed and delivered by its duly authorized representative as of this 15th day of November, 1990.

Signed and acknowledged in the presence of:

THE LIMITED, INC.

By:

- ---------- ----------

Its: EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER

- ----------

STATE OF OHIO)
) SS:
COUNTY OF FRANKLIN)

The foregoing instrument was acknowledged before me this 15th day of November, 1990, by KENNETH B. GILMAN, the EXECUTIVE V.P. AND C.F.O. of THE LIMITED, INC., an Ohio corporation, on behalf of said corporation.

Notary Public

MELISSA COYER
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES xxxxxxxxxxx

This Instrument Prepared By:

VORYS, SATER, SEYMOUR AND PEASE
52 East Gay Street
P. O. Box 1008
Columbus, Ohio 43215

EXHIBIT A

CITY OF WESTERVILLE -- 9.894 ACRE TRACT

Being situated in Quarter Township (2), Township (2) North, Range 17 West of the United States Military Lands in the City of Westerville, County of Franklin, State of Ohio and being a part of that land owned by the City of Westerville of record in Deed Volume 3031 Page 628 and Deed Volume 2509 Page 698 in the Franklin County Recorder's Office and being more particularly described as follows:

Beginning at an iron pin in the north right-of-way line of Schrock Road being North 85deg. 38" 23" West of distance of 70.01 feet from the southwest corner of the Vinda Ltd. tract of record in O.R. 10634 P. J-12;

thence from the place of beginning North 85deg. 38" 23" West along the north right-of-way line of Schrock Road a distance of 612.22 feet to a point referenced by an iron pin North 85deg. 38" 23" West, 20.00 feet;

thence North 37deg. 20" 35" West a distance of 26.61 feet to point referenced by an iron pin South 10deg. 57" 14" West, 20.00 feet;

thence North 10deg. 57" 14" East a distance of 657.62 feet to an iron pin;

thence North 76deg. 02" 02" East a distance of 321.86 feet to an iron pin;

thence South 22deg. 25" 49" East along a westerly boundary of Foxtrail Condominium Phase 2 (C.P.B. 35 P. 17) and Vinda Ltd. (O.R. 6834 P. D-17) a distance of 172.06 feet to an iron pin;

thence South 85deg. 16" 13" East along the southerly boundary of said Vinda Ltd. a distance of 241.16 feet to an iron pin;

thence South 4deg. 20" 38" West along the westerly boundary of Vinda Ltd. (O.R. 10634 P. J-12) a distance of 225.19 feet to a point in the north right-of-way line of Wetherby Lane;

thence North 85deg. 39" 22" West a distance of 50.00 feet to a point;

thence South 4deg. 20" 38" West along the west right-of-way line of Crossbrook Boulevard a distance of 373.98 feet to a point;

thence along the arc of a curve to the right having a delta angle of 90deg. 00" 59",
a radius of 20.00 feet and whose chord bears South 49 21' 04" West a chord distance of 28.29 feet to the place of beginning, containing 9.894 acres, more or less, of which 0.863 acres are out of the tract with parcel number 3030 and 9.031 acres are out of the tract with parcel number 1436.

The above description was prepared by Charles J. Destefani, Professional Surveyor, No. 5666, in June 1990.

July 2, 1990

Mr. Frank Kass
Continental Acquisitions, Inc.
Continental Real Estate Companies
35 North Fourth Street
Suite 100
Columbus, OH 43215

Re: Lease at Schrock Road, Westerville, Ohio with World Financial Network National Bank ("Lessee")

Dear Mr. Kass:

The purpose of this letter is to confirm that The Limited, Inc. is the sole shareholder of Lessee.

Very truly yours

Kenneth B. Gilman
Executive Vice President
Chief Financial Officer

GUARANTEE

For and as a material inducement to CONTINENTAL ACQUISITIONS, INC. (Lessor) to enter into the foregoing Lease with World Financial Network National Dank (U.S.) (Lessee) for the leased premises, as defined in the Lease Agreement and for good and valuable consideration, the undersigned, intending to be legally bound hereby, does hereby covenant and agree with Lessor, its successors and assigns, that:

(a) If said Lessee, its Successors or assigns, shall default at any time during the term granted by said Lease in the payment of Fixed Minimum Rent, Additional Rental Payments or any other payment(s) required under the Lease Agreement, or in the Performance of any of the terms, Covenant. or conditions of said Lease Agreement on the part of Lessee to be performed thereunder, and if any such default shall not be remedied by Lessee within any cure period provided Lessee pursuant to the terms of the Lease, then the undersigned shall, on demand, pay to Lessor, its successors or assigns, (i) the said Fixed Minimum Rent, Additional Rental Payments and all other payments required under the Lease Agreement, or any arrears thereof; and (ii) all damages that may arise or be incurred by Lessor in consequence of Lessee's default under said Lease, including all reasonable attorney' fees that may be incurred by Lessor in enforcing Lessee's covenants and agreements thereunder or that may be incurred by Lessor in enforcing the covenants and agreement of the undersigned hereunder, upon ten (10) days' notice from Lessor of any such default or defaults by Lessee, during which period Guarantor shall have the right to cure or cause Lessee to cure any such default;

(b) The Undersigned may, at Lessor's option, be joined in any action against or proceeding commenced by Lessor against Lessee in connection with or based upon said Lease or any term, covenant or condition thereof, and that recovery may be had against the undersigned in such action or proceeding against the undersigned without Lessor, its successors or assigns, first asserting, prosecuting or exhausting any remedy or claim against Lessee, its successors or assigns;

(c) This Guarantee shall remain and continue in full force and effect as to any renewal, extension, modification or amendment of said Lease;

(d) The validity of this Guarantee and the obligation of the undersigned hereunder shall in no manner be terminated, affected or impaired by reason of any action which Lessor may take or fail to take against Lessee or by reason of any waiver of, or failure to enforce, any of the rights or remedies reserved to Lessor in said Lease, or otherwise, or by reason of the bankruptcy or insolvency of Lessee and whether or not the term of said Lease shall terminate by reason of said bankruptcy or insolvency.

(e) So long as Lessee is controlled by the undersigned, the undersigned waives notice of any and all notices or demands which may be given by Lessor to Lessee, irrespective of whether or not required to be given to Lessee under the terms of said Lease. If, at any time during the term of the Lease, Lessee should no longer be controlled by the undersigned, the undersigned may so notify Lessor, and thereafter Lessor shall send copies of all notices given to Lessee to the undersigned simultaneously with the giving of such notices to Lessee.

(f) Any notice or demand required or permitted to be delivered by the terms of this Guarantee shall be in writing and shall be deemed to be delivered (whether or not actually

received when deposited in the United States Mail, postage prepaid, return receipt requested, addressed to Lessor and Lessee at the respected address set forth in Section 1.05 of the Lease Agreement and addressed to the undersigned at The Limited, Inc., Two Limited Parkway, Columbus, Ohio 43235, Attention: Kenneth B. Oilman, or at any other address within the United States as one party has specified to the other from time to time by written notice given in accordance with this Subparagraph (f).

IN WITNESS WHEREOF, the undersigned has caused this Guarantee to be executed by its duly authorized officer as of this 2nd day of JULY, 1990.

Signed in the presence of:

GUARANTOR: LIMITED, INC.,
a Delaware corporation

By: ----------

Printed Name: KENNETH R. GILMAN
Title: CHIEF FINANCIAL OFFICER

- ----------

- ----------

[LETTERHEAD OF CONTINENTAL REAL ESTATE COMPANIES]

January 9, 1996 CERTIFIED RECPT. # P 825 498 059

Limited Credit Services
Attn: William J. Salamy
4590 East Broad Street
Columbus, Ohio 43213

RE: Lease between World Financial Network Bank (The Limited) and
Partners at Brooksedge dated July 2, 1990, for leased premises
at 220 W. Schrock Road, Westerville, Ohio

Dear Mr. Salamy:

Pursuant to Lease Section 1.04, base rent for the leased premises increases to $832,889.53/yr., which is 110.7% of the fixed minimum rent for the first 60 months, effective February 1, 1996.

Commencing February 1, 1996, please submit the monthly rental payment of $69,407.46 to:

Partners at Brooksedge
Attn: Accounting
P. O. Box 712
Columbus, Ohio 43215

Please do not hesitate to call me if you have any questions. Thank you.

Sincerely,

/s/ Deborah L. Pair

Deborah L. Pair
Property Management

cc: Lease File
Accounting

THIRD AMENDMENT OF LEASE

THIS THIRD AMENDMENT OF LEASE (the "Third Amendment") is entered into by and between PARTNERS AT BROOKSEDGE, an Ohio general partnership ("Lessor"), and WORLD FINANCIAL NETWORK NATIONAL BANK (U.S.) ("Lessee") as of the 18 day of February, 1991.

WHEREAS, Continental Acquisitions, Inc. ("CAI"), Lessor's predecessor in interest, and Lessee entered into an office lease as of July 2, 1990 providing for the construction and leasing of a 100,800 (approximate) square foot building on Schrock Road in Westerville, Ohio, which lease was amended by a first amendment of lease between CAI and Lessee dated as of September 11, 1990 and a second amendment of lease between Lessor and Lessee dated as of November 16, 1990 (collectively, the lease, the first amendment of lease and the second amendment of lease are herein referred to as the "Lease"); and

WHEREAS, Lessor and Lessee desire to amend the Lease as hereinafter set forth;

NOW THEREFORE, in consideration of the mutual covenants herein contained and contained in the Lease, Lessor and Lessee, intending to be legally bound, agree as follows:

Section 1. COMPLETION DATE. Lessor and Lessee agree that the "completion date", as defined in Section 1.03 of the Lease, is January 23, 1991 and Lessor and Lessee further agree that the term of the Lease commenced on January 23, 1991 and will expire on January 31, 2001, subject to earlier termination or to extension as provided in the Lease.

Section 2. FIXED MINIMUM RENT. Lessor and Lessee acknowledge and agree that the fixed minimum rent as set forth in the first textual paragraph of Section 1.04 of the Lease has been adjusted for the cost of Audit Items, Additional Items and Net Change Order Costs as provided in Section 1.04 of the Lease. Lessor and Lessee agree that the fixed minimum rent that shall be payable by Lessee to Lessor for the first 60 months of the Lease term shall be $62,698.70 per month. The monthly rental payable on February 1, 1991 is $25,965.55, which consists of the difference between the adjusted monthly rental as set forth herein and the advance rental payment of $54,936.00 made by Lessee upon execution of the Lease plus rent for the month of January, 1991 in the amount of $18,202.85 pro rated in accordance with Section 2.01 of the Lease. Monthly rental in the full adjusted amount of $62,698.70 shall be due and payable beginning March 1, 1991.

Section 3. CONTINUED EFFECT. Except as amended hereby, the terms of the Lease remain in full force and effect and are confirmed by the parties hereto.

IN THE PRESENCE OF:

PARTNERS AT BROOKSEDGE, an Ohio General Partnership

By: Continental Properties, an Ohio General Partnership, a Partner

/s/ [ILLEGIBLE]
- ----------

By: /s/ Franklin E. Kass

Franklin E. Kass
Managing General Partner

/s/ [ILLEGIBLE]
- ----------

By: Nationwide Property Management, Inc., an Ohio corporation, a Partner

/s/ [ILLEGIBLE]
- ----------

By: /s/ Robert J. Woodward, Jr.

Robert J. Woodward, Jr.
Vice President and General Manager

/s/ Martha E. Cain
- ----------

WORLD FINANCIAL NETWORK NATIONAL
BANK (U.S.)

/s/ [ILLEGIBLE]
- ----------

By: /s/ Ralph E. Spurgin
- ----------
Ralph E. Spurgin
Its: President and Chief Executive Officer

/s/ [ILLEGIBLE]
- ----------

ACKNOWLEDGEMENTS

STATE OF OHIO)
)ss:
COUNTY OF FRANKLIN)

The foregoing instrument was acknowledged before me this 22nd day of February, 1991, by Franklin E. Kass, as the managing general partner of Continental Properties, an Ohio general partnership, a partner of Partners of Brooksedge, an Ohio general partnership, on behalf of such partnerships.

/s/ David Sheidlower

Notary Public

STATE OF OHIO)
)ss: [SEAL]
COUNTY OF FRANKLIN)

The foregoing instrument was acknowledged before me this 22nd day of February, 1991, by Robert J. Woodward, as vice president and general manager of Nationwide Property Management, Inc., an Ohio corporation and a partner of Partners of Brooksedge, an Ohio general partnership, on behalf of such corporation and partnership.

/s/ David Sheidlower

Notary Public

STATE OF OHIO)
)ss: [SEAL]
COUNTY OF FRANKLIN)

The foregoing instrument was acknowledged before me this 20th day of February, 1991, by Ralph E. Spurgin, as president and CEO of World Financial Network National Bank (U.S.), a National Banking Association, on behalf of the association.

[SEAL]

/s/ Mark E. McGrady

Notary Public

JOINDER BY GUARANTOR

The undersigned Guarantor of the Lease does hereby consent to the foregoing Third Amendment and all previous amendments of the Lease and acknowledges and affirms that the guaranty executed by the Guarantor with respect to the Lease remains in full force and effect, notwithstanding the amendments thereto. Guarantor acknowledges and agrees that its guaranty shall extend to all rental payments and other obligations of Lessee as set forth in the Third Amendment.

In the presence of:

THE LIMITED, INC.

/s/ [ILLEGIBLE]
- ----------

By: /s/ Kenneth B. Gilman
- ----------
Kenneth B. Gilman

/s/ [ILLEGIBLE]
- ----------

Its: Executive Vice President
- ----------
Chief Financial Officer

[Letterhead]

January 27, 1999

VIA CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Americana Parkway Warehouse Limited
Attn: Stamford M. Ackley
695 Kenwick Road
Columbus, Ohio 43209

Re: Lease Agreement Dated June 28, 1994 Between Americana Parkway Warehouse Limited and ADS Alliance Data Systems, Inc. For Lease Premises Located At 6939-6955 Americana Parkway, Columbus, Ohio

Dear Mr. Ackley:

Pursuant to Section 11.01 of the referenced Lease Agreement Lessee has the option to extend the Lease Term for a period of five years commencing upon the expiration of the base term by providing Lessor with written notice at least 180 days before the term expiration.

This letter is to serve as Lessor's written notice of Lessee's intent to exercise the Extension Option provided for in the Lease based on the following terms.

Current Term Expiration Date:	August 31, 1999
Renewal Option Commencement Date:	September 1, 1999
Renewal Option Base Rent:	$3.00 per square foot as per your letter on 10/27/98 (see attachment)
Renewal Option Expiration Date:	August 31, 2004

We understand that Renewal Option Base Rent cannot be calculated to the exact amount until we get closer to August 1999 and the attached letter is a close estimate. However, we will need to agree in writing upon the new Renewal Option Base Rent by July 15, 1999.

Lessor's signature below will document Lessor and Lessee's agreement to the terms above.

Americana Parkway Warehouse Limited	ADS Alliance Data Systems, Inc.
By: /s/ Stanford M. Ackley	By: /s/ Bruce McClary
Title: Managing General Partner	Title: Director
Date: February 2, 1999	Date: 1/27/99

cc: Bruce McClary ADS CAD 2
Karen Morauski ADS CAD 4
Bob Roddy DAD 1

[Letterhead]

April 20, 1998

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Mr. Stanford M. Ackley
Americana Parkway Warehouse Limited
695 Kenwick Road
Columbus, OH 43209

Dear Mr. Ackley:

RE: Lease Agreement between Americana Parkway Limited, Lessor, and World Financial Network Lessee, dated June 28, 1994 for premises lo?? Americana Parkway, Columbus, Ohio.

This letter is to advise you that the Lease Agreement between Parkway Warehouse Limited and World Financial Network June 28, 1994 has been assigned by World Financial Network its affiliate, ADS Alliance Data Systems, Inc., a Delaware co?? February 1, 1998.

You are requested to direct all future correspondence to the following:

ADS Alliance Data Systems, Inc.
Attn: General Counsel
800 TechCenter Drive
Gahanna, OH 43230

Very truly yours,

/s/ Karen A. Morauski

Karen A. Morauski
Counsel

jlh

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (the "Assignment") is made by and between World Financial Network National Bank, assignor ("Lessee") and ADS Alliance Data Systems, Inc., a Delaware corporation, ("Assignee").

WHEREAS, Lessee has entered into that certain Lease dated June 28, 1994 ("Lease") with Americana Parkway Warehouse Limited, ("Lessor"); and

WHEREAS, the Lease allows Lessee to assign its rights under the Lease to the Assignee; and

WHEREAS, Lessee wishes to sell, convey, assign and transfer all of its right, title and interest in and to the Lease to Assignee; and

WHEREAS, Assignee wishes to accept the sale, conveyance, assignment and transfer of the Lease and to assume all of Lessee's obligations thereunder;

NOW, THEREFORE, in consideration of the terms and conditions set forth herein, Lessee and Assignee agree as follows:

1. DEFINITIONS. Except as expressly provided herein, all capitalized terms contained in this Lease shall have the meanings set forth in the Lease. The Lease is incorporated herein by this reference.

2. ASSIGNMENT AND ASSUMPTION OF LEASE. On the Effective Date of this Assignment, Lessee hereby sells, conveys, assigns and transfers all of its right, title and interest in and to the Lease to Assignee. Assignee hereby accepts such sale, conveyance, assignment and transfer and hereby assumes all of Lessee's obligations and responsibilities under the Lease. It is the express intention of the parties that this assignment shall cause Assignee to be substituted in the place and stead of Lessee for all purposes relating to the Lease.

3. FUTURE ASSIGNMENTS OF LEASE BY ASSIGNEE. Assignee agrees, recognizes and acknowledges that any future assignment by it of the Lease will be subject to the terms and conditions set forth in the Lease.

4. REPRESENTATIONS AND WARRANTIES OF LESSEE. Lessee represents and warrants to Assignee that:

(a) It is duly organized and existing under the laws of the state of its organization;

(b) The execution, delivery and performance of this Assignment have been duly authorized by all requisite action of Lessee's officers and directors, and will not violate or breach any provision of any organizational document or other agreement or instrument to which Lessee is a party;

10. FURTHER ASSURANCES. Subject to the terms and conditions hereof, each party agrees to use its best efforts to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate the transactions contemplated by this Assignment as expeditiously as practicable including, without limitation, the performance of such further acts or the execution and delivery of any additional instruments or documents as any party may reasonably request from time to time in order to carry out the purposes of this Assignment and the transactions contemplated hereby. This Section shall survive the consummation of the transactions contemplated by this Assignment.

11. TIME OF THE ESSENCE. Time is of the essence with respect to the performance of all transactions contemplated by this Assignment.

12. EFFECTIVE DATE. The "Effective Date" of this Assignment shall be the 1st day of February, 1998.

IN WITNESS WHEREOF, Lessee and Assignee have executed this Assignment as of the day and year first above written.

WORLD FINANCIAL NETWORK NATIONAL BANK

("LESSEE")

By: /s/ Robert Armiak

Name: Robert Armiak
Title: Treasurer
Date: February 1, 1998

ADS ALLIANCE DATA SYSTEMS, INC.

("ASSIGNEE")

By: /s/ Daniel T. Groomes

Name: Daniel T. Groomes
Title: Executive Vice President
Date: February 1, 1998

CREDIT OPERATIONS
MEMO

TO: Dan Groomes
FROM: Nate Tatum
DATE: AUGUST 19, 1994
SUBJECT: LCS III Lease

- ---

Attached for your files is a copy of the approved lease for LCS III.

First rental payment due by September 1, 1994 in the amount and to the address as noted.

MONTHLY RENT	LANDLORD
$13,200.00 Base Rent	Americana Parkway Warehouse Limited
$ 3,816.24 Common Area	695 Kenwick Road
---	Columbus, OH 43209
#17,016.24 Total	Attention: Stanford M. Ackley

Please advise if there are any questions.

Thank you.

NT/bt

AMERICANA PARKWAY
LEASE AGREEMENT

This Lease Agreement (the "Lease") is made and entered into this 28th day of June 1994 at Columbus, Ohio, by and between AMERICANA PARKWAY WAREHOUSE LIMITED, an Ohio limited partnership ("Lessor") and WORLD FINANCIAL NETWORK NATIONAL BANK (U.S.), a banking corporation organized under the laws of the United States ("Lessee").

ARTICLE I - BASIC LEASE PROVISIONS.

1.01 Definitions. Throughout this Lease Agreement, the following definitions shall apply:

A. "Building": The term "Building" shall mean a certain 57,600 square foot structure including appurtenances and fixtures attached thereto located at 6939-6941-6947-6955 Americana Parkway, Columbus, Ohio.

B. "Premises": The term "Premises" shall mean that portion of the "Building" leased to the Lessee and more specifically described as Units 6939, 6941, 6947 and 6955 containing approximately 57,600 square feet, said Premises being more specifically described in Exhibit "A", attached hereto and incorporated by reference as though fully rewritten herein.

C. "Common Areas": The term "Common Areas" shall include, but not be limited to, entrances, steps, sidewalks, parking areas, landscaping, exits, roadways, and other areas as would normally be made available in common for use with other lessees in the Building if the Building were occupied by more than one lessee, from time to time, by the Lessor, including but not limited to a common easement for truck turn around purposes, in common with the adjacent lot. Lessee and its

employees and invitees shall have the exclusive right to use such Common Areas, subject to current easements of record and the rights of the neighboring property to use the truck turn around area. Lessor shall not change, alter, decrease or modify any Common Area without the consent of Lessee. Lessee shall use the Common Areas in accordance with such reasonable rules and regulations as may, from time to time be made by Lessor for the general safety, comfort and convenience of Lessor, occupants and Lessees. Lessee shall cause its customers, employees and invitees to abide by such rules and regulations.

D. Total Leasable Area in the Project: 57,600 Square Feet.

E. Leasable Area in the Premises: 57,600 Square Feet.

F. Lessee's Prorata Share in relation to that of the Project: 100%.

G. Commencement Date:

(a) the later of (i) the date that Lessor completes its work under Section 4.01.1; or (ii) the earlier of (A) the later of September 1, 1994 or 60 days after possession of the Premises has been delivered to Lessee as set forth in Section 2.01.1, other than the office space described in Section 2.01.1, provided that such 60 days shall not be extended for the aggregate period or periods of unavoidable delay (as defined in Section 4.02) in the performance of Lessee's construction work under Section 4.01, or (B) the first day of the calendar month in which Lessee has obtained an effective unconditional certificate of occupancy for the Premises, permitting Lessee's occupancy of the

Premises for the purposes contemplated by this Lease. Lessor and Lessee estimate that the Commencement Date will occur on or about September 1, 1994.

H. Annual Base Rent: $158,400.00.

1. Additional Rent (Refer to Article III 3.02 and 3.03).

J. Monthly Installments of Base Rent: $13,200.00.

K. Security Deposit: None

L. Brokers: None

M. Addresses for Notices and Payments:

Lessor: Americana Parkway Warehouse Limited
695 Kenwick Road
Columbus, Ohio 43209
Attention: Stanford M. Ackley

Lessee: c/o Limited Credit Services
4590 East Broad Street
Columbus, Ohio 43213

Attention: Director Credit Operations

N. Extension Options: Two (2) option terms, of five (5) years each.

O. Expiration Date: The last day of the sixtieth (60th) full calendar month after the Commencement Date.

P. Guarantor: The Limited, Inc.

ARTICLE II - GRANT OF LEASEHOLDER INTEREST.

2.01 Term. Lessor, in consideration of the rents and covenants set forth herein, does hereby lease: let and demise to Lessee, and Lessee does hereby hire, take and lease from Lessor, on the terms and conditions set forth herein the Premises, to have and to hold for the term of this Lease beginning on the date hereof (provided, however, that Lessee's obligation to pay Base Rent, Additional Rent, and other charges hereunder shall not begin until the Commencement Date) and ending on the Expiration Date.

2.02 Early Occupancy.

2.02.1 Beginning on the date hereof, Lessee shall have the right to enter the Premises for the purpose of performing, or preparing to perform, Lessee's improvements under Section 4.01, so long as Lessee does not unreasonably disturb the quiet occupancy of Jim Boucher and/or Buckeye Parts Services, Inc. (the "Existing Tenant") who currently occupies approximately 4,800 square feet of the Premises (the "Buckeye Space"). Lessor warrants and represents that: (i) Lessor and the Existing

Tenant have entered into an Option and Early Termination Agreement (the "Buckeye Agreement"), requiring the Existing Tenant to surrender possession of the Premises by July 31, 1994 except for 456 square feet, more or less, of office space, to be vacated by the Existing Tenant on or before August 31, 1994; (ii) a true and correct copy of the Buckeye Agreement is attached hereto as Exhibit "D"; and (iii) the Buckeye Agreement is in full force and effect. Lessor shall use its best efforts to enforce the Buckeye Agreement. On and after August 1, 1994, Lessee shall have the right from time to time to relocate the office space of the Existing Tenant, which currently occupies approximately 458 square feet of the Buckeye Space, to another part of the Premises, provided that Lessee pays all costs of such relocation (including the cost of rerouting the Existing Tenant's telephone lines), telephone service to the Existing Tenant is not disrupted, and Lessee reasonably coordinates any such move with the Existing Tenant.

2.02.2 Lessor warrants that no person or entity is in possession of any part of the Premises, other than the Existing Tenant, except that approximately 51,000 square feet of the Premises is leased to Oak Rubber Company, which has vacated the Premises but has the legal right thereto until November 30, 1994, and Lessor has leased out approximately 50 parking spaces under a month to month lease terminable on 60 days' notice. Lessor shall use its best efforts to cause Oak Rubber Company and the lessee of such parking spaces to voluntarily surrender possession of, and all rights to possession of, the Premises, as soon as possible, and in any event before July 1, 1994, and to terminate such parking lease by August 31, 1994, so as to be able to deliver exclusive possession of (i) the entire Premises to Lessee on or before July 1, 1994, subject to the rights of the lessee to use of such 50 parking spaces and subject to the rights of the Existing Tenant, and (ii) the entire Premises to Lessee, without exception, on or before September 1, 1994. Lessee's entering into and occupancy of the Premises prior to the Commencement Date shall be subject to all of the

terms and conditions of this Lease, other than those requiring Lessee to pay any Base Rent, Additional Rent, or other expense, other than utilities actually consumed.

2.03 Intentionally Omitted.

2.04 Lessee's Acceptance of the Premises. Lessor shall not be deemed to have delivered possession of the Premises to Lessee until Lessor shall have furnished Lessee with evidence reasonably satisfactory to Lessee that the lease of the parking spaces has been duly terminated as of August 31, 1994 or earlier, and a written acknowledgement from Oak Rubber Co. and any other occupants of the Premises (other than the Existing Tenant), that their respective leases or other rights of occupancy, if any, have terminated. Upon the Commencement Date, Lessee shall give Lessor a letter signed by a representative of Lessee acknowledging the Commencement Date and Expiration Date of this Lease and acknowledging that Lessee has accepted the Premises for occupancy and that the condition of the Premises was at the time satisfactory and in conformity with provisions of this Lease in all respects, except (a) as set forth in writing by Lessee in a notice sent to Lessor within Thirty (30) days after the Commencement Date, and (b) latent defects. Lessee's letter shall become a part of this Lease.

ARTICLE III - RENT AND OPERATING EXPENSES.

3.01 Base Rental. From and after the Commencement Date, Lessee shall pay to Lessor the Annual Base Rent in consecutive monthly installments of Base Rent, in advance, on the first day of each and every calendar month during said term. All sums required to be paid hereunder including Base Rental and additional rent shall be due and payable on the first day of each and every month, and in

the event such sums are not paid by the tenth day of the month for which the same is due, Lessee shall pay to Lessor a late payment penalty of One Percent (1%) of the unpaid amount and such unpaid amount shall bear interest at a floating rate of interest per annum equal to the sum of Four Percent (4%) per annum plus the rate per annum announced from time to time by Bank One, Columbus, NA as its "prime rate".

3.02 Certain Expenses. It is the intention of the Lessor and the Lessee that, except as otherwise set forth herein, Lessee shall pay its Prorata Share (as set forth in Article I 1. 1F hereof) of the following costs, expenses, and obligations relating to the maintenance and operation of the Building of which the Premises are a part and the Common Areas which may arise or become due during the term of this Lease and after the Commencement Date, and that the Lessor shall be indemnified by the Lessee against the following costs, expenses, and obligations:

1. Operating and Maintenance Expenses, consisting of:

   (a) Grass cutting, landscaping and fertilizing;

   (b) Snow removal;

   (c) Parking lot sealing and restriping annually;

   (d) Fire suppression sprinkler system maintenance and repair, and utility costs associated therewith,

   (e) Reasonable and necessary repairs to the Premises required to be made by Lessor under Section 6.01 and 6.02, except the cost of repaving under Section 6.01, and except any costs in respect of the maintenance, repair or replacement of the roof; and

   (f) Other reasonable operating and maintenance expenses similar to those set forth on Exhibit "C" to this Lease or as may reasonably arise in the future.

2. Real Estate Taxes (and assessments, if any, including storm water drainage charges).

3. Insurance Premiums.

4. Reasonable and customary fees paid to an independent certified public accountant regarding operation and management of the Building.

5. Utilities for Common Areas, if any, not billed directly to Lessee, subject, however, to Lessee's prior written approval.

6. A management fee equal to three percent (3%) of Base Rent and Additional Rent.

All of the above shall be denominated as Additional Rent, and shall be paid to the Lessor without notice or demand and without abatement, deduction, or setoff, except as otherwise set forth in this Lease.

3.03 Calculation and Payment of Additional Rent. Thirty (30) days prior to the beginning of each calendar year during the term of this Lease, Lessor shall prepare for the next ensuing calendar year an estimate of the annual costs and expenses of operating and maintaining the Building and the Common Areas, real estate taxes, and assessments, if any, insurance premiums (except for any insurance maintained by Lessee under Section 6.03), and utility charges for utilities not directly billed to Lessee and all other such reasonable items described in Items 1 through 5 of Section 3.02 attributed to the Building (the "Budget" - a copy of which Budget for calendar year 1994 is attached hereto as Exhibit "B"). Lessee shall and does hereby agree to pay to Lessor as Additional Rent Lessee's Prorata Share (as defined in Article I 1.01 F hereof) of such Budget on a monthly basis [payable One Twelfth (1/12) each month in advance at the same time as the Base Rent is due]. In the event that the Commencement Date of this Lease is other than January 1 of any calendar year, then the Lessee shall pay its Prorata share of the Budget for the calendar year in which this Lease commences.

3.03.1 Lessor shall, within Sixty (60) days following the end of each calendar year of this Lease, provide Lessee with a statement showing, in reasonable detail, the actual costs and expenses incurred in the calculation of the Additional Rent pertaining to the preceding calendar year. In the event said Statement reveals an overpayment by Lessee of its Prorata Share, Lessor shall credit Lessee with an amount which represents Lessee's overpayment to Lessee's obligation for the payment of rental for the month of April. Any excess remaining after such credit (as well as any overpayment in respect of the final calendar year) shall be promptly refunded to Lessee. In the event such statement shows an underpayment by Lessee of its Prorata Share, Lessee shall pay to Lessor an amount equal to Lessee's underpayment prior to April 1 of that calendar year. There shall be no duplication of charges to Lessee under any portion of this Lease.

3.03.2 Lessor warrants that Exhibit "C" represents the actual costs for calendar year 1993 under Section 3.02.

3.03.3 Lessor's charges for maintenance and operation of the Building and the Common Areas shall be limited to the reasonable and competitive costs of performing Lessor's obligations under Section 6.01 and 6.02. All expenses for maintenance and operation of the Building and the Common Areas shall be reasonable, competitive, and shall be either on a "time and materials" basis, or at the reasonable and competitive rate actually paid by Lessor to the contractor or subcontractor performing such work. There shall be excluded from the expenses for maintenance and operation (a) the cost of repaving under Section 6.01, and (b) any costs in respect of the maintenance, repair or replacement of the roof.

3.03.4 Lessor shall cause all real estate taxes and assessments to be paid to the taxing authority before any interest or penalty becomes due thereon. Lessor shall forward a copy of all tax bills and notices of reassessment promptly upon receipt. Lessor warrants and represents that Exhibit "E" is a true and correct copy of the current tax bill for the Building.

(a) Lessee shall, at its expense, upon notice to Lessor, have the right to contest any and all such real estate taxes and assessments in its own name or in the name of and on behalf of Lessor. Lessor shall, on the request of Lessee, cooperate in such contest, except for the cost thereof.

(b) Nothing herein contained shall be construed to include as taxes and assessments levied or imposed upon the Premises any inheritance, estate, succession, transfer, gift, franchise, corporation, income or net profit tax that is or may be imposed on Lessor. If any assessment or charge is payable in installments, Lessee's obligation in respect thereof shall be determined as if Lessor had elected to pay the assessment in installments, and Lessee shall be responsible for only those installments or parts of installments which would be attributable to the term of this Lease (excluding any period prior to the Commencement Date, but including the first or second Option Term, if exercised). Lessor warrants and represents that the Premises are a separate tax parcel and shall remain so during the entire term.

(c) Lessor shall pay, before any interest or penalty becomes due, all taxes or assessments that are excluded from Lessee's obligation under this Section 3.03. If Lessor fails to do so, Lessee may,

but shall not be obligated to, pay all or any part thereof, and Lessor shall reimburse Lessee therefor upon demand, with interest at the rate set forth in Section 3.01 from the date of payment by Lessee.

3.03.6 Lessee may, at any time and from time to time, elect to assume any of the maintenance or operation obligations of the Building or the Common Areas, at Lessee's sole expense. Lessee shall exercise its election by written notice to Lessor. Following Lessee's election, the expense of performing any obligation assumed by Lessee shall no longer be included in the operating costs payable under Section 3.03. Any such election may be revoked by Lessee by not less than thirty (30) days' notice to Lessor, provided that Lessee may not elect to assume, or to cease the assumption of, the same obligation more than once in any calendar year.

3.04 Lessee Verification. Lessee or its accountants shall have the right to inspect, at reasonable times and in a reasonable manner, during the One Hundred Eighty (180) day period following the delivery of Lessor's statement of the actual amount of Additional Rent, such of Lessor's books of account and records as pertain to and contain information concerning such costs and expenses in order to verify the amounts thereof. If Lessee shall dispute any item or items included in the determination of Additional Rent and for a particular calendar year, and such dispute is not resolved by the parties hereto within One Hundred Eighty (180) days after the statement for such year was delivered to Lessee, then either party may, within Thirty (30) days after such One Hundred Eighty (180) days, request that a firm of independent certified public accountants selected by Lessor and reasonably acceptable to Lessee render an opinion as to whether or not the disputed item or items may properly be included in the determination of Additional Rent for such year; and the opinion of such firm on the matter shall be conclusive and binding upon the parties hereto. The

fees and expenses incurred in obtaining such an opinion shall be borne by the party adversely affected thereby; and if more than one item is disputed and the opinion adversely affects both parties, the fees and expenses shall be apportioned accordingly. If Lessee shall not dispute any item or items included in the determination of Additional Rent for a particular calendar year within One Hundred Eighty (180) days after the statement for such year was delivered to it, Lessee shall be deemed to have approved such statement.

ARTICLE IV - TENANT FINISH IMPROVEMENTS.

4.01 Construction.

4.01.1 Prior to the Commencement Date, and in any event before September 1, 1994, Lessor shall cause the roof to be in sound and watertight condition (and, if necessary, shall replace the roof), and free of all leaks; and shall remove and replace the area of deteriorated concrete floor slabs as recommended by the fourth paragraph on page one of the "Report of Structural Review" prepared by Lantz Jones & Nebraska, Inc., dated May 27, 1994 (the "Structural Report"), a copy of which report is attached hereto as Exhibit "F".

4.01.2 As soon as practical after the Commencement Date, Lessor shall repair the exterior spalled areas as referred to by the Structural Report, to the extent necessary and practical.

4.01.3 Lessee shall construct any required tenant finish improvements to the Premises in accordance with the floor plan attached to this Lease, made a part hereof and marked Exhibit "G". Schematic drawings and specifications and final plans and specifications for such tenant finish improvements

shall be prepared by Lessee on the basis of the schematic drawings and specifications attached hereto as Exhibit "G".

4.02 Completion Date. The time for performance of Lessor's and Lessee's work in the Premises under Section 4.01 shall be extended by such period after such date specified in this Lease as shall equal the aggregate period or periods of delay (hereinafter referred to as "unavoidable delays"), if any, in construction of the Premises in consequence of any acts of God, strikes, labor disputes, inability to obtain material or labor on reasonable terms, governmental laws, regulations or restrictions, acts of a public enemy, or any cause whatever beyond the control of the party required to perform such work, including, in the case of Lessee (but not the Lessor, who expressly hereby assumes the following risks), failure of the Existing Tenant to vacate the Premises or any portion thereof within the time permitted by the Buckeye Agreement, or to cooperate in relocation of its office space, or failure of Oak Rubber Company to vacate the Premises or any portion thereof by July 1, 1994. In the event that Lessor has reasonable knowledge or belief that Lessor's work under Section 4.01.1 will not be fully completed on or before the date specified in Section 4.01.1, then Lessor shall give Lessee written notice of such fact, and of the revised date prior to which such work will be fully completed, subject to such unavoidable delays, within a reasonably prompt time after Lessor learns of such fact. Under no circumstances shall Lessor be liable to Lessee in damages for any delay in commencing or completing the Premises or for a total failure to complete same.

4.03 Intentionally Omitted.

4.04 Water Main. The fire protection system for the Premises is supplied by a common water main located on property adjacent to the Premises (the "Water Main Property"). As soon as possible, Lessor shall obtain for Lessee a written instrument, satisfactory to Lessee in form and substance, from the fee owner of the Water Main Property, permitting Lessee to continue to use that source of water for the fire protection system of the Premises throughout the term hereof, together with evidence reasonably acceptable to Lessee that such joint use is lawful. Without limiting the right of Lessee to approve the form and substance of such instrument, Lessee shall have the right to approve the cost, or the method of allocating cost, of the water service thereunder. If Lessor has not obtained such instrument before the Commencement Date, Lessor, at its sole cost, shall cause an alternate source of water for the fire protection system to be installed in the Premises, and shall cause any such installation to be completed on or before July 1, 1995. If Lessor fails so to do, Lessee may cause the installation of such water source and, if not reimbursed by Lessor within thirty (30) days after Lessee's demand, Lessee may reimburse itself for the cost thereof, with interest at the rate for overdue payments of Base Rent, out of payments of Base Rent and Additional Rent thereafter coming due.

ARTICLE V - LESSEE'S COVENANTS.

5.01 Usage. The Premises shall be used by the named Lessee for office, mailing and distribution, account processing, warehouse and storage purposes. Lessee shall not use, occupy, suffer or permit the Premises or any part thereof to be used or occupied for any other purposes including those contrary to law, rules, or regulations of any governmental or public authority (including zoning restrictions). Lessee shall not undertake any activities or store any material or items within

the Premises so as to increase the cost of any insurance policy which Lessor or Lessee is required to maintain on the Building or Premises. Lessee shall not permit unreasonable noise or offensive odors to emit from the Premises, suffer waste or injury, nor sell, assign, mortgage or transfer this Lease or allow or permit any lien upon Lessee's interest herein by operation of law without prior written consent of Lessor. Lessee shall procure, at its sole cost and expense, any permit and/or licenses required for the transaction of Lessee's business in the Premises. Notwithstanding anything contained in this Lease to the contrary, there shall be no obligation on the part of Lessee to comply with any of the laws, directions, rules or regulations referred to which may require structural alterations, structural changes, structural repairs, or structural additions, all of which required structural alterations, changes, repairs or additions shall be the obligation of Lessor unless made necessary by the negligence or default of Lessee, in which event, Lessee shall comply at its expense.

5.02 Alterations. Lessee shall make no additions, changes, alterations or other improvements (the "Work") to the Premises or any electrical or mechanical facilities, equipment or systems pertaining to the Premises or Building without the prior written consent of Lessor. Lessor may impose as a condition of such consent, such reasonable requirements as Lessor, in its sole discretion, may deem desirable including, without limitation, the submission of drawings, plans, and specifications for Lessor's written approval, the obtainment of necessary permits, the posting of bonds and requirements as to the manner in which and the time or times at which such Work shall be done. Lessor's consent to non-structural alterations shall not be unreasonably withheld. In no event shall any work affect the structure of the Building. Lessee shall have the right to add exterior lighting to the Building as shown on Exhibit "H".

If Lessor consents to the work by Lessee, any contractor selected by Lessee to do the same must first be approved, in writing, by Lessor. Lessee shall hold Lessor harmless of and from any cost or liability with respect to, and shall keep the Premises and Building free from any mechanic's, materialman's or similar liens placed upon the Lessor. Prior to the commencement of any such work, Lessee shall give evidence to Lessor that appropriate insurance satisfactory to Lessor has been obtained by Lessee and contractors for the protection of Lessor, including naming Lessor as an additional insured, and its Lessees and invitees from damage or injury resulting from the work. All such work, other than trade fixtures or movable items, shall become the property of Lessor and shall be surrendered with the Premises, as a part thereof, at the termination of the Lease, whether by lapse of the term, termination for default or otherwise without compensation, credit or setoff to Lessee.

5.03 Signs. Lessee will have the right to affix, install, or erect any signs, graphics, advertisements or notices on any part of the outside or inside of the Premises or Building of which they are a part, or the Common Areas, without need to obtain Lessor's approval. All costs of acquiring and installing such approved sign shall be borne by Lessee. Lessee shall comply with any and all sign graphics, governmental rules and regulations. At the end of the term, Lessor may reasonably require Lessee to remove any signs installed by Lessee and repair any damage caused by such removal.

5.04 Indemnification and Insurance.

5.04.1 Subject to Section 6.03.2, Lessee will indemnify, defend and hold the Lessor harmless against any and all claims, damages, lawsuits, and judgments for loss, damage, injury and/or occupancy of the Premises resulting from any injury to person or property of from loss of life in or about the Premises, except if caused by the negligence, breach of this Lease, or willful misconduct of Lessor, or any of Lessor's officers, employees, agents or representatives acting on behalf of Lessor.

5.04.2 (a) The obligation to indemnify contained in this Section 5.04 or elsewhere in this Lease is conditioned upon the party claiming the right to be indemnified (the "Indemnitee"), (i) first promptly notifying the other (the "Indemnitor") of the claim, damage, lawsuit or potential judgment (a "Claim") for which indemnity is sought, provided that delay in notification shall release the Indemnitor only to the extent of actual prejudice resulting from the delay; (ii) fully tendering to the Indemnitor the defense of such Claim, and (iii) otherwise fully complying with all of the terms set forth in this Section 5.04.2. With respect to the indemnity obligations undertaken by Lessor and Lessee in this Lease, the Indemnitor shall at its cost defend or cause to be defended any Claim against the Indemnitee alleging such acts or omissions and seeking damages which are payable under the terms of this Lease, even if any of the allegations of such Claims are groundless, false or fraudulent; but the Indemnitor may make or cause to be made such investigation and such settlement of any Claim as the Indemnitor or its insurers shall deem expedient. Unless the Indemnitor shall decline to so defend, the Indemnitee shall not, except at its own cost, voluntarily make any payment, assume any obligation or incur any expense in connection with any Claim for which indemnity may be sought hereunder. The Indemnitee shall cooperate with the Indemnitor or its insurer and, upon the request of the Indemnitor, assist in making settlements in the conduct of suits, and in enforcing any right of contribution or indemnity against any person or organization

(other than an employee of the Indemnitee) who may be liable to the Indemnitee because of acts or omissions with respect to which indemnity is afforded under this Lease. The Indemnitee shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses.

(b) To the extent of any payment made hereunder the Indemnitor or, if applicable, its insurer, shall be subrogated to all of the Indemnitee's rights of recovery therefor, against any person or organization (other than an employee of the Indemnitee) and the Indemnitee shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Indemnities shall do nothing after loss to prejudice such rights.

(c) Upon the Indemnitee becoming aware of any act or omission which might reasonably be expected to be the basis of a Claim covered hereby, written notice shall be given by the Indemnitee or on its behalf to the Indemnitor as soon as practicable, together with the fullest information obtainable. If claim or demand is made or suit is brought against the Indemnitee, the Indemnitee shall immediately forward to the Indemnitor every demand, notice, summons or other process received by the Indemnitee or its representative.

5.04.3 Lessee agrees to carry, at its own expense throughout the term of this Lease, public liability insurance covering the Premises, and Lessee's use thereof, with the minimum of Five Hundred Thousand Dollars ($500,000.00) on account of bodily injury to or death of one (1) person and One Million Dollars ($1,000,000.00) on account of bodily injury to or death of more than one (1) person as a result of any one (1) accident or disaster, and with One Hundred Thousand Dollars ($100,000.00) coverage for property damage, with such deductible as Lessee may typically carry in the course of its business, subject to the reasonable approval of Lessor's mortgagee. Any

insurance required to be carried by Lessee hereunder may be effected by one or more blanket policies, if Lessee so elects. Lessee shall deliver a Certificate of insurance to Lessor prior to the date of occupancy and said insurance policy shall list and protect Lessor, and Lessee, as their interests may appear, and contain an endorsement stating that the insurer agrees to notify Lessor not less than Ten (10) days in advance of modification or cancellation thereof

5.04.4 Except to the extent of Lessor's negligence or willful misconduct, Lessor shall not be liable: for any damage done or by or from the electrical system, the heating or air conditioning system, the plumbing and sewer systems in, upon or about the Premises or the Building of which the Premises are a part, nor for the damages occasioned by water, snow or ice being upon or coming through the roof, trapdoor, walls, windows, doors or otherwise, nor for any damage arising from acts of negligence of co-tenants or other occupants of adjoining or contiguous property; and furthermore, Lessor shall not be liable for any damage occasioned by reason the construction of the Premises or for failure to keep the Premises in repair unless Lessor is obligated to make such repairs under the terms hereof, and unless notice of the need for repairs has been given Lessor, a reasonable time has elapsed and Lessor has failed to make such repairs. Notwithstanding anything contained in this Lease, Lessor shall not be relieved of its obligation to make repairs or its liability for failure to do so because of Lessee's failure to provide notice of the need for a repair when Lessee does not have actual knowledge of the need and Lessor has actual knowledge of such a need. In any event, Lessor shall not be liable for any damage to Lessee's leasehold improvements, fixtures, or merchandise resulting from fire or other insurable hazards, regardless of the cause thereof, and Lessee hereby releases Lessor from all liability for such damage.

5.05 Repairs by Lessee.

5.05.1 Lessee shall keep and maintain the Premises and any fixtures, facilities or equipment contained therein, in good condition and repair, including, but not limited to, the heating, air conditioning and ventilation system serving the Premises (including any portions thereof located outside of the Premises), that portion of the electrical, plumbing and sewer systems within and exclusively serving the Premises, any exterior lighting or electrical fixtures or bulbs, the exterior doors and window frames, and shall make any replacement thereof, and of all broken and cracked glass as may become necessary during the term of this Lease or any renewal or extension thereof, excepting, however, such repairs and replacements as are the obligations of Lessor under Article VI 6.02 hereof, and excepting any repairs made necessary by reason of damage due to fire or other casualty covered by standard fire and extended coverage insurance. Lessee shall also make, at its expense, any non-structural alterations to the Premises, Building (except the roof) and Common Areas required by any governmental authority. If Lessee refuses or neglects to commence or complete repairs within 30 days after receipt of written notice from Lessor, Lessor may, but shall not be required to do so, make or complete said repairs and Lessee shall pay the cost thereof to Lessor upon demand. Lessee shall water the lawn and plants in the Common Areas as necessary. Lessee will repair any damage to the roof, structural elements or parking lot caused by Lessee or its employees or contractors, normal wear and tear excepted.

5.05.2 Lessor warrants and represents that, on the date hereof, the heating, ventilating and air conditioning systems of the Premises, including all components thereof, are in good condition and repair.

5.06 Personal Property. Lessee agrees that all personal property of whatever kind and whichever description that may be at any time in the Premises shall be kept at Lessee's sole risk or at the risk of those claiming through Lessee and that Lessor shall not be liable for any damage to or loss of

such personal property except if arising from or caused by the negligence of Lessor. All articles of personal property and all business and trade fixtures, machinery and equipment not affixed to real property, furniture and movable partitions owned by Lessee or installed by Lessee at its expense in the Premises shall be and remain the property of Lessee and may be removed by Lessee. All other fixtures shall at option of Lessor become the property of Lessor. In the event Lessee fails to remove such articles of personal property and/or business or trade fixtures upon termination of the Lease, the same shall be deemed abandoned and Lessor may, at its option, keep the same for its use or remove the same in any manner that Lessor shall choose, or store said effects at Lessee's expense without liability of Lessor to Lessee for loss thereof, and Lessee shall pay, on demand, any and all expenses incurred in such removal, including court costs and attorney's fees and storage charges on such effects, or Lessor may, at its option, pursue any other rights or remedies available to Lessor at law or equity. Lessee shall bear the cost to repair any damage to the Premises upon termination of the Lease for any cause whatsoever.

5.07 Inspection. Lessee hereby permits Lessor or Lessor's agents to inspect or examine the Premises at any reasonable time upon reasonable prior notice to Lessee, to make such repairs to the Premises that Lessor may deem desirable or necessary for the safety or preservation of the Premises and/or the Building, and to permit Lessor or Lessor's agents to exhibit the Premises to prospective purchasers, and, during the last six (6) months of the term of this Lease or any renewal term prospective tenants. Lessee shall exercise its rights under this Section 5.07 so as not to interfere with Lessee's use and occupancy of the Premises. If Lessor shall cause physical damage to the Premises or Lessee's personal property contained therein as a result of such entry, Lessor shall promptly repair or replace the same at its own cost and expense, and such cost shall not be

included in operating and maintenance costs under Section 3.03. Lessor shall not have the right to retain a key to the Building or the Premises. Lessor shall have the right to use any and all means which Lessor may deem proper to enter the Premises in an emergency without liability therefor. Lessee shall provide Lessor with a list of persons having keys to the Building and their home telephone numbers.

5.08 Security Deposit. Intentionally omitted.

ARTICLE VI - LESSOR'S COVENANTS.

6.01 Parking Area and Common Areas. Lessor agrees that Lessee and Lessee's customers, employees and visitors shall have the uninterrupted and exclusive right throughout the term hereof, to use (but, prior to the Commencement Date, such rights shall be in common with others entitled to similar use thereof), the Common Areas, including those roads and parking areas surrounding and adjacent to the entire Building or within the Project in which the entire Building is located. Lessee shall not permit trucks to use the parking area designated for automobile parking. Lessor shall keep the parking areas free of snow and ice, and shall seal, stripe and patch the parking areas as needed, but not less often than annually. The cost thereof shall be included in Additional Rent under Section 3.03. Lessor shall maintain the landscaping in the Common Areas as necessary, to consist of mowing the lawn, all necessary fertilizing and mulching, and pruning trees and shrubs, and replacing any plants as necessary. The cost thereof shall be included in Additional Rent under Section 3.03. Lessor, at its own sole cost, shall cause the parking areas to be repaved not later than August 1, 1995, and thereafter as necessary, and such cost, except to the extent of damage

beyond normal wear and tear which damage was caused by Lessee, its employees and contractors, shall not be included in Additional Rent.

6.02 Repair and Maintenance of Building. Lessor shall keep and maintain in good order, condition and repair the roof (which shall at all times be maintained in sound and water-tight condition), gutters, downspouts, exterior and interior structural walls, foundation and other structural elements, the Common Areas, and the exterior portions of the plumbing, and sewer systems serving the Common Areas and the Building. The cost of all such repairs shall be borne by Lessee as part of the Additional Rent subject to the terms of Article III 3.02 above, except for those made to the roof (including, if necessary, any replacement thereof), and the cost of repaving under Section 6.01, all of which shall be borne by Lessor, provided that Lessee shall be responsible for damage caused by Lessee, its employees and contractors beyond normal wear and tear. Lessor shall repair, at Lessor's sole cost, and without including the same in the Additional Rent, any defects in Lessor's construction work under Section 4.01 Lessor which defects first manifest themselves within one year after the Commencement Date.

6.02.1 Lessor shall, at its own cost and expense without chargeback to Lessee as Additional Rent or otherwise, repair or replace any damage or injury to all or any part of the Premises caused by any act or omission of Lessor or Lessor's agents, employees, invitees, licensees or visitors.

6.02.2 Lessor shall perform all maintenance and repair obligations which are its responsibility hereunder so as to minimize the disruption of and interference with Lessee's business. If Lessor shall enter the Premises to perform repairs to the Building and the performance of such repairs would cause a

material disruption such that Lessee cannot transact its business, Lessee may require Lessor to perform such repairs during the period from 10:00 p.m. to 6:00 a.m. and during such additional hours, if any, when Lessee shall not be conducting its business in the Premises. If the repairs Lessor is to perform shall be lengthy in duration, Lessee shall undertake reasonable efforts, without being required to disrupt its business or make the conduct of the same materially more inconvenient, to enable Lessor to perform all or more of such repairs during daytime hours.

6.02.3 In the event Lessor shall fail to make repairs, maintenance or replacements required herein within Thirty (30) days after notice (except in an emergency in which case Lessor shall respond immediately upon notice), Lessee shall have the right, but not the obligation, to make said repairs, maintenance or replacements on behalf of Lessor, and to bill Lessor for the cost thereof, with such amount to be paid by Lessor to Lessee within Fifteen (15) days of the date of Lessee's bill. Notwithstanding any other notice provision in this Lease, notice for repairs, maintenance or replacements deemed by Lessee to be of an emergency nature can be made in any reasonable manner calculated to give Lessor actual notice.

6.03 Casualty Insurance. Lessor shall be responsible for insuring and shall, at all times during the term of this Lease, carry a policy of insurance which insures the Building, including the Premises, against loss or damage by fire or other casualty in an amount not less than eighty percent (80%) of the replacement cost, or such greater amount as may be necessary to prevent Lessor from being deemed a co-insurer. Lessor currently carries coverage for replacement cost with an agreed amount endorsement, together with rental loss coverage for twelve (12) months of Base Rent and Additional Rent. Lessor shall not be responsible for, and shall not be obligated to

insure against, any loss of or damage to any personal property of Lessee of which Lessee may have on the Premises or any trade fixtures installed by or paid for by Lessee on the Premises or any additional improvements which Lessee may construct on the Premises, as provided in Article V 5.02. Notwithstanding the foregoing, by notice to Lessor, Lessee may, upon the reasonable consent of Lessor and its mortgagee, elect at any time and from time to time, to carry the insurance required by this Section 6.03 for the benefit of Lessor and Lessee.

6.03.1 Lessor shall deliver to Lessee a certificate that the insurance required by Section 6.03 is in effect, and shall deliver to Lessee a certificate of renewal coverage not less than ten (10) days before expiration of any such coverage. Each such certificate or renewal certificate shall contain an agreement on the part of the carrier that the coverage provided thereby shall not be canceled, modified or permitted to lapse without thirty (30) days' prior written notice to Lessee, and shall contain evidence of the waiver of subrogation required by Section 6.03.2 below. Upon Lessor's failure to deliver any such certificate, Lessee shall have the right, but not the obligation, to procure insurance for the account of Lessor. If Lessor fails to reimburse Lessee for the cost of such insurance within ten (10) days after written demand, Lessee, in addition to any other right or remedy, may reimburse itself therefor, with interest as provided in the case of overdue rent, out of the Base Rent and Additional Rent coming due hereunder.

6.03.2 Each of Lessor and Lessee hereby releases the other from any and all liability or responsibility to the other or anyone claiming through or under them by way of subrogation or otherwise for any loss or damage specifically insured against, or required by the terms hereof to be insured against, by or on behalf of such party even if such loss or damage shall have been caused by the fault or

negligence of the other party, or anyone for whom such party may be responsible, and each party agrees to cause its insurance policies to contain a clause pursuant to which the insurer (a) waives all right of subrogation against the other party for losses covered by such policy and (b) agrees that such policy shall not be invalidated because the insured has hereby waived any right of recovery for losses covered by such policy.

6.04 Liability Insurance. Lessor shall have the right to obtain and maintain such public liability insurance concerning its ownership and operation of the Building as is customarily carried by other prudent owners of similar properties, or as may reasonably be required by Lessor's mortgagee. The reasonable and competitive cost of any such insurance shall be included in Additional Rent.

ARTICLE VII - UTILITIES AND OTHER BUILDING SERVICES.

7.01 Services and Utilities. Lessee, at its sole cost and expense, shall contract for and pay the cost of all utilities serving the Premises, including, but not limited to electricity, natural gas, water, sewer, trash collection, security system (if any) and janitorial services. Lessee, at its sole cost, shall cause all such utility services to be separately metered for use consumed on the Premises and billed directly to Lessee. Lessee shall notify Lessor before removing any existing utility meters from the Premises.

7.02 Additional Services. If Lessee requests any other utilities or building services in addition to those identified above, Lessor shall use reasonable efforts to attempt to furnish Lessee with such additional utilities or Building services. In the event Lessor is able to and does furnish such

additional utilities or building services, the cost thereof shall be borne by Lessee, who shall reimburse Lessor monthly for the same as provided in Article VII 7.04.

7.03 Interruption of Services. Lessee understands, acknowledges and agrees that any one or more of the utilities or other building services identified in Article VII 7.01 may be interrupted by reason of accident, emergency or other causes beyond Lessor's control, or may be discontinued or diminished temporarily by Lessor or other persons until certain repairs, alterations or improvements can be made; that Lessor does not represent or warrant the uninterrupted availability of such utilities or building service; and that any such interruption shall not be deemed an eviction or disturbance of Lessee's right to possession, occupancy and use of the premises or any part thereof, or render Lessor liable to Lessee for damages by abatement of rent or otherwise, or relieve Lessee from the obligation to perform its covenants under this Lease, except as set forth herein. In the event any utility service to the Premises shall be interrupted for a period of more than one (1) day due to Lessor's negligence, then the Base Rent and all other charges required hereunder shall abate until such services are fully restored.

7.04 Payment for Utilities and Building Services. The cost of all additional utilities or other building services furnished by Lessor at the request of Lessee or as a result of Lessee's activities as provided in Article VII 7.02 shall be borne by Lessee who shall be separately billed therefor and who shall reimburse and pay Lessor monthly for the same as additional rent, at the same time the monthly installment of Base Rent and other Additional Rent is due.

ARTICLE VIII - DEFAULTS AND REMEDIES.

8.01 Defaults by Lessee. The occurrence of any one or more of the following events shall be a default and breach of this Lease by Lessee:

A. Lessee shall fail to pay any monthly installment of Base Rent or Additional Rent or other payment required herein after the same shall be due and payable, and shall remain unpaid for a period of ten (10) days after notice from Lessor that the same are due and unpaid.

B. Lessee shall fail to perform or observe any term, condition, covenant or obligation required to be performed or observed by it under this Lease, other than the obligations contained within Article VIII 8.01 (A) above, for a period of Thirty (30) days after written notice thereof from Lessor; provided, however, that if the term, condition, covenant, or obligation to be performed by Lessee is of such nature that the same cannot reasonably be performed within such Thirty (30) day period, such default shall be deemed to have been cured if Lessee commences such performance within said Thirty (30) day period and thereafter diligently undertakes to complete the same.

C. Lessee shall vacate or abandon, or fail to occupy for a period of thirty (30) days, the Premises or any substantial portion thereof.

D. A trustee or receiver shall be appointed to take possession of substantially all of Lessee's assets in, on or about the Premises or of Lessee's interest in this Lease (and Lessee does not regain possession within Sixty (60) days after such appointment); Lessee makes an assignment for the benefit of creditors; or substantially all of Lessee's assets in, on or about the Premises or Lessee's

interest in this Lease are attached or levied upon under execution (and Lessee does not discharge the same within Sixty (60) days thereafter).

E. A petition in bankruptcy, insolvency or for reorganization or arrangement is filed against Lessee pursuant to any federal or state statute (and, with respect to any such petition filed against it, Lessee fails to secure a stay or discharge thereof within Sixty (60) days after the filing of the same).

8.02 Remedies of Lessor. Upon the occurrence of any event of default set forth in Article VIII 8.01, Lessor shall have the following rights and remedies, in addition to those allowed by law, any one or more of which may be exercised without further notice to or demand upon Lessee:

A. Lessor may re-enter the Premises by process of law and cure any default of Lessee, in which event Lessee shall reimburse Lessor as additional rent for any cost and expenses which Lessor may incur to cure such default; and Lessor shall not be liable to Lessee for any loss or damage which Lessee may sustain by reason of Lessor's action, except to the extent caused by Lessor's negligence.

B. Lessor may terminate this Lease as of the date of such default, in which event: (1) neither Lessee nor any person claiming under or through Lessee shall thereafter be entitled to possession of the Premises, and Lessee shall immediately thereafter surrender the Premises to Lessor; (2) Lessor may re-enter the Premises and dispossess Lessee or any other occupants of the Premises by summary proceedings or other legal process and may remove their effects, without prejudice to any other remedy which Lessor may have for possession or arrearages in rent; and (3) notwithstanding

the termination of this Lease Lessor may re-let all or any part of the Premises for a term different from that which would otherwise have constituted the balance of the term of this Lease and for rent and on terms and conditions different from those contained herein, whereupon Lessee shall immediately be obligated to pay to Lessor as liquidated damages the difference between the rent provided for herein and that provided for in any Lease covering a subsequent re-letting of the Premises, for all of Lessor's reasonable and necessary costs and expenses for preparing the Premises for re-letting, including repairs, tenant finish improvements, broker's and attorney's fees, and all loss or damage which Lessor may sustain by reason of such termination, re-entry and reletting, it being expressly understood and agreed that the liabilities and remedies specified herein shall survive the termination of this Lease, and provided that any broker's fees in respect of such reletting shall be pro-rated by multiplying them by a fraction (but in no event greater than one), the numerator of which is the unexpired term of this Lease as of the date of the default by Lessee, and the denominator of which shall be the term of the new Lease. Lessor shall use reasonable efforts to mitigate such expenses, any loss of rent, and any other damages.

C. Lessor may sue for injunctive relief or to recover damages for any loss resulting from the breach.

8.03 Limitation of Lessor's Liability. In consideration of the benefits accruing hereunder, Lessee and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Lessor:

A. The sole and exclusive remedy shall be against the partnership's assets.

B. No partner of the partnership shall be sued or named as a party in any suit or action (except as may be necessary to secure jurisdiction of the partnership).

C. No service of process shall be made against any partner of the partnership (except as may be necessary to secure jurisdiction of the partnership).

D. No partner of the partnership shall be required to answer or otherwise plead to any service of process.

E. No judgment will be taken against any partner of the partnership.

F. Any judgment taken against any partner of the partnership may be vacated and set aside at any time nunc pro tunc.

G. No writ of execution will ever be levied against the assets of any partner of the partnership.

H. These covenants and agreements are enforceable both by Lessor and also by any partner of the partnership

8.04 If during the Term of this Lease, Lessor or Lessee institutes any action or proceeding against the other relating to the provisions of this Lease or any default hereunder, the unsuccessful party in such action or proceeding agrees to reimburse the successful party for the reasonable expenses of such action, including reasonable attorneys' fees and disbursements incurred by the successful party, regardless of whether the action or proceeding is prosecuted to judgment.

8.05 Lessor's Option to Perform Upon Lessee's Default. Upon default by Lessee and the failure to cure the same within any time, if any, provided for cure herein, Lessor may, at its option, elect to perform and complete such condition of default and the amount of such expenditure plus accrued interest at the rate set forth in Section 3.01 from the time such expenditure is made until reimbursed, shall immediately become due and payable to Lessor, and be considered additional rental hereunder. Such election by Lessor shall not constitute a waiver of said default by Lessee or affect any right or remedy available by Lessor.

8.06 Lessor's Option to Reinstate Lease. In the event that Lessee has defaulted in the performance of any or all of the terms and conditions of this Lease, or this Lease is terminated in any manner provided herein, the Lessor may, at its option, allow this Lease to be reinstated upon the receipt and reimbursement by Lessee of all of Lessor's expenses caused by said default or termination, including, but not limited to, attorney fees, advertising expenses, maintenance and repair expense and preparation charges.

8.07. Arbitration Of Disputes.

8.07.1 Disputed Defaults. In the event that Lessee disputes whether or not Lessee must cure an alleged default under this Lease after being served by Lessor with a notice of default, Lessee shall have such grace period as is provided in this Lease in which to submit the matter to binding arbitration as set forth below, in which event Lessor's remedies under Section 8.02, as well as any other right of Lessor to recover possession of the Premises or to terminate the Lease, shall be stayed pending the arbitration. In the event that the arbitration results in a finding that Lessee is required to cure the alleged default, Lessee shall have such grace period as is provided in the Lease to cure such default, commencing from the date Lessee receives a copy of the award of the arbitrator(s); provided, however, that if such default cannot be cured within such period, the grace period will be extended by the reasonable period required to cure, provided that Lessee commences the curing of such default within such period and thereafter diligently prosecutes the curing of such default. Lessee's rights under this Section 8.07.1 shall not apply to a default consisting solely of the failure to pay Base Rent.

8.07.2 Disputed Reimbursement. In the event Lessor disputes any demand for reimbursement or refund by Lessee, Lessor may within Thirty (30) days after receipt of Lessee's demand for payment serve a notice on Lessee that Lessor is submitting the matter to binding arbitration, as set forth below.

8.07.3 Arbitrators; Award. Any disagreement or controversy described in Section 8.07.1, 8.07.2, or elsewhere in this Lease, may be settled by binding arbitration to be held, and the award made, in the county where the Premises are located, pursuant to the then-applicable rules of the American

Arbitration Association. In any such arbitration, the arbitrator shall be: (a) any person selected by the parties to the dispute, if they are able to so agree within ten (10) days after any party requests the other to so agree, if not, (b) a three-member arbitration panel, which shall act by majority vote and which shall consist of one member selected by each party to the dispute and one member selected by the two members so selected, who shall act as chairman of the arbitration panel. If the first two arbitrators are unable to agree on the selection of the third arbitrator within twenty (20) days after their appointment, the third arbitrator shall be selected by the American Arbitration Association. If one party requests the other to agree on a single arbitrator and the parties have failed to agree on such a single arbitrator, and one of the parties thereafter shall fail or refuse to appoint a person to the arbitration panel under clause (b) above within twenty (20) days after the original request for agreement on a single arbitrator was made, the arbitration panel shall consist solely of the single arbitrator selected by the other party. The arbitrator(s) shall apply the substantive law of the state in which the Premises are located. Any award of the arbitrator(s) shall state the reasoning on which the award is based.

8.07.4 Failure to Appear. If one of the parties shall fail or refuse to appear or to present evidence at the arbitration hearing, the arbitrator(s) shall be authorized to accept the evidence presented by the party in attendance at the hearing and enter an award based on the evidence presented. Any costs of arbitration shall be borne by the party against whom the award is made, including but not limited to the fees of the arbitrators.

8.07.5 Reimbursement. Lessee may reimburse itself with respect to any matter described in Section 8.07.2 as follows. Lessor's failure to serve a demand for arbitration within the period described in

Section 8.07.2 shall be deemed a waiver of any objection to Lessee's demand, and Lessee, if not reimbursed by Lessor, may reimburse itself from, and Lessee shall be entitled to a corresponding credit against, succeeding Base Rent and other charges, with interest at rate provided in this Lease from the 10th day after Lessee's initial demand. If Lessor timely demands arbitration as set forth in Section 8.07.2, Lessee shall not reimburse itself pending award of the arbitrator(s). If any amount awarded Lessee in the arbitration is not paid by Lessor within ten (10) days from the date of award, with interest from the date of the award, Lessee may thereafter reimburse itself from, and Lessee shall be entitled to a corresponding credit against, succeeding Base Rent and other charges, with interest from the date of the award. If any amount awarded Lessor in the arbitration is not paid by Lessee within ten (10) days from the date of the award, with interest, from the date of the award, Lessor may resort to the remedies set forth in this Lease without further notice, as if no grace period ever existed.

ARTICLE IX - CASUALTY OR OTHER DESTRUCTION OF PREMISES.

9.01 Lessor's Right of Termination. If the Premises or the Building of which the Premises forms a part, shall be destroyed or damaged by fire, casualty or other cause so as to render the Premises unfit, in whole or in part, for Lessee's occupancy and use, and such destruction or damage can, in the opinion of the Lessor, reasonably be repaired within One Hundred Eighty (180) days from the happening of said destruction or damage, Lessor, shall, within Twenty-one (21) days of said occurrence, so notify Lessee of said fact, including the amount of time that Lessor estimates will be necessary for the repair, and Lessor shall, unless Lessee elects to terminate this Lease as set forth below, repair the same to substantially the same condition which existed immediately prior to the occurrence of said destruction or damage with all reasonable diligence and speed. If, during said

repair period, Lessee shall be unable to use all or any portion of the Premises, the rent to be paid by Lessee hereunder shall be reduced proportionately in an amount by which that portion of the Premises of which Lessee shall be deprived on account of said destruction or damage and the repair thereof bears to the total area of said Premises. If the Premises, or the building of which the Premises forms a part, shall be destroyed or damaged by fire, casualty or other cause, so as to render the Premises unfit, in whole or in part, for Lessee's occupancy or use, and said destruction or damage cannot, in the reasonable opinion of Lessor, reasonably be repaired within One Hundred Eighty (180) days from the happening of said destruction or damage, the Lessor shall notify Lessee of such fact (including the amount of time that Lessor estimates will be necessary for the repair) within Twenty-one (21) days after the happening of said occurrence and of Lessor's intention to either: (a) make repairs (and thereby continue said Lease) stating the amount of time which will be required to make any such repairs, or (b) terminate this Lease.

9.02 Lessee's Right of Termination. If the Premises cannot reasonably be repaired within One Hundred Eighty (180) days, and if Lessor shall not have elected to terminate the Lease under Section 9.01, or if the Premises cannot reasonably be repaired within eighty (80) days, Lessee shall have the option within Twenty-one (21) days after receipt of notice from Lessor under Section 9.01 to elect either: (i) to terminate this Lease as of the date of the happening of such destruction or damage, in which event all further liability of Lessee hereunder shall terminate and all rents paid to Lessor subsequent to said date (and until Lessee shall vacate said Premises) shall remain the property of Lessor and Lessee shall thereafter vacate said Premises, or (ii) to continue this Lease in full force and effect, in which event this Lease shall be extended by a period of time equivalent to the time from the happening of such destruction or damage until the Premises are repaired as hereinbefore

provided. For purposes of this Article IX, Lessee will be deemed to have elected to continue this Lease if Lessor shall not have received written notice to the contrary within said Twenty-one (21) day period and Lessor shall thereupon proceed to restore the Premises (and/or the Building of which the Premises forms a part), to the occurrence of said destruction of damage within the time specified in Lessor's notice to Lessee. Lessor shall commence its repairs or restoration within Thirty (30) days after the earlier of the expiration or waiver of Lessee's right to terminate as set forth above. If Lessor fails to commence its work within such time, or if Lessor fails to complete its repairs or restoration within the time set forth in Lessor's notice under Section 9.01 (subject to unavoidable delays as defined in Section 4.02), Lessee may, at any time thereafter until such repairs or restorations have been completed, terminate this Lease by thirty (30) days' notice to Lessor, with the same effect as in clause (i) above of this Section 9.02.

9.03 Rent Abatement. If, during the time beginning with the date the Premises (or the Building of which the Premises forms a part) shall have been so restored, Lessee shall be unable to use all or any portion of the Premises, the rent to be paid by Lessee hereunder shall be reduced proportionately in an amount by which that portion of the Premises of which Lessee shall be so deprived on account of said destruction or damage and the repair thereof to the total area of said Premises.

ARTICLE X - GENERAL PROVISIONS.

10.01 Notices. Any notices or demands required or permitted by law or any provision of this Lease shall be in writing and shall be completed by mailing such notice to the other party, or any agent designated by him to receive such notices, by certified or registered mail, return receipt requested,

postage prepaid, at the addresses listed in Article I 1.01 M or at such other or additional address or addresses as either party may hereafter designate in writing.

10.02 Additional Parties Bound by Provisions. Any person, corporation, partnership, joint venture, or other entity purchasing or procuring by any means whatsoever any interest in this Lease shall be bound and limited to the provisions contained herein. Provided, however, that no assignment by, from, through or under Lessee in violation of the provisions contained herein, shall vest in such assigns or other parties any right, title or interest whatsoever. For the purposes of interpreting this Paragraph, the permanent mortgagee shall not be considered a party to the Lease until such time as the mortgagee becomes the owner of the mortgaged Premises and the Lessor under this Lease.

10.03 Word Genders and Numbers. Whenever words are used herein in any gender, they shall be construed as though they were used in the gender appropriate to the context and the circumstances and whenever words are used herein in the singular or plural form, they shall be construed as though they were used in the form appropriate to the context and the circumstances.

10.04 Topic Headings. Headings and captions in this Lease are inserted for convenience and reference only and in no way define, limit or describe the scope or intent of this Lease nor constitute any part of this Lease and are not to be considered in the construction of this Lease.

10.05 Governing Law. This Lease shall be subject to and governed by the law of the State of Ohio, irrespective of the fact that one or more of the parties may be or become a resident of a different state.

10.06 Counterparts. Several copies of this Lease may be executed by all of the parties. All executed copies constitute one and the same Lease, binding on all parties.

10.07 Entire Agreement. This Lease contains the entire understanding between and among the parties and supersedes any prior understanding or agreements between and among them respecting the subject matter. No representations, arrangements or understandings except those fully expressed herein, are or shall be binding upon the parties. No changes, alterations, modifications, additions, or qualifications to the terms of this Lease shall be made or be binding unless made in writing and signed by each of the parties.

10.08 Recording. If either of the parties hereto desires to record this Lease, Lessor and Lessee agree to execute a Memorandum of this Lease, which Memorandum of Lease may then be recorded in the office of the County Recorder of Franklin County, Ohio.

10.09 Holding Over After Term. If Lessee holds over and remains in possession of said Premises after the term of this Lease or any renewal thereof, Lessee will from that date forward, unless the parties by written agreement stipulate to the contrary, be a Lessee from month-to-month at a rate equal to one hundred twenty-five percent (125%) of the Base Rental as defined in Article III 3.01 herein, and shall continue to be liable for all Additional Rent accruing during such period, and on the remaining terms and conditions as in existence at the time of the termination of the then existing Lease or any renewal thereof.

10.10 Laches. Any failure of Lessor to enforce rights or to seek remedies upon any default of Lessee hereunder, or the delay of said enforcement or the seeking of remedies shall not prejudice or affect the rights or remedies of Lessor in the event of any subsequent default or attempted enforcement at a later date.

10.11 Waiver. No waiver of any condition of legal right or remedy shall be implied by the failure of Lessor to declare a forfeiture or for any other reason.

10.12 Estoppel Certificates. The Lessee or Lessor, as the case may be, shall, within Thirty (30) days after written request of the other, execute, acknowledge, and deliver to the other, or any proposed mortgagee, or any proposed purchaser or assignee or sublessee of the real property or any part thereof, reasonable estoppel certificates requested by the other from time to time, which estoppel certificates shall show whether the Lease is in full force and effect and whether any changes may have been made to the original Lease; whether the term of the Lease has commenced and full rental is accruing; whether there are any defaults by Lessee or Lessor and, if so, the nature of such defaults; whether possession has been assumed and all improvements to be provided by Lessor have been completed; and whether Base Rent and/or Additional Rent has been paid more than thirty (30) days in advance and that there are no liens, charges, or offsets Rentals of any type due or to become due and that the address shown on such estoppel certificate is accurate.

10.13 Sublease or Assignment.

10.13.1 Subject to Lessor's rights under Section 10.13.2, Lessee shall have the right at any time to sublet said Premises or any part thereof or assign this lease without the prior written consent of Lessor. In

such event, it is hereby mutually agreed that Lessee shall nevertheless remain fully liable under all of the terms, covenants, and conditions of this Lease. If this Lease be assigned or if the Premises or any part thereof be subleased or occupied by anybody other than lessee, Lessor may collect from the assignee, sublessee, or occupant any rent or other charges herein reserved, but such collection by Lessor shall not be deemed a release of Lessee or Guarantor from the performance by Lessee under this Lease. Any assignee or sublessee or Lessee shall be subject to all conditions, restrictions, and obligations of Lessee as set forth herein.

10.13.2 If Lessee desires to assign this Lease or sublet the entire Premises, except as set forth in Section 10.13.3, Lessee shall give Lessor written notice thereof with copies of all, related documents and agreements associated with the assignment or sublease, including without limitation, the financial statements of any proposed assignee or subtenant, at least forty-five (45) days prior to the anticipated effective date of the assignment or sublease. Lessor shall have a period of thirty (30) days following receipt of such notice and all related documents and agreements to notify Lessee in writing (a "Termination Notice") of Lessor's approval or disapproval of the proposed assignment or sublease, or to notify Lessee that Lessor elects to terminate the Lease as of the date set forth in the Termination Notice, which shall be not less than 30 nor more than 60 days from the date of the Termination Notice, as though such date were the date fixed for the expiration of the term. Lessee may nullify the Termination Notice, at any time within fifteen (15) business days after Lessee receives the Termination Notice, by notifying Lessor in writing that Lessee withdraws its intent to assign or sublet.

10.13.3 The provisions of Section 10.13.2, including Lessor's right to terminate the Lease, shall not apply to any assignment or sublease (i) to an assignee or subtenant that controls, is controlled by or under common control with Lessee, or (ii) in connection with a merger or consolidation affecting Lessee, or the sale of all or substantially all of the stock of Lessee, or the sale or transfer of substantially all of the assets of Lessee or of Lessee's credit card processing and/or payment processing division.

10.14 Transfer of Lessor's Interest. In the event of a conveyance by Lessor of the Premises, such conveyance shall release Lessor from any liability, upon any of the covenants or conditions, express or implied, herein contained in favor of Lessee; and in such event, Lessee agrees to look solely to the responsibility of the successor in interest of Lessor and to this Lease for obligations thereafter arising. Upon written notice from Lessor of such conveyance, Lessee shall acknowledge ownership in the transferee and attorn and continue in quiet enjoyment of the Premises. Lessor shall have the right to sell, hypothecate, mortgage, transfer, sublet or assign this Lease and/or its interests in the Premises and shall not be liable for obligations thereafter accruing hereunder.

10.15 Eminent Domain. In the event the Premises or any part thereof or any of the land of which the Premises is a part shall be taken or condemned for public purpose by a competent authority, Lessee shall not be entitled to any part, or all, or the award paid for such taking or condemnation, and Lessor is to receive the full amount of such award. Lessee hereby expressly waives any right or claims to all or any part of such award. Provided, however, anything herein to the contrary notwithstanding, Lessee shall have the right to claim and recover from the taking of condemnation authority, but not from Lessor, such compensation as may be separately awarded or recovered by

lessee in Lessee's business by reason of the taking or condemnation and on account of moving expenses or any loss to Lessee for merchandise, furniture, fixtures and equipment.

In the event that the entire Premises or such part of the Premises so as to make the Premises unfit for occupancy as originally intended, should be taken or condemned, then Lessee shall have the option of terminating this Lease upon giving written notice to Lessor of such election within Thirty (30) days after possession of the part condemned by such authority whereupon the possession is so taken. In the event of any such taking or condemnation which does not result in a termination of this Lease, as hereinabove provided, Base Rent shall abate to the extent of any portion of the Premises rendered untenantable.

10.16 Mortgage Subordination. Lessee accepts this Lease subject and subordinate to any recorded mortgage lien presently existing or hereafter created upon the Building and to all existing recorded restrictions, covenants, easements and agreements with respect to the Building; provided that, as a condition to Lessee's obligations under this Lease, Lessee and the holder of any mortgage lien which shall be placed on the Premises prior to the Commencement Date shall enter into a subordination, non-disturbance and attornment agreement on terms mutually satisfactory within 15 days of later of the date hereof or the date of the execution of the mortgage by Lessor, which agreement shall provide, INTER ALIA that the mortgagee shall not disturb the tenancy of Lessee, so long as Lessee is not in default of its obligations under this Lease beyond any applicable notice and cure periods. Lessee agrees that the form of agreement attached hereto as Exhibit "I" is acceptable as to the holder of the now-existing mortgage; provided that Lessee shall have the right to modify any inaccurate representation contained therein before executing the agreement Lessee agrees to

subordinate Lessee's interest under this Lease to any mortgage lien placed on the Premises after Commencement Date, provided that as a condition to such subordination Lessee and such mortgagee shall enter into a mutually satisfactory non-disturbance, subordination and attornment agreement which shall include a covenant by the mortgagee not to disturb the tenancy of Lessee, so long as Lessee is not in default of its obligations under this Lease beyond any applicable notice and cure periods. Lessor shall use its best efforts to cause any such future mortgagee to agree that insurance proceeds and condemnation awards shall be used for the repair and restoration of the Premises when so provided in this Lease. If the interests of Lessor under this Lease shall be transferred by reason of foreclosure or other proceedings for enforcement of any first mortgage on the Premises, Lessee shall be bound to the transferee (sometimes called the "Purchaser"), under the terms, covenants and conditions of this Lease for the balance of the term remaining, including any extensions or renewals, with the same force and effect as if the Purchaser were Lessor under this Lease, and Lessee agrees to attorn to the Purchaser, including the first mortgagee under any such mortgage if it be the Purchaser, as its Lessor.

Notwithstanding the foregoing in the event of a foreclosure of any such mortgage or of any other action or proceeding for the enforcement thereof, or of any sale thereunder, this Lease will not be barred, terminated, cut off or foreclosed nor will the rights and possession of Lessee thereunder be disturbed if Lessee shall not then be in default in the payment of rental or other sums or be otherwise in default under the terms of this Lease, and Lessee shall attorn to the purchaser at such foreclosure, sale or other action or proceeding.

10.17 Surrender of Premises. Upon termination of this Lease, whether by lapse of time or otherwise, or upon the exercise of Lessor of the power to re-enter and repossess the Premises without terminating this Lease, as hereinbefore provided, Lessee shall at once surrender the possession of the same to Lessor in good order and repair and at once remove all of Lessee's property therefrom.

10.18 Quiet Enjoyment. Lessor hereby covenants and agrees that if Lessee shall perform all of the covenants and agreements hereinbefore stipulated to be performed on Lessee's part, Lessee shall at all times during the continuance hereof have the peaceable and quiet enjoyment and possession of the Demised Premises without any manner of let or hindrance from Lessor or any person or persons lawfully claiming the Premises.

10.19 Invalidity of Any Provision. The invalidity or enforceability of any particular provision of this Lease shall not affect the other provisions thereof and this Lease shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

10.20 Amendment of Agreement. This Agreement may be altered or amended only in writing, signed by both parties.

10.21 Definition of Rent. Any amounts of money to be paid by Lessee to Lessor pursuant to the provisions of this Lease, whether or not such payments are denominated "rent" or "additional rent" and whether or not they are to be periodic or recurring, shall be deemed "rent" or "additional rent" for purposes of this Lease; and any failure to pay any of the same as provided in Article VIII 8.01 hereof shall entitle Lessor to exercise all of the rights and remedies afforded hereby by law for the

collection and enforcement of Lessee's obligation to pay rent. Lessee's obligation to pay any such rent or additional rent pursuant to the provisions of this Lease shall survive the expiration or other termination of this Lease and the surrender of possession of the Premises after any holdover period.

10.22 Indemnification for Leasing Commissions. Each party hereto shall indemnify and hold harmless the other party for any and all liability incurred in connection with the negotiation or execution of this Lease for any real estate broker's leasing commission or finder's fee which has been earned by a real estate broker or other person on such party's behalf except that broker(s) or other person(s) described in Article I 1.01 L of the Basic Lease Provisions.

10.23 Reasonable Consent. If the consent, approval or permission of either party is required or desired by the other hereunder, the parties agree that it shall not unreasonably or arbitrarily withhold or delay such consent, approval or permission. In the event that any such consent, approval or permission is specifically withheld, the party denying such consent shall set forth in writing its reasons for such withholding, which reasons must be reasonable under the circumstances presented.

10.24 Hazardous Materials.

10.24.1 For purposes of this Lease hazardous materials ("Hazardous Materials") shall include, but shall not be limited to, any substances, materials or wastes that are regulated by any local governmental authority, the State of Ohio, or the United States of America because of toxic, flammable, explosive, corrosive, reactive, radioactive or other properties that may be hazardous to human health or the environment. Hazardous Materials also include, without limitation, any materials or

substances that are listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.01) as amended from time to time. Except for de minimus quantities used in Lessee's business, Lessee agrees that it will not use, handle, generate, treat, store or dispose of, or permit the use, handling, generation, treatment, storage or disposal of any Hazardous Materials in, on, under, around or above the Premises now or at any future time.

10.24.2 Lessor represents and warrants to Lessee that Lessor knows of no Hazardous Materials that have been used, handled, generated, treated, stored or disposed of in, on, under, around or above the Premises, except as disclosed in the report of ERM-Midwest, Inc. dated September 1, 1990 addressed to Century Life of America and except for de minimus quantities used by former tenants in their operation of the Premises. Lessor agrees that, except for de minimums quantities used in the maintenance of the Premises, it will not use, handle, generate, treat, store or dispose of, or permit the use, handling, generation, treatment, storage or disposal of any Hazardous Materials in, on, under, around or above the Premises now or at any future time. Lessor will indemnify, defend and save Lessee harmless from any and all actions, proceedings, claims and losses of any kind, including but not limited to those arising from injury to any person, including death, damage to or loss of use or value of personal property, and costs of investigation and cleanup or other environmental remedial work, which may arise in connection with Hazardous Materials introduced to the Premises by Lessor or any of its agents, contractors or employees.

10.24.3 If at any time during the term of this Lease it is determined that there are any Hazardous Materials located in, on, under, around, or above the Premises which are introduced to the Premises by Lessor or any of its agents, contractors, or employees, that are subject to any federal, state or local

environmental law, statute, ordinance or regulation, court or administrative order or decree, or private agreement ("Environmental Requirements"), including Environmental Requirements requiring special handling of Hazardous Materials in their use, handling, collection, storage, treatment or disposal, Lessor shall commence with diligence within thirty (30) days after receipt of notice of the presence of the Hazardous Materials and shall continue to diligently take all appropriate action, at Lessor's sole expense, to comply with all such Environmental Requirements.

10.24.4 If Hazardous Materials shall be found in, on, under or above the Premises and bringing the Premises into compliance with all applicable Environmental Requirements would cause the Premises to be rendered untenantable in whole or in part or would prevent Lessee from operating its business in the leased premises in the normal course and such Hazardous Materials shall not have been introduced to the Premises by Lessee or any of its agents, contractors or employees, and if such untenantability or inability to operate in the normal course continues for more than 150 days following the discovery of such Hazardous Materials, then until such untenantability or inability has ended, Lessee (and Lessor, unless Lessor or any of its agents, contractors or employees shall have introduced the Hazardous Materials to the Premises) shall have the right to terminate this Lease by written notice to the other at any time after such 150 day period. During any period when the Premises is untenantable or Lessee is prevented from operating its business therein in the normal course due to the presence of Hazardous Materials and if Lessee has not breached its obligations under Section 10.23.1, Base Rent and other charges payable hereunder shall be abated in proportion to the floor area of the Premises so affected.

ARTICLE XI - EXTENSION OPTIONS.

11.01 Extension Options. Lessor hereby grants to Lessee the option to extend the Lease for the number of additional consecutive Option Terms set forth in Section 1.01N, by written notice to Lessor at least one hundred eighty (180) days before the end of the Term or extension period, as the case may be; provided, however, that, if Lessee shall fail to give any such notice within the aforesaid time limit, Lessee's right to exercise its option shall nevertheless continue until thirty (30) days after Lessor shall have given Lessee notice of Lessor's election to terminate such option and Lessee may exercise such option at any time until the expiration of said thirty (30) day period, which notice may be given by Lessor at any time from and after two hundred ten (210) days before expiration of the term or Option Term, as the case may be. It is the intention of the parties to avoid forfeiture of Lessee's rights to extend the term of this Lease for any of the aforesaid Option Terms; provided that in no event shall Lessee have the right to exercise the option after expiration of the term or Option Term, as the case may be. Each Option Term shall be upon all terms and conditions as are contained in this Lease, except that upon expiration of the last such Option Term, there shall be no further Option Terms, and except that Base Rent during the Option Terms shall be as set forth in Section 11.02.

11.02 Base Rent During Option Terms. Base Rent during the First Option Term shall be the lesser of (a) the Base Rent set forth in Section 1.01H, plus such amount multiplied by the Percentage Change (as defined below) between the second month preceding the Commencement Date and the second month preceding the First Renewal Term, or (b) $202,163.00 per annum; but in no event less than the Base Rent for the initial term. Base Rent during the Second Option Term shall be the lesser of (a) the Base Rent set forth in Section 1.01H, plus such amount multiplied by the Percentage

Change (as defined below) between the second month preceding the Commencement Date and the second month preceding the Second Renewal Term, or (b) $258,016.00 per annum; but in no event less than the Base Rent for the First Option Term.

11.03 Percentage Change. "Percentage Change" shall mean, for any period, a fraction, the numerator of which is seventy-five percent (75%) of the difference between the CPI (as defined below) for the final month of such period and the CPI for the first month of such period and the denominator of which is the CPI for the first month of such period. "CPI" means the Consumer Price Index, All Urban Consumers (CPI-U), U.S. City Average, All-Items Index (1982-84 = 100) as published by the Bureau of Labor Statistics, United States Department of Labor. If at any time during the Term, the United States Bureau of Labor Statistics discontinues the issuance of such Index, "CPI" shall mean any other standard nationally recognized cost-of-living index then published by Prentice-Hall, Inc. or other nationally recognized publisher of similar statistical information agreed upon by Lessor and Lessee. If any monthly CPI is not available for use, the CPI as issued and published for the earliest preceding month shall be used. If the CPI ceases to be published on a monthly basis, then the shortest stated period for which it is published shall be used for purposes of this Lease.

11.04 Examples. The following examples are intended solely for purposes of illustration.

11.04.1 If the CPI for the second month preceding the Commencement Date is 144 and the CPI for the second month preceding the First Option Term is 160, then

$$\text{Percentage Change} = \frac{.75 \times (160 - 144)}{144}$$

$$= \frac{.75x(16)}{144} = \frac{12}{144} = \frac{1}{12}$$

Base Rent for First Option Term = 1-1/12 x ($158,400) = $13,200 + $158,400
= 171,600.

11.04.2 If the CPI for the second month preceding the Commencement Date is 144 and the CPI for the second month preceding the First Option Term is 140, then

$$\text{Percentage Change} = \frac{.75 \times (140 - 144)}{140}$$

Since the Percentage Change is less than zero, Base Rent for First Option Term = $158,400

11.04.3 If the CPI for the second month preceding the Commencement Date is 144 and the CPI for the second month preceding the First Option Term is 480, then

$$\text{Percentage Change} = \frac{.75 \times (480 - 144)}{144} = \frac{.75\ (336)}{144} = \frac{252}{144} = 1.75$$

Base Rent for initial term + (1.75 x Base Rent for the initial term)=

$158,400 + (1.75 x $158,400) = $435,600.

Base Rent for the First Option Term = $202,163.

IN WITNESS WHEREOF, this Lease has been executed and delivered by Lessee and Lessor as of the date first above stated.

Signed in the presence of:

/s/ Catherine A. Hankins
- ----------
Catherine A. Hankins

/s/ David G. Baker
- ----------
David G. Baker

LESSOR
AMERICANA PARKWAY WAREHOUSE LIMITED

By /s/ Stanford M. Ackley

Stanford M. Ackley
Managing General Partner

LESSEE

WORLD FINANCIAL NETWORK NATIONAL BANK (U.S.)

/s/ [ILLEGIBLE] — By /s/ Ralph E. Spurgin

Ralph E. Spurgin

/s/ [ILLEGIBLE] — Its President and Chief Executive officer

STATE OF OHIO
COUNTY OF FRANKLIN, SS:

Before me, a Notary Public, in and for said County, on this day personally appeared the above named Stanford M. Ackley, Managing General Partner of AMERICANA PARKWAY WAREHOUSE LIMITED, an Ohio Limited Partnership who acknowledged before me that he executed the foregoing instrument as the voluntary act and deed of said Partnership.

Witness my hand and official seal at Franklin County, Ohio, this 27th day of June, 1994.

/s/ David G. Baker

NOTARY PUBLIC

DAVID G. BAKER
ATTORNEY AT LAW
NOTARY PUBLIC - STATE OF OHIO
LIFETIME COMMISSION

STATE OF OHIO
COUNTY OF FRANKLIN, SS:

On this 29 day of June, 1994 before me personally appeared Ralph E. Spurgin, the President/CEO of WORLD FINANCIAL NETWORK NATIONAL BANK (U.S.) , a banking corporation organized under the laws of the United States, who acknowledged that he did sign the foregoing Lease Agreement for and on behalf of the Corporation, and that the same is his free and voluntary act and deed for the uses and purposes mentioned therein..

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on the date and year aforesaid.

/s/ Mary Brewer

[SEAL]

NOTARY PUBLIC

EXHIBITS

A: Legal Description
B: Budget
C: 1993 Expenses
D: Buckeye Agreement
E: Tax Bill
F: Structural Report
G: Floor Plan
H: Exterior Lighting
I: Non-Disturbance Agreement

EXHIBIT "A"

Situated in the State of Ohio, County of Franklin, City of Columbus, being located in Section 24, Township 12, Range 21, Refugee Lands and being part of that 58.428 acre tract as conveyed to Trojan Enterprises, Inc., by deed of record in Deed Book 3390, Page 102, all references being to records of the Recorder's Office, Franklin County, Ohio, and being more particularly bounded and described as follows;

Beginning at an iron pin at the northwesterly corner of the 3.00 acre tract as conveyed to the Church of Christ in Christian Union, by deed of record in Deed Book 3310, Page 424;

thence North 86 DEG. 28' 29" West, with a westerly extension of the northerly line of said 3.00 acre tract, a distance of 110.04 feet to a point;

thence North 4 DEG. 22' 24" East, a distance of 529.16 feet to a point in the southerly line of Americana Parkway as the same was dedicated by the plat of "DEDICATION OF AMERICANA PARKWAY & TUSSING ROAD & EASEMENTS", of record in Plat Book 55, Page 67;

thence South 85 DEG. 37' 36" East, with the southerly right-of-way line of said AMERICANA PARKWAY, a distance of 325.00 feet to a point;

thence South 4 DEG. 22' 24" West, a distance of 524.35 feet to a point;

thence North 86 DEG. 28' 29" West, passing the northeasterly corner of said 3.00 acre tract at 15.00 feet, a distance of 215.00 feet to the place of beginning, containing 3.930 acres of land, more or less.

June 24, 1994

EXHIBIT B - BUDGET 1994/AMERICANA PARKWAY

Additional Rent: Pro-rate share of operating costs projected to $.79 1/2 per square foot for 1994. Breakdown is as follows:

	Per Year	Per Sq. Ft./Year
Real estate taxes	$30,856	$.54/sq. ft.
Operating	6,409	.11
Insurance	3,166	.055
Accounting & Mgmt.	5,366	.09
Total	$45,797 DIVIDED BY 57,600 =	.795

These are the projected costs of operation for this building based on past economic activity. There may be other reasonable operating and maintenance expenses in the future now unknown to the Lessor.

EXHIBIT C

WALLACE F. ACKLEY COMPANY

ANALYSIS OF AMERICANA PARKWAY WAREHOUSE
YEAR ENDING 1993

	Gross Rents	Owner Payment	Adv.	Cleaning	Mgmt. Fee	Insc.	Prof. 5va.	Mortgage	Repairs	Taxes	O1IL
January	13,726.59	0.00	123.00	0.00	274.53	0.00	0.00	9,266.00	(59.11)	0.00	1,273.37
February	28,834.88	0.00	143.25	0.00	577.70	0.00	0.00	9,266.00	528.01	0.00	485.66
March	14,152.16	1,300.00	172.86	299.00	283.04	0.00	1,300.00	9,266.00	378.90	0.00	216.81
April	13,536.67	0.00	254.85	67.00	270.73	0.00	0.00	9,266.00	460.00	0.00	273.61
May	13,546.67	13,554.88	327.08	260.57	270.93	0.00	0.00	9,266.00	72.00	13,554.88	252.76
June	13,546.67	0.00	377.03	260.00	270.93	0.00	0.00	9,266.00	925.43	0.00	104.95
July	13,666.25	0.00	349.70	375.57	273.33	0.00	0.00	9,266.00	85.45	0.00	254.59
August	28,157.48	3,166.00	341.12	385.12	563.15	3,166.00	0.00	9,266.00	0.00	0.00	253.87
September	13,735.27	0.00	470.20	70.00	274.71	0.00	0.00	9,266.00	0.00	0.00	115.69
October	1,817.39	0.00	415.85	855.57	36.35	0.00	0.00	9,266.00	0.00	0.00	286.18
November	25,737.96	834.27 a)	492.34	180.57	514.76	0.00	0.00	9,266.00	180.32	0.00	164.16
December	14,019.44	15,426.64	398.80	100.00	280.39	0.00	0.00	9,266.00	681.38	15,426.64	322.09
Totals:	194,527.43	34,281.79	3,866.08	3,353.40	3,890.55	3,166.00	1,300.00	111,192.00	3,254.38	28,981.52	4,033.74

	Escrow	Misc.	Income from Operations
January	3,000.00	15.00	(166.20)
February	3,000.00	15.00	14,868.26
March	3,000.00	15.00	490.55
April	3,000.00	198.02	(253.54)
May	3,000.00	19.09	78.24
June	3,000.00	0.00	(1,158.67)
July	3,000.00	202.52	(140.91)
August	3,000.00	0.00	14,348.22
September	3,000.00	0.00	538.67
October	3,000.00	0.00	(12,042.56)
November	3,000.00	62.10	12,712.98
December	3,000.00	1,533.64	(1,562.86)
Totals:	36,000.00	2,060.37	27,711.18
			27,711.18

SIGNED BY: AMERICANA PARKWAY WAREHOUSE, LIMITED
STANFORD M ACKLEY, GENERAL PARTNER /s/ Stanford M. Ackley

WALLACE F. ACKLEY COMPANY
ANALYSIS AMERICANA PARKWAY WAREHOUSE
CLEANING/UTILITY DETAIL
YEAR ENDING 12-31-93

		January	February	March	April	May	June
Maint.	Cleaning	0.00	0.00	0.00	0.00	0.00	0.00
	Lawn/Snow	0.00	0.00	299.00	67.00	260.57	760.00
	Painting	0.00	0.00	0.00	0.00	0.00	0.00
	Pool	0.00	0.00	0.00	0.00	0.00	0.00
	Total	0.00	0.00	299.00	67.00	260.57	760.00
Utilities	Electric	438.57	217.06	246.81	263.20	0.00	104.95
	Gas	212.39	258.60	0.00	10.41	66.88	0.00
	Refuse	0.00	0.00	0.00	0.00	0.00	0.00
	Telephone	354.53	0.00	0.00	0.00	0.00	0.00
	Waste/Sewer	267.88	0.00	0.00	0.00	185.88	0.00
	Total	1,273.37	485.66	246.81	273.61	252.76	104.95

		July	August	September	October	November	December
Maint.	Cleaning	0.00	0.00	0.00	0.00	0.00	0.00
	Lawn/Snow	375.57	(125.00)	70.00	615.57	180.57	100.00
	Painting	0.00	510.12	0.00	240.00	0.00	0.00
	Pool	0.00	0.00	0.00	0.00	0.00	0.00
	Total	375.57	385.12	70.00	855.57	180.57	100.00
Utilities	Electric	254.59	120.21	115.69	83.16	124.86	322.09
	Gas	0.00	0.00	0.00	0.00	0.00	0.00
	Refuse	0.00	0.00	0.00	0.00	0.00	0.00
	Telephone	0.00	0.00	0.00	198.02	0.00	0.00
	Water/Sewer	0.00	133.66	0.00	0.00	39.30	0.00
	Total	254.59	253.87	115.69	286.18	164.16	322.09

Total Cleaning = 3,353.40

Total Utility = 4,033.74

SIGNED BY: AMERICANA PARKWAY WAREHOUSE, LIMITED
STANFORD M. ACKLEY, GENERAL PARTNER /s/ Stanford M. Ackley

EXHIBIT D

OPTION AND AGREEMENT FOR EARLY LEASE TERMINATION

The undersigned Lessor and Lessee, who are parties to a Lease for 4,800 square feet of space located at 6941 Americana Parkway Blvd., Reynoldsburg, Ohio (the "Premises"), hereby agree that, if Lessor notifies Lessee on or before July 1, 1994 that Lessor has signed a lease with another tenant for the Premises, Lessee shall vacate the Premises on or before July 31, 1994 and thereafter the Lease shall terminate. In consideration for Lessee's vacating the Premises early: (i) Lessee shall not be obligated to pay the $1,100.00 base rent installment due for the month of July, 1994 (but Lessee shall pay for all utilities consumed on the Premises until it vacates the Premises); and (ii) Lessor shall pay to Lessee $1,200.00 within five (5) days after Lessee notifies Lessor that Lessee has vacated the Premises, to help with Lessee's moving and relocation expenses, which vacation must be on or before July 31, 1994. If Lessor does not notify Lessee on or before July 1, 1994 as provided above, the Lessor's right under the Lease to terminate in the future upon 90 days notice shall continue in effect.

IN WITNESS WHEREOF, Lessor and Lessee have signed this Option and Agreement for Early Lease Termination effective this 14 day of June, 1994.

Lessee will vacate warehouse by July 31, 1994 and vacate offices by August 31, 1994.

If necessary, Lessee will move offices within the building during the month of August. The cost of installation of the phone lines to the new offices will be the responsibility of the Lessor's tenant. (Limited)

LESSOR:

AMERICANA PARKWAY WAREHOUSE LIMITED

By: Wallace F. Ackley, Co., Agent
By: /s/ William J. Murnane

William J. Murnane

LESSEE:

/s/ Jim Boucher

Jim Boucher,
dba Buckeye Parts Services, Inc.

[DIAGRAM]

EXHIBIT E

REAL ESTATE TAXES
FOR 2ND HALF OF: 1993 22

900 Americana Parkway

2ND HALF TAXES

MAKE CHECKS PAYABLE TO
BOBBIE M. HALL
FRANKLIN COUNTY TREASURER

VALUATIONS	FULL YEAR CURRENT TAXES		SPECIAL ASSESSMENTS	DIST/PARCEL NUMBER
L- 74270	OT- 53218.30	CT- 15426.64		
B- 540260	RA- 18936.88CR			540-181266-3
T- 614530	AT- 34281.42			
	RB- 3428.14CR			
	CT- 30853.28		PAY	

-TAX RATES-
ORIG 86.6000
R.F. .355834

THIS AMOUNT -->

2ND HALF TAX
****15426.64

5401812663001542664001542664 3

AMERICANA PARKWAY
WAREHOUSE LIMITED

MAP 0105A RTG 04701
AMERICANA PARKWAY
R21T12S24 1/242
3.930 ACRES

PAYMENTS MUST BE RECEIVED OR
HAVE PAYMENTS POSTMARKED BY
JUN 20, 1994

EFFECTIVE TAX RATE 55.784810

4759

COLUMBUS-PICKERINGTON L.S.D. (FAIRFIELD)

RETURN THIS COPY WITH PAYMENT

SEE REVERSE FOR ABBREVIATIONS

EXHIBIT F

REPORT OF STRUCTURAL REVIEW

6939 AMERICANA INDUSTRIAL PARKWAY

PREPARED
BY
LANTZ JONES & NEBRASKA INC.
CONSULTING STRUCTURAL ENGINEERS
MAY 27, 1994

/s/ Paul William Lantz

Paul William Lantz P.E.

Project Number 194-192.0

The building is a one story masonry building with four entrance lobbies on the east side and nine overhead doors and exit doors on the west side. There are no openings on the north and south faces of the building.

The roof structural system is metal deck, steel joist and truss girders supported by steel columns. The bay size is 40 feet by 40 feet. The east and west walls are bearing walls, which support the steel joist, and the north and south walls are shear walls, which resist the lateral wind loads, but the girders are supported on steel columns. The steel joist are 24 inches deep and are spaced approximately 5'-8" c/c.

The exterior walls of the building are constructed with vertical fluted concrete masonry units, which are approximately 12 inches thick. The west wall is 20 feet high to joist bearing and is braced with a steel angle attached to the bottom chord of the joist at about 18 feet above floor. The east wall is about 22 feet high to bearing and is braced with a similar angle at about 20 feet above the floor. The north and south walls extend past the bar joist and are anchored to the roof structure at the joist bridging locations. The west wall has 8 x 16 pilasters located approximately 40 ft. c/c but not uniform. The east wall has large openings at grade, which are flanked by curved walls and the wall above is supported by steel columns and lintels. There appeared to be a bracing system above the lobby ceiling, but the details were not determined. The bracing would be required for lateral loads and stability of the lintels and the wall. The east wall has no pilasters.

The floor slab is concrete of undetermined thickness. The finish is reasonably good and there is some cracking, but not excessive. The slab control joints are inconsistent and contribute to some of the cracking. The joints in the slab have not been filled but appear to be in good condition. I do not know what the use of this space has been, but heavy forklift traffic could cause wear and deterioration of the joists. There is an area in the southeast corner of the building where the slab is badly deteriorated. The concrete has a black color and appears to have been saturated with a chemical, which has attacked the structure of the concrete. This area of slab must be removed and replaced.

The exterior walls of the building are in generally good condition. The masonry units are a beige colored unit. There are some dark stains at various areas,

which could be mildew caused by moisture penetrating the unit either through the roof flashing or from the face. The fluted face unit is very difficult to lay with full bed joints that are tooled to shed water and there are many areas where rain water will lay on top of a flute until it penetrates the unit. The curved corner walls and the curved walls flanking the entrances are laid in stack bond and there are many vertical joint cracks. The joints in one area have been caulked, apparently as a measure to solve the cracking problem. The lintel bearing at the south end of the south entrance on the east face of the building has cracked and moved out of plane about 3/4 inch and the adjacent control joist shows a distress of about 3/4 inch. This area is still stable but should be repaired and monitored for future movement. The two northern entrances show some minor cracking at the lintel bearing points.

The dock wall at the west face of the building has some spalled areas, which may be caused by vehicle impact but one block face is pushed out, which may be caused by moisture saturated and freezing during the winter seasons.

The structure of the building is in serviceable condition, the roof structure feels solid and has little vibration when walking on it. The slab is serviceable, but the joints should be cleaned and filled if forklift traffic is considered. The masonry should be sealed and will probably be a continuing maintenance issue due to the nature of the units in the wall. The structure of the walls was probably in conformance with building code requirements at the time of construction, but would require reinforcing to comply with current codes. I did not note any areas where the strength of the walls was deficient for the loads imposed.

EXHIBIT "G"

EXHIBIT "H"

EXHIBIT I

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS AGREEMENT, made and entered into as of the ____day of ____, 199_, by and between _____, ("Tenant"), whose address is _____ _____ and _____, ("Mortgage"), whose address is _____, _____ _____ ("Mortgagee"), whose post office address is _____ _____.

PRELIMINARY STATEMENT OF FACTS:

A. Mortgagee is making a loan in the amount of _____ and 00/100 Dollars ($_____) to Mortgagor ("Loan") repayment of which is to be secured by a Mortgage and Security Agreement and Fixture Financing Statement ("Mortgage") on real estate (the "Premises") more fully described in Exhibit "A" attached hereto.

B. The Tenant is the present lessee under a lease dated _____ made by Mortgagor, as Landlord, demising the Premises, (said lease and all amendments thereto being referred to as the "Lease").

C. As a condition precedent to Mortgagee's disbursement of Loan proceeds, Mortgagee has required that Tenant subordinate the lease and its interest in the Premises in all respects to the lien of the Mortgage.

D. In return the Mortgagee is agreeable to not disturbing the Tenant's possession of the Premises.

E. The Mortgagee is disbursing the Loan proceeds in reliance upon the agreements contained in this instrument but for which it would not disburse the Loan.

NOW, THEREFORE, in consideration of the sum of $1.00 and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is hereby agreed as follows:

1. SUBORDINATION. The Lease, and the rights of Tenant in, to or under the Lease and the Premises, are hereby subjected and subordinated and shall remain in all respects and for all purposes subject, subordinate and junior to the Mortgage, and to the rights and interest of the from time to time holder of the Mortgage.

2. PURCHASE OPTIONS. Any options or rights contained in said Lease to acquire title to the Premises, including any rights of first refusal, are hereby made subject and subordinate to the rights of the Mortgagee under the Mortgage and any acquisition of title to the Premises made by Tenant during the term of the Mortgage shall be made subordinate and subject to the Mortgage.

3. TENANT NOT TO BE DISTURBED. So long as Tenant is not in default (beyond any period given Tenant to cure such default) in the payment of rent to be paid under the Lease or in the performance of any of the terms, covenants or conditions of the Lease on Tenants' part to be performed. Tenant's possession of the Premises and any extensions or renewals thereof which may be effected in accordance

with any renewal rights therefor in the Lease, shall not be diminished or interfered with by Mortgagee, and Tenant's occupancy of the Premises shall not be disturbed by Mortgagee during the term of the Lease or any such extensions or renewals thereof.

4. TENANT NOT TO BE JOINED IN FORECLOSURE UNLESS REQUIRED BY LAW. So long as Tenant is not in default (beyond and period given Tenant to cure such default) in the payment of rent to be paid under the Lease or in the performance of any of the terms, covenants or conditions of the Lease on Tenant's part to be performed, Mortgagee will not name or join Tenant in any action or proceeding foreclosing the Mortgage uniess such naming or joinder is necessary to foreclose the Mortgage and then only for such purpose and not for the purpose of terminating the Lease.

5. TENANT TO ATTORN TO MORTGAGEE. If the interests of Landlord shall be transferred to and owned by Mortgagee by reason of foreclosure or other proceedings brought by it in lieu of or pursuant to a foreclosure, or by any other manner, and Mortgagee succeeds to the interest of the Landlord under the Lease, Tenant shall be bound to Mortgagee under all of the terms, covenants and conditions of the Lease for the balance of the term thereof remaining, with the same force and effect as if Mortgagee were the Landlord under the Lease, and Tenant does hereby attorn to Mortgagee as its Landlord, said attornment to be effective and self-operative immediately upon Mortgagee succeeding to the interest of the Landlord under the Lease without the execution of any further instruments on the part of any of the parties hereto; provided, however, that Tenant shall be under no obligation to pay rent to Mortgagee until Tenant receives written notice from Mortgagee that it has succeeded to the interest of the Landlord under the Lease. The respective rights and obligations of Tenant and Mortgagee upon such attornment to the extent of the then remaining balance of the term of the Lease shall be and are the same as now set forth therein; it being the Intention of the parties hereto for this purpose to incorporate the Lease in this Agreement by reference with the same force and effect as if set forth at length herein.

6. MORTGAGEE NOT BOUND BY CERTAIN ACTS OF LANDLORD. If Mortgagee shall succeed to the interest of Landlord under the Lease, Mortgagee shall not be liable for any act or omission of any prior landlord (including Mortgagor); nor subject to any offsets or defenses which Tenant might have against any prior landlord (including Mortgagor); nor bound by any rent which Tenant might have prepaid for more than the then current Installment; nor bound by any amendment or modification of the Lease made without its consent. In the event of a default by the Landlord under the Lease or an occurrence that would give rise to an offset against rent or claim against Landlord under the Lease, Tenant will use its best efforts to set off such defaults against rents currently due Mortgagor; will give Mortgagee notice of such default or occurrence at the address of Mortgagee as set forth above and will give Mortgagee such time as is reasonably required to cure such default or rectify such occurrence, provided Mortgagee uses reasonable diligence to correct the same. Tenant agrees that notwithstanding any provision of the Lease to the contrary, it will not be entitled to cancel the Lease, to abate or offset against the rent, or to exercise any other right or remedy until Mortgagee has been given notice of default and opportunity to cure such default as provided herein. In the event the Tenant has paid a security deposit to Landlord under the Lease, Mortgagee shall not have any liability to the Tenant for said deposit unless the same has actually been paid over to Mortgagee and Mortgagee holds the same.

7. ASSIGNMENT OF LEASE. Mortgagor will by a separate Assignment of Rents or Assignment of Lease ("Assignment") assign its interest in the rents and payments due under the Lease to Mortgagee as security for repayment of the Loan. If in the future there is a default by the Mortgagor in the performance and observance of the terms of the Mortgage, the Mortgagee may, at its option under the Assignment, require that all rents and other payments due under the Lease be paid directly to it. Upon notification to

that effect by the Mortgagee, the Mortgagor hereby authorizes and directs Tenant and the Tenant agrees to pay the rent and any payments due under the terms of the Lease to Mortgagee. The Assignment does not diminish any obligations of the Mortgagor under the Lease or impose any such obligations on the Mortgagee.

8. SUCCESSORS AND ASSIGNS. This Agreement and each and every covenant, agreement and other provisions hereof shall be binding upon the parties hereto and their successors and assigns, including without limitation each and every from time to time holder of the Lease or any other person having an interest therein and shall inure to the benefit of the Mortgagee and its successors and assigns. As used herein, the words "successors and assigns" shall include the heirs, administrators and representatives of any natural person who is a party to this Agreement.

9. CHOICE OF LAW. This Agreement is made and executed under and in all respects is to be governed and construed by the laws of the State of Minnesota.

10. CAPTIONS AND HEADINGS. The captions and headings of the various sections of this Agreement are for convenience only and are not to be construed as confining or limiting in any way the scope or intent of the provisions hereof. Whenever the context requires or permits, the singular shall include the plural, the plural shall include the singular and the masculine, feminine and neuter shall be freely interchangeable.

11. NOTICES. Any notice which any party hereto may desire or may be required to give to any other party shall be in writing and the mailing thereof by certified mail, or equivalent, to the addresses as set forth above, or to such other places any party hereto may subsequently by notice in writing designate shall constitute service of notice hereunder.

12. CERTIFICATION OF TENANT. Tenant certifies to Mortgagee as follows:

(a) Tenant has accepted delivery of the Premises described in the Lease and has entered into occupancy thereof;

(b) Tenant has not entered into any agreement providing for the discounting, advance payment, abatement or offsetting of rents and no rent has been paid for more than one installment in advance;

(c) The Lease represents the entire agreement between the parties as to the leasing, is in full force and effect, and has not been modified, supplemented or amended in any way;

(d) Tenant has fully inspected the premises and found the same to be as required by the Lease, in good order and repair, and all conditions under the Lease to be performed by the Landlord have been satisfied; including but not limited to payment to Tenant of any Landlord contributions for Tenant improvements;

(e) The primary term of the Lease commenced on_____, and continues to _____, and contains _____renewal option(s) of_____ year(s) each;

(f) Minimum annual rent payable (exclusive of percentage rental, tenants share of operating expenses and Tenant's share of taxes, if any) is _____

_____ ($_____) Dollars payable in monthly installments of _____ ($_____) Dollars each and commenced on _____ and are paid to _____:

(g) As of this date, the Landlord is not in default under any of the terms, conditions, provisions or agreements of the Lease and Tenant has no offsets, claims or defenses against the Landlord with respect to the Lease;

(h) Tenant has not assigned or sublet its interest under the Lease;

(i) Tenant has paid a security deposit of _____ ($_____) to Landlord.

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

TENANT: _____

By:_____

Its:_____

MORTGAGOR: _____

By:_____

Its:_____

MORTGAGEE: _____

By _____

Its _____

STATE OF)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1994, by _____, the _____ of _____, a _____ on behalf of the _____.

_____
Notary Public

STATE OF)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1994, by _____, the _____ of _____, a _____ on behalf of the _____.

_____
Notary Public

STATE OF)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1994, by _____, the _____ of _____, a _____ on behalf of the _____.

_____
Notary Public

EXHIBIT A
TO
SUBORDINATION AND ATTORNMENT AGREEMENT

LEASE AGREEMENT

EXECUTED BY AND BETWEEN

MORRISON TAYLOR II, LTD. - LESSOR

AND

ADS ALLIANCE DATA SYSTEMS, INC. - LESSEE

LEASE AGREEMENT

By this Lease Agreement (hereafter referred to as the "Lease") dated this 18th day of June, 1998 (the "Effective Date"), by and between, MORRISON TAYLOR II, LTD., an Ohio Limited Liability Company organized under the laws of the State of Ohio (hereafter referred to as the "Lessor") and ADS ALLIANCE DATA SYSTEMS, INC., a corporation organized under the laws of the State of Delaware hereafter referred to as the "Lessee"), Lessor hereby leases unto Lessee, and Lessee accepts and leases from Lessor the Premises as hereinafter described for the term, the rent, and subject to the conditions and covenants hereinafter provided.

In consideration thereof, the parties covenant and agree as follows:

1. DEFINITIONS

Unless the context otherwise specifies or requires, the following terms shall have the following meanings herein specified.

(a) The term "REAL PROPERTY" shall mean a certain tract of real estate commonly known as 775 Taylor Road, Gahanna, Ohio 43230 the legal description of which is attached hereto and marked as Exhibit "A".

(b) The term "BUILDING" shall mean a 1 story office building containing approximately 54,615 leasable square feet of space, more or less, as located upon the Real Property as hereinabove defined.

(c) The term "PREMISES" shall mean 32,255 leaseable square feet of space located within the Building as outlined upon the diagram attached hereto and marked a Exhibit "B", together with the non-exclusive right to use the Common Areas located within the Building and upon the Real Property.

(d) The term "REAL ESTATE TAXES AND ASSESSMENTS" shall mean all real estate taxes and any special assessments accruing during the term of the Lease, or any taxes which shall be levied in lieu of such taxes on the gross rentals of the Building, but shall not include any penalties or interest payable by reason of failure to pay such taxes and assessments, except to the extent that such penalties or interest have been assessed as a

result of Lessee's failure to timely pay real estate taxes and assessments as set forth in Section 5 herein. To this end, Lessor and Lessee each acknowledge that pursuant to the Ohio Supreme Court, the method for financing school systems within the State of Ohio is currently under review and is expected to be substantially revised and modified. To the extent such modification impacts real estate taxes and assessments, the parties agree that any alternative tax established in lieu thereof or in substitution relating to the ownership, management or leasing of real property thereof shall be deemed to be part of the real estate taxes and assessments for the purposes of the above-described definition.

(e) The term "COMMON AREAS" shall mean all areas, space, equipment, improvements, and facilities located upon the Real Property and in or near the Building provided by the Lessor for the common or joint use and benefit of the occupants of the Building, their agents, employees, servants, and invitees, including but not limited to the parking areas, driveways, entrances, exits, sidewalks, ramps, corridors, halls, restrooms, lobbies and landscaped areas.

(f) The term "COMMON WALKWAY" shall mean the walkway which connects the Building to the building commonly known as 800 TechCenter Drive, Gahanna, Ohio.

(g) The term "ADJACENT PROPERTY LEASE" shall mean that certain lease agreement entered into by and between Morrison Taylor, Ltd., a limited liability company organized under the laws of the State of Ohio and an office and place of business located at 1533 Lake Shore Drive, Suite 50, Columbus, Ohio 43204 and Lessee dated July 1, 1997 and generally relating to a certain parcel of real estate and the building and improvements constructed thereof commonly known as 800 TechCenter Drive, Gahanna, Ohio 43230.

2. INITIAL TERM

The term of this Lease shall commence on the 13th day of July, 1998 (hereafter the "Commencement Date") and shall expire (unless

sooner terminated pursuant to provisions contained herein) on the 31st day of August, 2007 for a term of approximately 9 years and 49 days. Lessee and its specialized subcontractors (i.e., telephone and/or computer installation people) shall have the right to enter the Premises prior to the Commencement Date for the purpose of getting the space ready for occupancy; provided the same shall not obstruct Lessor or its contractors from timely completion of construction. In the event the Premises are not ready for occupancy on the Commencement Date, except as set forth below, this Lease shall not be void, or voidable, nor shall Lessor be liable to Lessee for any damages resulting therefrom, and provided the delay is not occasioned by acts or omissions of the Lessee, the Base Rent and Additional Rent, as hereafter provided, shall be waived and abated for the period between the Commencement Date and the date the Premises are ready for occupancy, provided, however, the Expiration Date shall not be extended as a result of any such delays.

As used herein, the term "ready for occupancy" shall mean that (i) the Building and all improvements on the Real Property necessary to obtain a certificate of occupancy for the Premises have been substantially completed in accordance with the plans and specifications therefor, (ii) a certificate of occupancy for the Premises has been issued by the City of Gahanna, and (iii) Lessor has notified Lessee in writing at least seven (7) days in advance that the Premises will be ready for occupancy on that date. Acceptance of possession of the Premises by Lessee shall not relieve Lessor of its obligation to complete the Premises in accordance with the Plans and Specifications.

3. BASE RENT

The Lessee shall pay to the Lessor as annual Base Rent, in legal tender at the Lessor's address at 1533 Lake Shore Drive, Columbus, Ohio 43204, or such other address as may be designated by Lessor the annual sum of:

	Annual	Monthly
Year 1-9	$306,422.50	$25,535.20

promptly on the first day of every calendar month of the term, beginning on the Commencement Date, unless the Premises are not ready for occupancy on such date, in which case the first payment shall be due and payable upon the date the Premises are ready for occupancy and shall be prorated, for such partial month.

The Base Rent shall be payable without demand, the same being hereby waived.

4. ADDITIONAL RENT

In addition to the Base Rent, Lessee shall pay to Lessor as additional rent (herein sometimes called "Additional Rent"), in the manner provided for in Section 5 below in United States dollars, during the term, Lessee's Pro Rata Share (defined below) of all Operating Costs (defined below) relating to the Building and the Real Property. For purposes of this Lease: (i) except as set forth in the last paragraph of this Section, "Lessee's Pro Rata Share" shall be the percentage which the leasable square footage of the Premises bears to the total leasable square footage of the Building, which Lessor and Lessee agree to be 59.06%; (ii) Base Rent and Additional Rent are sometimes herein referred to collectively hereinafter as "Rent"; and (iii) "Operating Costs" shall include, but not be limited to, all of the following:

(a) all Real Estate Taxes and Assessments becoming due during the term or this Lease;

(b) all expenses relating to all insurance maintained by Lessor relating to the Building and the Real Property including, without limitation, all risk/hazard insurance, flood insurance, rent loss insurance, fire and extended coverage insurance, and comprehensive public liability insurance, including umbrella coverage in amounts and with insurance companies acceptable to Lessor;

(c) landscaping and lawn care, and snow removal;

(d) maintenance and repair of the Building (including but not limited to electrical, plumbing, heating, air conditioning and mechanical equipment and the necessary tools and equipment associated therewith) or the Real Property and all parking areas and access drives, sidewalks and grounds;

(e) improvements, including capital improvements, or repairs undertaken to maintain the value and condition of the Building and Real Property as a first class facility or to comply with all applicable laws, ordinances, or orders;

(f) reasonable costs of operating personnel including salaries and related benefits, auditor fees, attorney fees and management fees; and

(g) all taxes, fees, or assessments not described within subparagraph (a) herein [such as personal property taxes for equipment used to service the Building, fees charged by any owners' association and similar

assessments(s)], excluding income taxes assessed against and payable by Lessor, unless assessed in lieu of Real Estate Taxes and Assessments.

All Operating Costs shall be determined on an accrual basis. Operating Costs relating to capital improvements or capital repairs shall be amortized over the useful life of the capital improvement or capital repair as determined by Lessor.

Notwithstanding the foregoing, the total expenses computed for determining the Operating Costs relating to the Premises shall not include any expenses charged to another tenant in the Building because of such tenant's disproportionate consumption of any utilities (as determined by Lessor) or such tenant's intentional or negligent damage to the Building or Real Property or such tenant's breach of its lease agreement with Lessor.

During any calendar year, or portion thereof in which less than 95% of the total leasable square footage of the Building is leased, Lessor may artificially increase (e.g. gross-up) all Operating Costs which vary with the level of occupancy (to the extent there are any Operating Costs that very with the level of occupancy of the Building) for the Building for that calendar year or portion thereof to reflect what such Operating Costs would have been had the Building been fully leased. The intent of the foregoing is that Lessee shall be responsible for its Pro Rata Share of all such Operating Costs relating to the Premises based upon the ratio of the Operating Costs relating to the Premises as to the entire Building. Accordingly, assuming it was the Lessor's responsibility to provide janitorial services and only 50% of the total leasable square footage of the Building was leased during a calendar year, the Lessor could artificially increase the expenditures undertaken to provide the janitorial services to reflect that which would have been expended if 100% of the total leasable square footage of the Building had been leased, and thereafter assessed to each of the tenants in the Building there Pro Rata Share of such Operating Costs.

Anything herein to the contrary notwithstanding, Lessee's Pro Rata Share of the cost of repairing and maintaining the Common Walkway shall be %100.

Anything herein to the contrary notwithstanding, it is the intention of Lessor and Lessee that Lessee provide its own janitorial services to the Premises and that all utilities that access the Premises and are utilized by Lessee shall be separately metered to Lessee and paid directly by Lessee. In the in event for whatever reason during the term of this Lease and renewals thereto Lessor shall be required to provide janitorial services or shall incur any expenses, bills, charges or the like for gas, electricity, water, sewage, trash disposal, telephone, etc. which related to Lessee's use of the same, Lessee shall pay

its Lessee's Pro Rata Share of the same and the same shall be included as Additional Rent.

Anything herein to the contrary notwithstanding Lessee agrees to pay Lessee's Pro Rata Share of all bills and charges for gas, electricity, water, sewage, trash disposal, telephone and other utility services used solely with respect to the Common Areas, including for example parking lot lighting expenses, etc.

Anything herein to the contrary notwithstanding, Lessee shall under no circumstances be required to pay any monies nor shall there be any charges included as Operating Costs for expenses relating to the interior of any other tenants space located within the Building excepting only as the same may relate to any building service lines which service the Building generally and which may run through or are located within such other tenant space. Operating Costs shall further, not include, any charges or expenses associated with the leasing of the other tenant space within the Building or the termination of a lease or the eviction of a tenant from the other tenant space within the Building.

5. OPERATING COSTS BUDGET

Additional Rent shall be paid by Lessee to Lessor in accordance with this Section. Prior to the Commencement Date, Lessor shall provide to Lessee an estimate of the total projected Operating Costs and Lessee's Pro Rata Share thereof for the Building and Real Property for the balance of the calendar year in which the Commencement Date occurs. For each calendar year thereafter, Lessor shall deliver to Lessee not later than the first day of each such calendar year an estimate of the total projected Operating Costs and Lessee's Pro Rata Share thereof for the Building and Real Property for that calendar year. Lessee shall pay in advance on or before the first day of each calendar month during the term at the time and in the manner of payment for the Base Rent described above, its Pro Rata Share of such projected Operating Costs in equal monthly installments.

Within 90 days following the end of each calendar year, Lessor shall prepare an accounting of the actual Operating Costs so incurred for that year and shall deliver that accounting to Lessee. Lessee may, upon reasonable notice to Lessor and during normal business hours, review the books and records of Lessor for the purpose of reviewing such Operating Costs.

For purposes of reconciling the projected Operating Costs actually paid by Lessee versus the actual Operating Costs incurred by Lessor for each year which related to the Premises, if Lessee's Pro Rata Share of such actual costs exceeds the amount paid by Lessee for Additional Rent pursuant to this Section (the "Deficiency"), Lessee shall pay to Lessor the Deficiency within 30 days after notice from Lessor to Lessee

detailing an accounting of the Deficiency and requesting payment of the Deficiency. In the event the amounts actually paid by Lessee for Additional Rent exceeds Lessee's Pro Rata Share of such actual Operating Costs incurred by Lessor for that year which relate to the Premises (the "Excess"), Lessor shall pay to Lessee the Excess within 30 days after completing such accounting. In no event shall either party be required to pay any interest on any over-payment or under-payment made under this Section. Lessor's and Lessee's obligations under this Section shall survive the expiration or termination of this Lease.

6. CONSTRUCTION AND COMPLETION OF THE PREMISES

Lessor agrees to construct the Building, the other improvements on the Real Property (including the Common Areas), in substantial compliance with marketing materials and drawings which have been delivered to Lessee and to construct the tenant improvements within the Premises in compliance with the tenant fixturing plans and specifications prepared by Lessor's architect and approved by Lessee on or before the Commencement Date. Lessee shall not do anything, or fail to do anything, that will cause a delay in the completion of the construction of the Building and related improvements to the Real Property and the tenant improvements to be constructed within the Premises, or that will increase the costs of such construction (except to the extent addressed within the next following paragraph). In the event as a result of Lessee's failure to cooperate or comply with this Section, completion is delayed beyond the Commencement Date, such delay shall not create an abatement of Base Rent or Additional Rent for the period of delay caused by Lessee.

Lessee shall be entitled to a tenant improvement allowance in the amount of $516,080.00. To the extent that tenant improvements exceed this amount, Lessee shall reimburse Lessor within thirty (30) days after invoice therefor accompanied by such supporting documentation as Lessee may reasonably require.

Relative to the construction of the tenant improvements Lessor shall endeavor to provide Lessee with the opportunity to review and approve and bids which Lessor receives for the construction of the same; provided, however,: (i) the failure of Lessee to affirmatively review or approve any one or more of the bids received for the construction of the tenant improvements within two business days following the delivery of the same to Lessee by Lessor shall constitute the approval of the same; and (ii) Lessee shall be responsible for any delays or increased costs arising as a result of a determination made by Lessee not to accept a bid presented to Lessee as recommended by Lessor for acceptance.

7. FORCE MAJEURE

In the event the Lessor shall be delayed or hindered or prevented in the performance of any obligations required under the Lease by reasons of strike, lockouts, inability to procure labor or materials, failure of power, fire or other acts of God, restrictive governmental laws or regulations, riots, insurrection, war or any other reason not within the reasonable control of Lessor, then the performance of such obligations shall be excused for a period of such delay and the period for the performance of any such act shall be extended for a period equivalent to the period of any such delay. Anything herein to the contrary notwithstanding Lessor agrees to complete the construction of the Building, the other improvements on the Real Property (including the Common Areas) and the tenant improvements within the Premises by not later than the 1st day of December, 1998; provided, however, such dates shall be extended by any delays arising as a result of the action or inactions of Lessee including the failure of Lessee to timely review or approve bids for the completion of the tenant improvements.

8. ASSIGNMENT BY LESSOR

If Lessor shall sell, assign, transfer or convey the Real Property and/or Building, such sale, assignment, conveyance or transfer shall be subject to this Lease, and provided the assignee assumes all of Lessor's obligations under this Lease, Lessee shall look to the assignee or transferee of Lessor's interest in this Lease for the performance of Lessor's obligations hereunder, and the Lessor shall from and after such assignment or transfer be relieved and discharged from any and all liabilities and obligations under this Lease. Lessor shall send notice to Lessee of any such sale, assignment, transfer, or conveyance at least thirty (30) days prior to the date that the next Base Rent shall be due.

9. MAINTENANCE

During the term of this Lease, Lessee shall maintain the interior of the Premises in a first class condition except for damage occasioned by the act of Lessor, its employees, agents or invitees; provided, however, Lessee shall not be excused from its obligations to maintain the Premises as a result of the act of Lessor or its employees, agents or invitees if the same is subject to insurance coverages maintained by Lessee (or insurance coverages that would normally and customarily be carried by a lessee).

Notwithstanding anything to the contrary contained herein (except the application of Sections 4 and 5 herein relating to the assessment and payment of Operating Costs including those costs associated with the following), Lessor shall be solely

responsible for maintenance and repair of the Common Areas, the exterior of the Building including the roof, foundation and all structural elements of the Building; provided, however, Lessee shall be responsible to reimburse Lessor for the costs associated with the same in accordance with the terms and conditions as generally set forth within Sections 4 and 5 herein, and the following sentence. In the event it becomes necessary to replace the roof, foundation or structural elements or make any major repair to the roof, foundation or structural elements, the cost of which would normally be amortized under generally acceptable accounting principles, for the purpose of this Section 9, the cost of such replacement or repair shall be amortized over the estimated useful life of the replacement or the repair as reasonably determined by the outside accountants for Lessor, and Lessee shall only be obligated to pay that portion of the cost of the replacement or repair attributable to the remainder of the then applicable term, and upon exercise of a subsequent renewal term, that renewal term. Further, Lessor shall warrant all improvements on the Premises (exclusive of tenant improvements constructed by Lessee) for a term of one year after the Commencement Date and shall make all repairs resulting from defective design, workmanship or materials during that period. Further, Lessor shall, at the request of Lessee, process any warranty claims under applicable warranties.

10. QUIET ENJOYMENT

So long as the Lessee shall observe and perform the covenants and agreements binding on it hereunder, the Lessee shall, at all times during the term herein granted, peacefully and quietly have and enjoy possession of the Premises and the Common Areas without any encumbrance and hindrance.

11. CERTAIN RIGHTS RESERVED TO THE LESSOR

The Lessor reserves the following rights:

(a) On reasonable prior notice to the Lessee, to exhibit the Premises to any prospective purchaser, mortgagee, or assignee of any mortgage secured by the Premises at any time during the term and to prospective tenants during the last year of the term.

(b) At any time in the event of an emergency, to take any and all measures, including inspections, repairs, alterations, additions and improvements to the Premises as may be necessary for the safety, protection or preservation of the Premises provided Lessor shall have first provided Lessee with such notice as is reasonable under the

circumstances and Lessee shall have failed to take action with respect to such emergency. Relative to the same, Lessor shall use reasonable efforts to minimize disturbance of Lessee, its employees, agents, and invitees.

12. ESTOPPEL CERTIFICATES

Lessee and Lessor shall, within ten (10) days after written request of the other, execute, acknowledge, and deliver to the other or to the other's mortgagee, proposed mortgagee, or proposed purchaser of the Premises or any part thereof or proposed assignee of this Lease or successor in interest, reasonable estoppel certificates requested by the other party from time to time, which estoppel certificates shall show whether the Lease is in full force and effect and whether any changes may have been made to the original Lease; whether the term of the Lease has commenced and full rental is accruing; whether there are any defaults by Lessor or Lessee and, if so, the nature of such defaults; whether possession has been assumed and all improvements to be provided by Lessor have been completed; whether Base Rent and/or Additional Rent has been paid more than thirty (30) days in advance; whether there are any liens, charges, or offsets against Rentals of any type due or to become due; and whether the address shown on such estoppel certificate is accurate, and such other matters reasonably requested.

13. WAIVER OF CERTAIN CLAIMS BY LESSEE

(a) All personal property belonging to the Lessee or any occupant of the Premises that is in or on any part of the Premises shall be there at the risk of the Lessee or of such other person only, and the Lessor, its agents and employees shall not be liable for the theft or misappropriation thereof.

(b) Lessor shall not be liable for any damage or loss to fixtures, equipment, merchandise or other personal property of Lessee or any occupant of the Premises or any part thereof located anywhere in the Premises caused by fire, leak or flow of water, explosion, sewer backup, breakage, leakage, obstruction, or other defect of the pipes, sprinklers, wires, plumbing, air conditioning or lighting fixtures, acts of God, public enemies, injunction, riot, strike, insurrection, war, court order, steam, rain or from any cause beyond Lessor's control, or any other insurable hazards except to the extent covered by the warranty of Lessor set forth

in Section 9 hereof, and Lessee does hereby expressly release Lessor of and from such liability for such damages or loss.

(c) Lessor shall not be liable for any damage or loss resulting from business interruption at the Premises arising out of or incident to the occurrence of any of the perils which can be covered by a business interruption insurance policy except to the extent covered by the warranty of Lessor set forth in Section 9 hereof, and Lessee hereby expressly releases Lessor of and from such liability for such damages or loss.

(d) Nothing contained within this Section shall release Lessor from the intentional misconduct and/or fraudulent conduct of Lessor or any duties or obligations required to be performed by Lessor pursuant to law.

14. WAIVER OF CERTAIN CLAIMS BY LESSOR

Lessee shall not be liable for any damage to the Building and any other improvements located upon the Real Property and owned by Lessor, or any part thereof caused by fire or other insurable hazards, regardless of the cause thereof (except to the extent the same is the result of the negligent act(s) of Lessee), and Lessor hereby expressly releases Lessee of and from any and all liability for such damages or loss.

15. MUTUAL WAIVER OF SUBROGATION

Any waiver of claims and/or release described within this Lease shall not be limited to the liability of the parties to each other; it shall also apply to the liability of any person claiming through or under the parties pursuant to a right of subrogation or otherwise. The waiver of claims or release shall not apply to loss or damage to property of a party unless the loss or damage occurs when the applicable insurance policy of the party contains a clause or endorsement to the effect that the release will not adversely affect or impair the policy or prejudice the rights of the insured to recover under the policy. In the event an insurance company is unwilling to include such a clause or endorsement in a policy carried by a party, the party required to carry the insurance shall give notice in writing to the other party of the unwillingness of the insurance company to provide such clause or endorsement in the policy. In such event, the party whose insurance company is unwilling to include such a clause or endorsement in the policy shall take immediate action to assure that insurance is obtained through a company that is willing to include such a clause or endorsement in the policy.

16. INDEMNIFICATION

Lessee indemnifies Lessor, each member of Lessor, and each employee and agent of Lessor, against any loss, liability, or damages incurred in connection with or arising from: (i) the use or occupancy of the Premises by Lessee or any person claiming under Lessee; (ii) any activity, work, or thing done or permitted to be done by Lessee in or about the Premises; (iii) any acts, omissions, or negligence of Lessee or any person claiming under Lessee; (iv) any breach, violation, or non-performance by Lessee or any person claiming under Lessee of any term, covenant, or provision of this Lease, or any law, ordinance, or governmental requirement of any kind; or (v) (except for loss which is proximately caused by or results proximately from the negligence or intentional misconduct of Lessor, Lessor's employees and agents), any injury or damage to person, property, or business of Lessee, its employees, agents, or any other person entering upon the Premises under the express or implied invitation of Lessee.

Lessee shall defend any lawsuits with respect to claims for loss, liability or damages against which the indemnity provided above applies, and shall pay any judgments which result from the lawsuits. "Lawsuits" includes arbitration proceedings and administrative proceedings, and all other governmental and quasi-governmental proceedings. "Liabilities" includes the fees and disbursements of attorneys and witnesses.

Lessor indemnifies Lessee, each shareholder, director or officer of Lessee, and each employee and agent of Lessee, against any loss, liability, or damages incurred in connection with or arising from: (i) the use or occupancy of the Premises by Lessor or any person claiming under Lessor; (ii) any activity, work, or thing done or permitted to be done by Lessor in or about the Premises; (iii) any acts, omissions, or negligence by Lessor or any person claiming under Lessor; (iv) any breach, violation or non-performance by Lessor or any person claiming under Lessor of any term, covenant or provision of this Lease, or governmental requirement of any kind; or (v) (except for loss which is proximately caused by or results proximately from the negligence or intentional misconduct of Lessee, Lessee's employees and agents) any injury or damage to person, property, or business of Lessor, its employees, agents, or any other person entering upon the Premises under the express or implied invitation of Lessor.

Lessor shall defend any lawsuits with respect to claims for loss, liability or damages against which the indemnity provided above applies, and shall pay any judgments which result from the lawsuits. "Lawsuits" includes arbitration proceedings and administrative proceedings, and all other governmental and quasi-governmental proceedings. "Liabilities" includes the fees and disbursements of attorneys and witnesses.

Lessee agrees to the extent it is required to obtain insurance pursuant to this Lease, all such policies shall contain a broad form contractual liability endorsement obligating its insurance carrier to comply with the terms of this Section.

17. LIABILITY INSURANCE

Lessee shall maintain comprehensive public liability insurance with combined single limits of not less than $1,000,000.00 for injuries or damages occurring in or about the Premises. Lessor shall be named as an "additional insured" under such policy. Evidence of such insurance shall be provided on the date Lessee takes occupancy of the Premises.

18. FIRE AND EXTENDED COVERAGE INSURANCE

Lessor shall maintain during the term a fire and extended coverage insurance policy with respect to the Building, and as applicable, the Real Property. The coverage limits shall not be less than the reasonable estimate of the cost of replacing the Building and Real Property as applicable. The cost of replacing the Building and Real Property, as applicable, means the cost of replacing damage to the same as reasonably determined by Lessor with new materials of like kind and quality, except for foundation, footings, and other building elements customarily excluded from applicable coverages. Lessee shall reimburse Lessor for the costs of maintaining the insurance under this Section 18 as Additional Rent as set forth in Sections 4 and 5 hereof.

19. HOLDING OVER

If the Lessee retains possession of the Premises or any part thereof after the expiration of the term of the Lease, the Lessee shall pay the Lessor Base Rent at one and one-quarter the monthly rate in effect immediately prior to the termination of the term for the time the Lessee remains in possession. In addition thereto, Lessee shall be liable to Lessor for all damages, incidental, consequential, indirect and direct, sustained by reason of the Lessee's retention of possession. The provisions of this Section do not exclude the Lessor's rights of reentry or any other right provided hereunder or available at law or in equity. No such holding-over shall be deemed to constitute a renewal or extension of the term hereof; however, all other provisions of this Lease shall remain in full force and effect.

20. ASSIGNMENT AND SUBLETTING

The Lessee shall not, without the Lessor's prior written consent, which consent shall not be unreasonably withheld as long as the assignment or sublease is to an entity of similar financial strength, (a) assign, convey, mortgage, pledge, encumber or

otherwise transfer (whether voluntarily or otherwise) this Lease or any interest under it; (b) allow any transfer by operation of law; (c) sublet the Premises or any part thereof; or (d) permit the use or occupancy of the Premises or any part thereof by anyone other than the Lessee.

If this Lease is assigned or if the Premises or any part thereof be sublet or occupied by anybody other than the Lessee, with the consent of Lessor as stated above, Lessor may, after default by Lessee, collect rent from the assignee, subtenant or occupant, and apply the net amount collected to the Base Rent and/or Additional Rent herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any of Lessee's covenants contained in this Lease or the acceptance of such assignee, subtenant or occupant as Lessee, or a release of Lessee from further performance by Lessee of covenants on the part of Lessee herein contained.

In the event a sublease or assignment is made with the Lessor's prior written consent, as herein provided, Lessee shall pay Lessor a charge of $350.00 as reimbursement for necessary legal and accounting services required by Lessor to accomplish such assignment or subletting. Said amount shall be deemed to be Additional Rent under the terms of this Lease.

Notwithstanding any other provision hereof to the contrary, Lessee may assign its rights under this Lease or sublease all or any part of the Premises to a parent, subsidiary or affiliate without the consent of Lessor and without paying any assignment fee, provided Lessee shall not be relieved from liability hereunder as a result of such assignment or sublease, and Lessee shall not thereafter dissolve or sell substantially all of its assets without establishing reasonable reserves to meet its obligations under this Lease.

Further, notwithstanding any other provision hereof to the contrary, in the event Lessee were to exercise its rights under this Section to assign or sublet all of the Premises over unto another person or entity (except for a person or entity which is a parent, subsidiary or affiliate of Lessee), Lessee shall (except as set forth to the contrary in the last sentence of this paragraph) as a condition of such assignment or subletting remove the Common Walkway at Lessee's cost and expense and restore that portion of the Real Property to a condition substantially similar to the condition of the portion of the Real Property immediately contiguous thereto. The preceding condition shall not be applicable if contemporaneous with the assignment or subletting of this Lease, the lease agreement entered into by and between Morrison Taylor, Ltd. and Lessee for the real property and improvements which are adjacent to the Real Property and are commonly known as 800 TechCenter Drive, Gahanna, Ohio (the "Adjacent Property Lease") is also sublet or assigned to the

same person or entity to which this Lease is so sublet or assigned.

Further, notwithstanding any other provision hereof to the contrary, in the event Lessee were to assign or sublet its interest in the Adjacent Property Lease (except for an assignment or subletting to a parent, subsidiary or affiliate of Lessee), Lessee shall remove the Common Walkway as located upon the Real Property unless Lessee convinces both Lessor and the landlord under the Adjacent Property Lease to not require Lessee to remove such Common Walkway, which without requiring either Lessor or the landlord under the Adjacent Property Lease to consent to the same, shall require at a minimum that: (i) Lessee pay Base Rent and Operating Costs on its continued use of the same (in theory to both the Lessee and the landlord under the Adjacent Property Lease as to their respective ownership of the Common Walkway); and (ii) Lessee reconfirming its obligation to remove such Common Walkway at Lessee's expense at the request of either Lessor or the landlord under the Adjacent Property Lease. The preceding shall not be applicable if contemporaneous with the assignment or subletting of the Adjacent Property Lease, this Lease is also sublet or assigned to the same person or entity to which the Adjacent Property Lease is so sublet or assigned.

Anything herein to the contrary notwithstanding in the event Lessee were to exercise its rights under this Section to assign or sublet all of the Premises or in the event Lessee were to assign or sublet its interest in the Adjacent Property Lease, but in either such case continue to desire utilize the Common Walkway or to maintain the right to continue to utilize the Common Walkway upon the expiration of a sublease, Lessee shall not be required to remove the same provided Lessee ratifies and reaffirms as part of the assignment or subletting described above its obligation to remove the Common Walkway upon expiration or termination of this Lease or Adjacent Property Lease.

21. CONDITION OF PREMISES

On the expiration or termination of the Lease, Lessee shall return the Premises "broom clean" and in as good condition as when the Lessee took possession, ordinary wear and tear and loss by fire or other insured casualty excepted.

22. USE OF PREMISES

Lessee shall use the Premises for general office and related purposes and for no other purposes.

Lessee shall comply with all laws and ordinances, and all rules and regulations of all governmental authorities at any time in force, applicable to the Premises or to the Lessee's use thereof, and to this end and without limitation Lessee expressly covenants

not to bring (or allow to be brought) into the Premises or upon the Real Property any substances which have been defined as "hazardous" or "toxic" substances under any applicable federal and/or state law, rule and/or regulation, except for Hazardous Substances stored, treated, generated, transported, processed, handled, produced or disposed of in the normal operation of the Premises as an office building in strict accordance with all Environmental Laws.

23. DAMAGE OR DESTRUCTION

If the Premises or any substantial part of the Premises and Common Areas is damaged or destroyed by fire or other casualty, such that the damage cannot be replaced or repaired within One Hundred Eighty (180) days thereafter, either party may by written notice to the other, terminate this Lease, which termination shall be effective as of the date of such damage.

If as a result of fire or other casualty the Premises add Common Areas are made partially or completely untenable, and the Lease is not terminated as provided above, this Lease shall remain in full force and effect and the Base Rent and Additional Rent shall abate during such time as the Premises are untenable; provided, however, if Lessee occupies part of the space, Base Rent and Additional Rent shall be abated by an amount determined by multiplying the Base Rent and Additional Rent by a fraction of the numerator of which is the leasable space which cannot be occupied and the denominator of which is the total leasable square footage within the Premises.

Unless this Lease is terminated as hereinabove provided, this Lease shall remain in full force and effect and Lessor shall proceed with due diligence to restore, repair, and replace the Premises to substantially the same condition as it was in as of the Commencement Date. Lessor shall be under no duty to restore any alterations, improvements or additions made by the Lessee or by Lessor at Lessee's request after the Commencement Date, unless the same are covered by proceeds of insurance designated for the same and available to Lessor in which case Lessor shall restore the same. In all cases, due allowances in the completion of the repairs shall be given to the Lessor for any reasonable delays caused by adjustment of insurance loss, strikes, labor difficulties, inability to obtain supplies or materials or any cause beyond Lessor's control.

24. EMINENT DOMAIN

(a) In the event that title to all of the Real Property, or a portion of the Real Property containing a part of the Building shall be condemned or taken in any manner for any public or quasipublic use, this Lease and the

term and estate hereby granted shall forthwith cease and terminate as of the date of vesting of title in the name of the condemning authority and the Lessor and Lessee shall be entitled to participate in any award based upon their respective interest therein, if any. Without limitation, Lessee shall be entitled to make a claim for and participate in any part of an award made for the taking, of personal property or fixtures belonging to Lessee, for the interruption of or damage to Lessee's business, for Lessee's moving expenses, and for the value of the remaining term of the Lease.

(b) In the event that title to a portion of the Real Property containing no portion of the Building shall be so condemned or taken and provided the same does not reduce the number of parking spaces available to Lessee by more than five percent (5%), this Lease shall remain in full force and effect without rent abatement, apportionment, or other alteration whatsoever, and Lessor shall be entitled to receive any award paid by the condemning authority, the Lessee hereby assigning to Lessor the Lessee's interest therein, if any. If however, such taking reduces the number of parking spaces available to Lessee by more than five percent (5%), and Lessor cannot provide reasonably suitable alternative parking within thirty (30) days thereafter, then Lessee shall have the right to cancel this Lease upon written notice to Lessor exercised within ten (10) days following the day Lessor acknowledges in writing its inability to provide reasonably suitable alternative parking, or the expiration of the thirty (30) day period described above, whichever shall first occur. In such event, Lessor and Lessee shall be entitled to participate in any award as set forth in Section 24(a) hereof.

(c) For the purpose of this Section, a sale to a public or quasi-public authority under threat of condemnation shall constitute a vesting of title and shall be construed as a taking by such condemning authority.

25. LESSOR'S REMEDIES

All rights and remedies of the Lessor herein enumerated shall be cumulative, and none shall exclude any other right or remedy allowed by law or in equity. In addition to the other remedies provided in this Lease, the Lessor shall be entitled to the restraint by injunction without bond of the violation or attempted violation of any of the covenants, agreements or conditions of this Lease.

(a) If the Lessee shall: (i) apply for or consent to the appointment of a receiver or trustee of the Lessee or of all or a substantial part of its assets; (ii) file a voluntary petition in bankruptcy or admit in writing its inability to pay its debts as they come due; (iii) make a general assignment for the benefit of creditors; (iv) file a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law; or (v) file an answer admitting the material allegations of a petition filed against the Lessee in any bankruptcy, reorganization or insolvency proceeding, or if an order, judgment or decree shall be entered by any court of competent jurisdiction adjudicating the Lessee a bankrupt or insolvent or approving a petition seeking reorganization of the Lessee or appointing a receiver or trustee of the Lessee or of all or a substantial part of its assets, then in any of such events, the Lessor may give to the Lessee a notice of intention to end the term of this Lease specifying a day not earlier than ten (10) days thereafter, and upon the giving of such notice the term of this Lease and all right, title and interest of the Lessee hereunder shall expire as fully and completely on the day so specified as if that day were the date herein specifically fixed for the expiration of the term.

(b) If Lessee fails to pay any installment of Base Rent and/or Additional Rent within five days after the same is due, Lessee shall pay Lessor a charge of $250.00 to defer Lessor's additional administrative costs associated with the same. Lessee shall pay in addition to the $250.00 charge described in the immediately preceding sentence, interest on the unpaid installment(s) of Base Rent and/or

Additional Rent at 4% over the Prime Rate of Interest as described within the WALL STREET JOURNAL or the maximum amount allowed by law (if such a limitation does so exist), whichever is less, (the "Default Rate") from the date such installment(s) was due. If Lessee fails to pay Base Rent and/or Additional Rent on the date the same is due, and if such default continues for a period of twenty (20) days after receipt of written notice of such default, or in the event Lessee fails to cure any other default in this Lease within 30 days after receipt of notice to cure the same, or in the event Lessee shall default under Adjacent Property Lease and fail to cure such default as provided within the Adjacent Property Lease, then Lessor may terminate this Lease or terminate Lessee's possession under the Lease without terminating the Lease and endeavor to relet the same. Nothing herein shall relieve Lessee of its obligation to pay Base Rent and Additional Rent.

(c) Upon termination of this Lease, Lessee shall surrender the Premises and deliver possession thereof to Lessor. If Lessee fails to vacate the Premises, Lessor may obtain possession of the Premises in the manner provided or allowed by law.

(d) If the Lessor elects, without terminating the Lease, to endeavor to relet the Premises, the Lessor may, at the Lessor's option, enter into the Premises, remove the Lessee's signs and other evidence of tenancy, and take and hold possession thereof as provided in paragraph (c) of this Section provided, without such entry and possession terminating the Lease or releasing the Lessee in whole or in part, from the Lessee's obligation to pay the Base Rent and/or Additional Rent hereunder for the full term as hereinafter provided. Upon and after entry into possession without termination of the Lease, the Lessor may relet the Premises or any part thereof for the account of the Lessee at the fair market rents for which there shall exist for the purpose of establishing the same a rebuttable presumption that the rents as agreed to by Lessor upon such re-rental of the Premises are, in fact, fair market rents

(it being the intent of the later portion of this sentence to place the burden on the defaulting Lessee to establish that the rents as agreed to by the non-defaulting Lessor are not fair market rentals, rather than placing the burden on the non-defaulting Lessor to establish that the same are fair market rents). If the rents collected by Lessor upon such reletting are not sufficient to pay monthly the full amount of the Base Rent and Additional Rent due hereunder plus the costs of reletting the same, including advertising, leasing commissions, attorney fees and the costs of retrofitting the tenant improvements, Lessee shall pay to Lessor the amount of the deficiency in full on demand as the same accrue. To this end, it is agreed that the Lessor can collect immediately any costs of reletting once such costs are incurred, including advertising, leasing commissions, attorney fees, and the costs of retrofitting the tenant improvements; the Lessor will not be required to defer collection of the same after such expenses are incurred.

(e) Any property of Lessee not removed from the Premises within thirty (30) days after the Premises are vacated by Lessee shall be deemed abandoned by Lessee and may be retained by Lessor as its property or disposed of in such manner as Lessor may see fit. Any and all property removed by Lessor by authority of this Lease or law which belongs to Lessee shall be removed and/or stored at the risk and expense of Lessee.

(f) In the event of a default by Lessee, and the expiration of any cure period provided for herein, in addition to any other remedies provided herein, Lessor may require Lessee to remove the Common Walkway and in the event Lessee fails to remove the same, Lessor may remove such Common Walkway at Lessee's sole cost and expense.

26. LESSEE'S REMEDIES

If Lessor defaults in the performance of any covenant required to be performed by Lessor under the terms of this Lease, or if the landlord under the Adjacent Property Lease defaults in the performance of any obligations required to be performed by the

landlord under the terms and conditions of the Adjacent Property Lease and the tenant under this Lease and the Adjacent Property Lease are the same entities, Lessee may serve upon Lessor and if requested by Lessor's lender(s) upon Lessor's lender's(s') written notice specifying the default and requiring performance by the Lessor within a period of time set forth in the notice, which shall not be less than thirty (30) days after receipt of said notice, except in the case of emergency. In the event that Lessor shall not have remedied the default within the time set forth in the notice, Lessee may by written notice to Lessor, at its sole option, cure Lessor's default and Lessor shall immediately reimburse Lessee for the expenses thereof with interest at the Default Rate. Further, if the default by Lessor is the failure to maintain the foundation, structure or roof as required under Section 9 hereof, and provided that except in the case of emergency, Lessee includes within the written notice specified in the default described within the first sentence of this Section, a written report by a structural engineer of recognized responsibility located within the Columbus metropolitan marketplace specifying in detail the nature and extent of the proposed deficiency and the proposed plan for modifying or correcting such deficiency, and Lessor thereafter fails to submit within such thirty (30) day period a written objection to such proposal supported by an opinion of a structural engineer of recognized responsibility located within the Columbus metropolitan marketplace, Lessee may offset the expense thereof with interest at the Default Rate against Base Rent and Additional Rent thereafter accruing. However, if any default shall occur which cannot, with due diligence be cured within a period of thirty (30) days, and Lessor prior to the expiration of thirty (30) days from and after the giving of notice as aforesaid, commences to eliminate the causes of such default and proceeds diligently and with reasonable dispatch to take all steps and to do all work required to cure such default, then Lessee shall not have the right to declare the Lease terminated by reason of such default.

27. SUBORDINATION OF LEASE

This Lease is and shall be subject to and subordinate to any and all mortgages now existing upon or that may be hereafter placed upon the Building and/or the Real Property and to all advances made or to be made thereon and all renewals, modifications, consolidations, replacements or extensions thereof and the lien of any such mortgages to the full extent of all sums secured thereby. This provision shall be self-operative and no further instrument of subordination shall be necessary to effectuate such subordination and the recording of any such mortgage shall have preference and precedence and be superior and prior in lien to this Lease, irrespective of the date of recording. In confirmation of such subordination, Lessee shall on request of Lessor or the holder of any such mortgage execute and deliver to

Lessor within ten (10) days any instrument that Lessor or such holder may reasonably request provided the same contains language substantially similar to that set forth within the next following paragraph, and to this end Lessee acknowledges that such instrument may also require certain additional affirmative obligations be undertaken by Lessee not heretofore set forth within this Lease and not inconsistent with the terms of this Lease such as the obligation of Lessee to notify the mortgage company granting the non-disturbance agreement described in the next following sentence in the event of a default by Lessor under this Lease.

Notwithstanding the foregoing in the event of a foreclosure of any such mortgage or of any other action or proceeding for the enforcement thereof, or of any sale thereunder, this Lease will not be barred, terminated, cut off or foreclosed nor will the rights and possession of Lessee thereunder be disturbed if Lessee shall not then be in default in the payment of rental or other sums or be otherwise in default under the terms of this Lease, and Lessee shall attorn to the purchaser at such foreclosure, sale or other action or proceeding.

28. NOTICES AND CONSENTS

All notices, demands, requests, consents or approvals which may or are required to be given by either party to the other shall be in writing and shall be given personally with return receipt requested or by United States Certified or Registered Mail, postage prepaid, return receipt requested. Such notice shall be deemed given on the date inscribed on the return receipt. Such notice shall be directed: (a) if for the Lessee, to the Lessee at the Building with a copy to the attention of Bruce McClary at 220 West Schrock Road, Westerville, Ohio 43081, or at such other place as the Lessee may from time to time designate by notice to the Lessor; or (b) if for the Lessor, to 1533 Lake Shore Drive, Suite 50, Attention: Robert C. White, Columbus, Ohio, 43204, or at such other place as the Lessor may from time to time designate by notice to the Lessee. All consents and approvals provided for herein must be in writing to be valid. If the term Lessee as used in this Lease refers to more than one person, any notice, consent, approval, request, bill, demand or statement, given as aforesaid to any one of such persons shall be deemed to have been duly given to Lessee.

29. NO ESTATE IN LAND

This contract and Lease shall create the relationship of landlord and tenant between Lessor and Lessee; no estate shall pass out of Lessor except that of the tenancy described herein; and Lessee shall have only the rights of enjoyment stated herein of property vested in the Lessor which rights are not subject to levy and sale.

30. INVALIDITY OF PARTICULAR PROVISIONS

If any clause or provision of this Lease is or becomes illegal, invalid, or unenforceable because of present or future laws or any rule, decision, or regulation of any governmental body or entity, the intention of the parties hereto is that the remaining parts of this Lease shall not be affected thereby.

31. MISCELLANEOUS TAXES

Lessee shall pay prior to delinquency all taxes assessed against or levied upon its occupancy of the Premises, or upon the fixtures, furnishings, equipment, and all other personal property of Lessee located in the Premises, if nonpayment thereof shall give rise to a lien on the real estate, and when possible Lessee shall cause said fixtures, furnishings, equipment and other personal property to be assessed and billed separately from the property of Lessor. In the event any or all of Lessee's fixtures, furnishings, equipment and other personal property, or upon Lessee's occupancy of the Premises, shall be assessed and taxed with the property of Lessor, Lessee shall pay to Lessor its share of such taxes within ten (10) days after delivery to Lessee by Lessor of a statement in writing setting forth the amount of such taxes applicable to Lessee's fixtures, furnishings, equipment or personal property.

32. BROKERAGE

Lessee and Lessor each represent to the other that they have not dealt with any broker or agent in connection with this transaction except The Daimler Group, Inc., whose commission shall be paid by Lessor, and each agrees to hold the other harmless from any claim for any other commission made by a party claiming to have worked with the other.

33. SPECIAL STIPULATIONS

(a) No receipt of money by the Lessor from the Lessee after the termination of this Lease or after the service of any notice or after the commencement of any suit, or after final judgment for possession of the Premises shall reinstate, continue or extend the term of this Lease or affect any such notice, demand or suit or imply consent for any action for which Lessor's consent is required.

(b) No waiver of any default of the Lessee or Lessor hereunder shall be implied from any omission by the Lessor or Lessee to take any action on account of such default if such default persists or be repeated, and no

express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated.

(c) All of the covenants of the Lessee hereunder shall be deemed and construed to be "conditions" as well as covenants" as though the words specifically expressing or importing covenants and conditions were used in each separate instance.

(d) This Lease shall not be recorded by either party without the consent of the other. However, on the request of either party Lessor and Lessee agree to make and execute a Memorandum of Lease in recordable form so as to give public notice of the execution of the within Lease, and a statement therein as to the date of commencement of the within Lease which shall not disclose the terms of rental hereunder.

(e) Neither party has made any representations or promises, except as contained herein, or in some further writing signed by the party making such representation or promise.

(f) Each provision hereof shall extend to and shall, as the case may require, bind and inure to the benefit of the Lessor and the Lessee and their respective heirs, legal representatives, successors, and assigns.

(g) If because of any act or omission of Lessee, a mechanics lien is filed against the Lessor or the real estate, Lessee shall hold Lessor harmless therefrom.

(h) This Lease shall not be binding until signed by both parties.

(i) No acceptance by Lessor of a lesser sum than the Base Rent, Additional Rent or any other charge then due shall be deemed other than on account of the earliest installment of such rent or charge due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent or other charge be deemed an accord and satisfaction, and Lessor may accept such check or payment without prejudice to

Lessor's right to recover the balance of such installment or charge or other monies owing by Lessee or pursue any other remedy in this Lease provided.

34. LIMITATION OF LESSOR'S LIABILITY

(a) The individual members of Lessor shall have no personal liability with respect to any of the provisions of this Lease or any obligation arising from, or in connection with this Lease. If Lessor or any successor in interest shall be a joint venture or a partnership, the members of the joint venture or the partnership shall have no personal liability with respect to any provisions of this Lease or any obligation arising from or in connection with this Lease.

(b) If Lessee shall assert a claim against Lessor and Lessor is the owner of the Building and Real Property at the time the claim is asserted, Lessee shall look solely to Lessor's ownership interest in the Building and Real Property and the proceeds available from fire insurance policies maintained by Lessor for satisfaction of all remedies of any award of damages.

35. FINANCIAL STATEMENTS

Upon reasonable request, but no more frequently than once each year, the Lessee shall provide financial statements to Lessor and/or Lessor's lending institution. Lessor shall endeavor to keep the financial statements provided pursuant to this Section confidential and shall not distribute such statements to any person or entity without Lessee's prior written consent except Lessor shall be entitled to submit the same to a prospective purchaser or lender, provided such prospective purchaser or lender agrees to use the same only for their respective internal purposes.

36. HAZARDOUS SUBSTANCES

(a) Lessor and Lessee hereby covenant and agree that the following terms shall have the following meanings:

(i) "ENVIRONMENTAL LAWS" mean all federal, state, and local laws, statutes, ordinances, and codes relating to the use, storage, treatment, generation, transportation, processing, handling, production, or disposal of any Hazardous Substance and the rules, regulations, policies, guidelines, interpretations, decisions, orders, and directives with respect thereto.

(ii) "HAZARDOUS SUBSTANCE" means, without limitation, any flammable explosives, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum based products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials, as defined in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, ET SEQ.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et sea.), the Toxic Substances Control Act, as amended (15 U.S.C. Sections 2601, ET SEQ.), or any other applicable Environmental Law.

(iii) "INDEMNITEE" means Lessor, its respective successors and assignees, its respective partners, officers, directors, employees, agents, representatives, contractors and subcontractors, and any subsequent owner of the Real Property and Building who acquires title thereto from or through Lessor.

(iv) "RELEASE" has the same meaning as given to that term in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), and the regulations promulgated thereunder.

(b) Lessee covenants and agrees with Lessor as follows:

(i) Lessee shall keep, and shall cause all occupants of the Premises to keep the Premises, free of all Hazardous Substances, except for Hazardous Substances stored, treated, generated, transported, processed, handled, produced, or disposed of in the normal operation of the Premises as an office building, in accordance with all Environmental Laws.

(ii) Lessee shall comply with, and shall cause all occupants of the Premises to comply with all Environmental Laws.

(iii) Lessee shall promptly provide Lessor with a copy of all notifications which it gives or receives with respect to any past or present Release of any Hazardous Substance or the threat of such a Release on, at, or from the Premises or any property adjacent to or within the immediate vicinity of the Premises.

(iv) Lessee shall undertake and complete all investigations, studies, sampling, and testing for Hazardous Substances reasonably required by Lessor and, in accordance with all Environmental Laws, all removal and other remedial actions necessary to contain, remove, and clean up all Hazardous Substances that are determined to be present at the Premises (if as a result of the actions or inactions of Lessee or any occupant of the Premises) in violation of any Environmental Laws.

(v) Lessor shall have the right, but not the obligation, to cure any violation by Lessee of the Environmental Laws and Lessor's cost and expense to so cure shall be the responsibility of Lessee under this Lease Agreement.

(c) Lessee covenants and agrees, at its sole cost and expense, to indemnify, defend, and save harmless Indemnitee from and against any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgments, suits, actions, proceedings, costs, disbursements, and/or expenses (including, without limitation, reasonable attorneys' and experts' fees and expenses) of any kind or nature whatsoever which may at any time be imposed upon, incurred by, asserted, or awarded against Indemnitee arising out of the actions or inactions of Lessee or any occupant of the Premises, but not arising out of the actions or inactions of other tenants of the Building not occupying the Premises, and (i) the storage, treatment, generation, transportation, processing, handling, production, or disposal of any Hazardous Substance by Lessee, (ii) the presence of any Hazardous Substance or a Release of any Hazardous Substance or the threat of such a Release at or from the Premises, (iii) human exposure to any Hazardous Substance, (iv) a violation of any Environmental Law, or (v) a material misrepresentation or inaccuracy in any representation or warranty or material breach of or failure to perform any covenant made by Lessee herein (collectively, the "Indemnified Matters").

The Liability of Lessee to Indemnitee here under shall in no way be limited, abridged, impaired, or otherwise affected by (i) the release, expiration, or termination of this Lease Agreement, (ii) the invalidity or unenforceability of any of the terms or provisions contained in this Lease Agreement, (iii) any exculpatory provisions of this Lease Agreement, (iv) any applicable statute of limitations, (v) the assignment of this Lease Agreement by Lessor or Lessee,

(vi) the sale, transfer, or conveyance of all or part of the Real Property and Building, (vii) the dissolution or liquidation of Lessee, (viii) the death or legal incapacity of Lessee, (ix) the release or discharge, in whole or in part, of Lessee in any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation, or similar proceeding, or (x) any other circumstances which might otherwise constitute a legal or equitable release or discharge, in whole or in part, of Lessee under this Lease Agreement.

The foregoing indemnity shall be in addition to any and all other obligations and liabilities Lessee may have to Lessor at common law.

(d) Lessor represents and warrants to Lessee, that to the best of Lessor's knowledge, as of the Effective Date of this Lease Agreement and based solely upon Lessor's review of a Phase One Environment Report for the Real Property and the Building, the Real Property and the Building are free of all Hazardous Substances, except for Hazardous Substances stored, treated, generated, transported, processed, handled, produced, or disposed of in accordance with all Environmental Laws.

(e) Lessor covenants and agrees, at its sole costs and expense, to indemnify, defend, and save harmless Lessee, its respective successors, assignees, officers, directors, employees, agents, representatives and contractors, from and against any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgments, suits, actions, proceedings, costs, disbursements, and/or expenses (including, without limitation reasonable attorneys and experts' fees and expenses) of any kind or nature whatsoever which may at any time be imposed upon, incurred by, asserted, or awarded against Lessee and/or its respective successors, assignees, officers, directors, employees, agents, representatives and contractors arising out of the actions or inactions of the Lessor and (i) the storage, treatment, generation, transportation, processing, handling, or disposal of any Hazardous Substance by Lessor (ii) the presence of any Hazardous Substance or a Release of any Hazardous Substance or the threat of such Release at or from the Real Property by Lessor (iii) human exposure to any Hazardous Substance, (iv) a violation of any Environmental Law, or (v) a material misrepresentation or inaccuracy in any representation or warranty or material breach of or failure to perform any covenant made by Lessor herein. Anything herein to the contrary

notwithstanding under no circumstances shall the actions of any other tenant, occupant, visitor or the like to the Real Property be considered to be the actions of Lessor.

The Liability of Lessor to Lessee, its respective successors, assignees, officers, directors, employees, agents, representatives and contractors hereunder shall in no way be limited, abridged, impaired, or otherwise affected by the release, expiration, or termination of this Lease Agreement.

The foregoing indemnity shall be in addition to any and all other obligations and liabilities Lessor may have to Lessee at common law.

37. LEASE CANCELLATION

Provided Lessee is not then in default hereunder, Lessee will have a one time option to cancel the Lease at the end of the fifth lease year. In order to exercise the one time lease cancellation, the Lessee will give Lessor written notice twelve months prior to the anniversary of the fifth lease year. In addition to notifying the Lessor at least twelve months before the end of the fifth lease year, Lessee must pay a cancellation fee equal to twelve (12) months of Base Rent. If Lessee does not give Lessor written notice twelve months prior to the end of the fifth lease year the lease cancellation right will terminate. In the event Lessee elects to exercise the right to cancel the Lease as set forth within this Section 37, and in the event the Adjacent Property Lease remains in full force and effect following the cancellation of this Lease, then Lessee shall remove at Lessee's sole cost and expense the Common Walkway, and shall restore the same to a condition substantially similar to the real property immediately contiguous to such Common Walkway. Further, in the event Lessee elects pursuant to the Adjacent Property Lease to exercise the right to cancel the Adjacent Property Lease as set forth therein, and in the event this Lease remains in full force and effect following the cancellation of the Adjacent Property Lease, then Lessee shall remove at Lessee's sole cost and expense the Common Walkway, and shall restore the same to the conditions substantially similar to the real property immediately contiguous to such Common Walkway.

38. RENEWAL OPTION

In the event Lessee is not in default in the payment of Base Rent or Additional Rent or otherwise in material default of any of the terms, covenants, or conditions of this Lease, the Lessee may elect to renew this Lease for three (3) additional terms of five (5) years. The option period shall commence on the day following the Expiration Date and shall continue for a term of five (5)

years thereafter. The Base Rent for the renewal terms of this Lease shall be 1st Renewal (Years 10-14) Base Rent $10.25 per square foot, 2nd Renewal (Years 15-19) Base Rent $11.00 per square foot, 3rd Renewal (Years 20-24) Base Rent $11.75 per square foot.

In order to exercise the renewal options, Lessee must give Lessor notice in writing of its election to exercise such option not less than one hundred eighty (180) days prior to the Expiration Date.

39. REMOVAL OF COMMON WALKWAY

Anything herein to the contrary notwithstanding, in the event pursuant to the terms of this Lease, Lessee is required to remove the Common Walkway, the removal of the Common Walkway shall include the restoration of the area previously improved by the Common Walkway to a condition similar to the immediately surrounding real property (i.e. appropriately landscaped to match existing conditions).

IN WITNESS WHEREOF, the undersigned have hereto set their hands.

SIGNED AND ACKNOWLEDGED
IN THE PRESENCE OF:

[ILLEGIBLE]
- ----------
Witness to Lessor

[ILLEGIBLE]
- ----------
Witness to Lessor

LESSOR:
MORRISON TAYLOR II, LTD.

/s/Robert C. White

By: Robert C. White
Its: President

LESSEE:
ADS ALLIANCE DATA SYSTEMS, INC.

/s/Mary Brewer
- ----------
Witness to Lessee

/s/John [ILLEGIBLE]
- ----------
Witness to Lessee

/s/ Robert P. Armiak

By: ROBERT P ARMIAK, TREASURER

Its:----------

STATE OF OHIO
COUNTY OF FRANKLIN SS:

BE IT REMEMBERED, that on this 24th day of June, 1998, before me, the subscriber, a Notary Public in and for said County and State, personally appeared MORRISON TAYLOR II, LTD., by Robert C. White, its President and executed the foregoing instrument, and acknowledged such execution thereof to be his and its free and voluntary act and deed for the uses and purposes mentioned therein.

IN TESTIMONY THEREOF, I have hereunto signed my name and affixed my official seal on the day and year aforesaid.

/s/ Mary Brewer
Notary Public

[SEAL]

[SEAL]

STATE OF OHIO
COUNTY OF Franklin SS:

BE IT REMEMBERED, that on this 18th day of June, 1998, before me, the subscriber, a Notary Public in and for said County and State, personally appeared ADS ALLIANCE DATA SYSTEMS, INC., by Robert Armiak, its Treasurer, and executed the foregoing instrument, and acknowledged such execution thereof to be his and its free and voluntary act and deed for the uses and purposes mentioned therein.

IN TESTIMONY THEREOF, I have hereunto signed my name and affixed my official seal on the day and year aforesaid.

/s/Mary Brewer
Notary Public

[SEAL]

EXHIBIT A

August 8, 1997

DESCRIPTION OF 6.139 ACRE TRACT (OFFICENTER 2, PHASE 11)
EAST OF MORRISON ROAD, ON SOUTH SIDE OF TAYLOR ROAD,
GAHANNA, OHIO, FOR
THE DAIMLER GROUP, INC.

Situated in the State of Ohio, County of Franklin, City of Gahanna, in Lot Number Five (5), Quarter Township 3, Township 1 North, range 16 West, United States Military Lands, and being a portion of an original 220.064 acre tract of land conveyed to Andre M. Buckles by deed of record in Deed Book 3700, Page 120, Recorder's Office, Franklin County, Ohio, and bounded and described as follows:

Beginning, for reference, at a point at the intersection of the centerline of Taylor Road (50 feet wide) with the southwest right-of-way line of Morrison Road and the northeast limited access right-of-way line of Interstate Route 270, in the north line of said Lot No. 5, at the northwest corner of a 5.745 acre tract of land conveyed as Parcel No. 1200 WD to State of Ohio by deed of record in Deed Book 3255, Page 555, Recorder's Office, Franklin County, Ohio, and at a corner of a 34.634 acre tract of land conveyed as Parcel No. 1200 WL to State of Ohio by deed of record in Deed Book 3255, Page 559, Recorder's Office, Franklin County, Ohio, all as shown upon Sheet 16 of 28 of Ohio Department of Transportation right-of-way plans for FRA-270-28.30 N;

thence S 85DEG. 47' 21" E along the centerline of Taylor Road, along a portion of the north line of said Lot No. 5, along the north line of said 5.745 acre tract and along a portion of the north line of said original 220.064 acre tract a distance of 1,799.14 feet to a point (passing a point at the northeast corner of said 5.745 acre tract at 530.13 feet), the first said point being N 85DEG. 59' 46" W a distance of 1,338.33 feet and N 85DEG. 47' 21" W a distance of 1,913.04 feet from Franklin County Monument No. 1164 found in the centerline of Taylor Road;

thence S 4DEG. 12' 39" W perpendicular to the centerline of Taylor Road, perpendicular to the north line of said Lot No. 5 and perpendicular to the north line of said original 220.064 acre tract a distance of 25.00 feet to a 3/4-inch I.D. iron pipe set in the south right-of-way line of Taylor Road and at the true place of beginning of the tract herein intended to be described;

thence S 85DEG. 47' 21" E along the south right-of-way line of Taylor Road and parallel with and 25.00 feet southerly by perpendicular measurement from the centerline of Taylor Road, from the north line of said Lot No. 5 and from the north line of said original 220.064 acre tract a distance of 600.93 feet to a 3/4-inch I.D. iron pipe set at the northwest corner of a 4.453 acre tract of land conveyed out of said original 220.064 acre tract to BHJ Holding A/S by deed of record in Official Record 29926, Page F 08, Recorder's Office, Franklin County, Ohio;

thence S 2DEG. 50' 20" W along the west line of said 4.453 acre tract a distance of 445.00 feet to a 3/4-inch I.D. iron pipe set at the southwest corner of said 4.453 acre tract and at a corner of a 6.910 acre tract of land conveyed out of said original 220.064 acre tract to Techcenter II, Ltd., by deed of record in Instrument 199708110068127, Recorder's Office, Franklin County, Ohio;

thence N 79DEG. 47' 09" W along a north line of said 6.910 acre tract a distance of 43.82 feet to a 3/4-inch I.D. iron pipe set at the northwest corner of said 6.910 acre tract and at the northeast corner of an 8.699 acre tract of land conveyed out of said original 220.064 acre tract to Morrison Taylor, Ltd. by deed of record in Official Record 34402, Page G 17, Recorder's Office, Franklin County, Ohio;

thence N 85DEG. 56' 18" W along a portion of the north line of said 8.699 acre tract a distance of 568.01 feet to a 3/4-inch I.D. iron pipe set;

thence N 4DEG. 12' 39" E perpendicular to the south right-of-way line of Taylor Road a distance of 441.77 feet to the true place of beginning;

containing 6.139 acres of land more or less and being subject to all easements and restrictions of record.

The above description was prepared by Kevin L. Baxter, Ohio Surveyor No. 7697, of C.F. Bird & R.J. Bull, Inc., Consulting Engineers & Surveyors, Columbus, Ohio, from an actual field survey performed under his supervision in July, 1997. Basis of bearings is the centerline of Taylor Road, being assumed at S 85DEG. 47' 21" E, and all other bearings are based upon this meridian.

/s/ Kevin L. Baxter
- -------------------------
Kevin L. Baxter
Ohio Surveyor #7697

[SEAL]

[SEAL]

EXHIBIT B

[MAP]

EXHIBIT "C"

RULES AND REGULATIONS

(a) The Tenant shall not exhibit, sell, or offer for sale on the Premises or in the Building any article of thing except those articles and things essentially connected with the stated use of the Premises without the advance written consent of the Landlord, which consent shall not be unreasonably withheld.

(b) The Tenant will not make or permit to be made any use of the Premises or any part thereof which would violate any of the covenants, agreements, terms, provisions, and conditions of this Lease or which directly or indirectly is forbidden by public law, ordinance, or governmental regulation or which may be dangerous to life, limb, or property, or which may invalidate or increase the premium cost of any policy or insurance carried on the Building or Real Property or covering its operation, or which will suffer or permit the Premises or any part thereof to be used in any manner or anything to be brought into or kept therein which, in the judgment of Landlord, shall in any way impair or tend to impair the character, reputation or appearance of the Building or Real Property as a high quality office building, or which will impair or interfere with any of the services performed by Landlord for the Building and Real Property.

(c) Except with respect to signage as described in the Lease, the Tenant shall not display, inscribe, print, paint, maintain, or affix on any place in or about the Building or on the Real Property any notice, legend, direction, figure, or advertisement, except on the doors of the Premises and on the Directory Board, and then only such name(s) and matter, and in such color, size, place, and materials as shall first have been approved by the Landlord, which approval shall not be unreasonably withheld. The listing of any name other than that of Tenant, whether on the doors of the Premises, on the Building directory, or otherwise, shall not operate to vest any right or interest in this Lease or in the Premises or be deemed to be the written consent of Landlord, it being expressly understood that any such listing is a privilege extended by Landlord revocable at will by written notice to Tenant.

(d) No additional locks or similar devices shall be attached to any door or window without Landlord's prior written consent, which consent shall not be unreasonably withheld. All keys must be returned to the Landlord at the expiration or termination of this Lease.

(e) The Tenant shall not make any structural alterations, improvements, or additions to the Premises without the Landlord's advance written consent in each and every instance which consent shall not be unreasonably withheld. In the event Tenant desires to make any alterations, improvements, or additions, Tenant shall first submit to Landlord plans and specifications therefor and obtain Landlord's written approval thereof prior to commencing any such work. All alterations, improvements, or additions, whether temporary or permanent in character, made by Landlord or Tenant in or upon the Premises shall become Landlord's property and shall remain upon the Premises at the termination of this Lease without compensation to Tenant (excepting only Tenant's movable office furniture, trade fixtures, office and professional equipment), unless Landlord requires Tenant to remove such items which must be removed at Tenant's cost by no later than the earlier of the termination of this Lease and such items shall be removed without damage to the Landlord's property. Any damage caused by or resulting from the removal of Tenant's office furniture, trade fixtures, and office and professional equipment, or alterations, improvements, or additions removed at Landlord's request, may be repaired by the Landlord at Tenant's cost and expense.

(f) All persons entering or leaving the Building after hours on Monday through Friday or at any time on Saturdays, Sundays or holidays may be required to do so under such regulations at the Landlord may reasonably impose. The Landlord may exclude or expel any peddler.

(g) Unless the Landlord gives advance written consent, the Tenant shall not install or operate any steam or internal combustion engine, boiler, machinery, refrigerating or heating device or air conditioning apparatus in or about the Premises, or carry on any mechanical business therein, or use the Premises for housing accommodations or lodging or sleeping purposes, or do any cooking therein except microwave, or use any illumination other than electric light, or use or permit to be brought into the Building any inflammable fluids such as gasoline, kerosene, naptha and benzine, or any explosives, radioactive materials, or other articles deemed extra hazardous to life limb or property. The Tenant shall not use the Premises for any illegal or immoral purpose.

(h) The Tenant shall cooperate fully with the Landlord to assure the effective operation of the Building's heating and air conditioning system.

(i) The Tenant shall not contract for any work or service which might involve the employment of labor incompatible with the employees of contractors doing work or performing services by or on behalf of the Landlord.

(j) The sidewalks, halls, passages, exits, and entrances shall not be obstructed by the Tenant or used for any purpose other than for ingress and egress from its Premises. The roof is not for the use of the general public and the Landlord shall in all cases retain the right to control and prevent access thereto.

(k) Tenant shall not use, keep or permit to be used or kept any foul or noxious gas or substance in the Premises, or permit or suffer the Premises to be occupied or used in a manner offensive or objectionable to the Landlord or other occupants of the Building by reason of noise, odors, and/or vibrations, or interfere in any way with other tenants or those having business therein, nor shall any animals be brought in or kept in or about the Real Property.

(l) Tenant shall see that the doors and windows, if operable, of the Premises are closed and securely locked before leaving the Building and must observe strict care and caution that all water faucets or water apparatus are entirely shut off before Tenant or Tenant's employees leave the Building, and that all electricity shall likewise be carefully shut off so as the prevent waste or damage. Tenant agrees that the Premises are to be used for office purposes only in connection with Tenant's business and for no other purpose whatsoever without the advance express written consent of Landlord, which consent shall not be unreasonably withheld.

In addition to all other liabilities for breach of any covenant the Tenant shall pay to the Landlord an amount equal to any increase in insurance premiums payable by the Landlord or any other tenant in the Building caused by such breach of these Rules and Regulations.

LEASE TERM AGREEMENT

THIS LEASE TERM AGREEMENT is dated as of the 17th day of July, 1998, by and between Morrison Taylor Il, Ltd. ("Lessor"), and ADS Alliance Data Systems, Inc. ("Lessee").

WITNESSETH:

WHEREAS, Lessor and Lessee entered into a Lease dated June 18, 1998, ("Lease") which provided for an initial lease term of 9 years and 44 days ("Initial Lease Term");

WHEREAS, the Initial Lease Term was to commence on a date which could not be specified with exactness within the Lease because it was in part conditioned upon the date the construction of the leased premises was completed and/or upon completion of any improvements to the leased premises;

WHEREAS, Lessor and Lessee now desire to specify the exact commencement date of the Initial Lease Term;

NOW, THEREFORE, in consideration of the mutual covenants and promises contained herein, Lessor and Lessee hereto agree and provide as follows:

1. LEASE COMMENCEMENT DATE. It is hereby agreed the Lease Commencement Date as set forth in the Lease shall be July 17, 1998, and the expiration of the initial term of the Lease shall be August 31, 2007.

IN WITNESS WHEREOF, the undersigned have caused this Lease Term Agreement to be executed.

SIGNED AND ACKNOWLEDGED
IN THE PRESENCE OF:

/s/ Shannxx DXXXXXXX
- ------------------------
Witness to Lessor

/s/ Denise M. Damon
- ------------------------
Witness to Lessor

/s/ Catherine J Burnett
- ------------------------
Witness to Lessee

/s/ Mary Brewer
- ------------------------
Witness to Lessee

LESSOR:
MORRISON TAYLOR II, LTD.

/s/ Robert C. White

By: Robert C. White
Its: President

LESSEE:
ADS ALLIANCE DATA SYSTEMS, INC.
/s/ Robert P. Armiak

By: Robert P. Armiak
Its: Treasurer

ACKNOWLEDGEMENTS

STATE OF OHIO
SS
COUNTY OF FRANKLIN

BE IT REMEMBERED, that on this 15th day of July, 1998, before me, the subscriber, a Notary Public in and for said County and State, personally appeared Morrison Taylor II, Ltd., by Robert C. White, its President, and executed the foregoing instrument, and acknowledged such execution thereof to be his and its free and voluntary act and deed for the uses and purposes mentioned therein.

IN TESTIMONY THEREOF, I have hereunto signed my name and affixed my official seal on the day and year aforesaid.

/s/ Denise M. Damon

Notary Public

[Seal]

STATE OF OHIO
SS
COUNTY OF FRANKLIN

BE IT REMEMBERED, that on this 30th day of July, 1998, before me, the subscriber, a Notary Public in and for said County and State, personally appeared ADS Alliance Data Systems, Inc., by Robert Armiak, its Treasurer, and executed the foregoing instrument, and acknowledged such execution thereof to be his and its free and voluntary act and deed for the uses and purposes mentioned therein.

IN TESTIMONY THEREOF, I have hereunto signed my name and affixed my official seal on the day and year aforesaid.

/s/ Mary Brewer

Notary Public

[Seal]

THE DAIMLER GROUP, INC.

[Logo] 1533 LAKE SHORE DRIVE - COLUMBUS, OHIO 43204-4891 - 614/488-4424 -
FAX 614/488-060

July 14, 1998

Mr. Bruce McClary
ADS Alliance Data Systems, Inc.
220 West Schrock Road
Westerville, Ohio 43081

Re: Morrison Taylor II, Ltd. - 775 Taylor Road Lease Agreement

Dear Mr. McClary:

The Daimler Group, Inc. and Morrison Taylor II, Ltd. would like to thank you for selecting 775 Taylor Road, Columbus, Ohio as the new home for your offices.

Since you have now taken occupancy of the space, the following matters under the Lease can be finalized:

- - TERM OF LEASE - The Lease term will begin on July 17, 1998, and will expire on August 31, 2007. In that respect, please execute the attached Lease Term Agreements and return two originals to my attention.

- - RENTAL OBLIGATION - Per the Lease, Base and Additional Rents (reimbursements for operating expenses) are due commencing July 17, 1998. Rental payments, are due on the first of the month and are payable to MORRISON TAYLOR II, LTD., C/O OHIO EQUITIES, INC., 395 E. BROAD STREET, SUITE 100, COLUMBUS, OHIO 43215.

The monthly rental obligations for the remainder of 1998 are:

	Base Rent	Additional Rent	Total
July	$12,355.74	1,171.55	13,527.29
August - December	25,535.20	2,419.13	27,954.33

Additional Rent, excluding items paid directly by ADS Alliance Data Systems, Inc. such as utilities, janitorial services, etc. for 1998 is projected to be $.90 per square foot and has been calculated on your space size of 32,255 square feet. Please note that you will not be provided with monthly invoices for your rent payments. This is the only notice you will receive regarding your 1998 rental obligations.

- - PROPERTY MANAGER - Ohio Equities, Inc. is the property manager of the building. Please call Ken Vaughn at (614) 224-0353 should you have any problems with the building or your space.

- - INSURANCE COVERAGE - Paragraph 7 of the Lease Agreement specifies certain minimum comprehensive public liability and property damage insurance coverages that must be maintained. In addition, this section requires that Morrison Taylor Il, Ltd. be named as an additional insured under your policies. PLEASE HAVE YOUR INSURANCE AGENT FORWARD THE APPROPRIATE CERTIFICATE TO US reflecting your compliance with this section of the Lease.

- - ESTOPPEL CERTIFICATE - Per Paragraph 19 of the Lease Agreement, an executed Estoppel Certificate is due upon request of Lessor. As such, when necessary, we will request you to execute such a certificate.

Please acknowledge receipt of and agreement with this letter by signing and returning the enclosed copy of this letter along with two of the Lease Term Agreements.

Thank you for your assistance.

Sincerely,

/s/ John A. Derzon
John A. Derzon
Vice President - Marketing

JAD/smd
market/alliance/moveinltr 775 taylor

Enclosures

cc: Herman Ziegler
Ken Vaughn
Cindy Robson
Dave Ward
Lease File

Agreed and accepted this
30 day of July, 1998.

By: /s/ Robert P. Armiak

Its: Robert P. Armiak

Treasurer

FIRST AMENDMENT TO LEASE AGREEMENT

This First Amendment to Lease Agreement (the "First Amendment") is dated this 18 day of June, 1998 (the "Effective Date") by and between MORRISON TAYLOR, LTD., a limited liability company organized under the laws of the State of Ohio and having an office and place of business located at 1533 Lake Shore Dr., Suite 50, Columbus, Ohio 43204 ("Lessor") and ADS ALLIANCE DATA SYSTEMS, INC., a corporation organized under the laws of the State of Delaware and having an office and place of business located at 800 TechCenter Drive, Gahanna, Ohio 43230 ("Lessee").

BACKGROUND INFORMATION

On July 1, 1997, Lessor and Lessee entered into a certain lease agreement for a certain tract of real estate and the improvements constructed thereon, commonly known as 800 TechCenter Drive, Gahanna, Ohio 43230 (the "Original Lease").

Lessee has subsequent to the execution of the Original Lease and contemporaneous with the execution of this First Amendment entered into a certain lease agreement for a certain parcel of real estate and improvements constructed thereon commonly known as 775 Taylor Road which property is immediately adjacent to and contiguous to the real property which is the subject of the Original Lease Agreement (the "Adjacent Property Lease Agreement").

As a condition of the execution of the Adjacent Property Lease Agreement, the Landlord under the Adjacent Property Lease Agreement required that both the Adjacent Property Lease Agreement and the Original Lease Agreement contain provisions that provide that in the event Lessee were to default under either lease agreement, the same shall constitute a default under the other lease agreement (i.e. that the lease agreements contain a cross-default provision).

Lessor and Lessee have agreed to the same.

NOW, THEREFORE, in consideration of the promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. CROSS-DEFAULT. In the event Lessee were to default under the terms and conditions of the Adjacent Property Lease Agreement, the same shall constitute an event of default under the Original Lease as if the same were set forth within Section 25 of the Original Lease. In the event that the landlord under the Adjacent Property Lease were to default under the terms and conditions of the Adjacent Property Lease Agreement, and the tenant under the Adjacent Property Lease Agreement and the Original Lease are the same, the same shall constitute an event of default by Lessor under the Original Lease as if the same were set forth in Section 26 of the Original Lease.

2. ASSIGNMENT OR SUBLETTING BY LESSEE/REMOVAL OF COMMON WALKWAY. In the event Lessee were to assign or sublet the Premises over unto any other person or entity (except for an assignment or subletting to a parent, subsidiary or affiliate of Lessee), Lessee shall (except to the extent provided to the contrary in the last sentence of this paragraph) as a condition precedent to such assignment or subletting remove the common walkway constructed by Lessee upon the Real Property which common walkway connects the Building with the building which is located upon the real property which is contiguous and immediately and adjacent to the Real Property which real property is commonly known as 775 Taylor Road, Gahanna, Ohio 43230. The preceding condition precedent shall not be applicable if contemporaneous with the assignment or subletting of the Original Lease, the Adjacent Property Lease Agreement is also sublet or assigned to the same person or entity to which the Original Lease is so sublet or assigned.

Anything herein to the contrary notwithstanding in the event Lessee were to be required to remove the Common Walkway as located upon Real Property as described above, Lessee may be relieved from such obligation if Lessee ratifies and reaffirms in writing at the time of the subletting or assignment as described above, its obligation to remove the Common Walkway as located upon Real Property upon the expiration or termination of either the Adjacent Property Lease Agreement or the Original Lease which ever shall occur.

3. ASSIGNMENT OR SUBLETTING OF ADJACENT PROPERTY LEASE AGREEMENT/REMOVAL OF COMMON WALKWAY. In the event Lessee were to assign or sublet its interest in the Adjacent Property Lease Agreement (except for an assignment or subletting to a parent, subsidiary or affiliate of Lessee), Lessee shall remove the common walkway as located upon the Real Property. The preceding shall not be applicable if contemporaneous with the assignment or subletting of the Adjacent Property Lease Agreement, the Original Lease is also sublet or assigned to the same person or entity to which the Adjacent Property Lease Agreement is so sublet or assigned.

Anything herein to the contrary notwithstanding in the event Lessee were to be required to remove the Common Walkway as located upon Real Property as described above, Lessee may be relieved from such obligation if Lessee ratifies and reaffirms in writing at the time of the subletting or assignment as described above, its obligation to remove the Common Walkway as located upon Real Property upon the expiration or termination of either the Adjacent Property Lease Agreement or the Original Lease which ever shall occur.

4. ADDITIONAL REMEDY IN THE EVENT OF DEFAULT. In the event of any uncured default by the Lessee, in addition to any other remedies provided herein, Lessor may require Lessee to remove the common walkway (as is described in Section 2 above) and in

the event Lessee fails to remove the same, Lessor may remove such common walkway at Lessee's sole cost and expense.

5. MODIFICATION TO LEASE CANCELLATION. In the event Lessee were to exercise its rights to cancel the Original Lease, as set forth in Section 37 of such document, and the Adjacent Property Lease Agreement shall continue to exist from and after the cancellation of the Original Lease, then Lessee shall remove the common walkway from the Real Property. Further, in the event Lessee were to exercise its rights to cancel the Adjacent Property Lease Agreement, then notwithstanding the fact that the Original Lease may continue to exist from and after the cancellation of the Adjacent Property Lease Agreement, Lessee shall remove the common walkway from the Real Property.

6. REMOVAL OF COMMON WALKWAY. The removal of the common walkway as set forth herein shall include the restoration of the area previously improved by the common walkway to a condition similar to the immediately surrounding real property (i.e. appropriately landscaped to match existing conditions).

7. NO OTHER CHANGES. Lessor and Lessee agree that no further changes to the Original Lease are contemplated by this First Amendment.

8. RATIFICATION. Lessor and Lessee hereby ratify and reaffirm all of the terms and conditions of the Original Lease except as modified by this First Amendment.

IN WITNESS WHEREOF, the undersigned have hereto set their hands.

Signed and Acknowledged in the Presence of:	LESSOR: MORRISON TAYLOR LTD.
/s/ Shannon Dauberman - ---------- Witness to Lessor	/s/ Robert C. White ---------- By: Robert C. White Its: President
/s/ Denise M. Damon - ---------- Witness to Lessor	

LESSEE:
ADS ALLIANCE DATA SYSTEMS, INC.

/s/ Mary Brewer
- ----------
Witness to Lessee

/s/ Robert P. Armiak

By: ROBERT P. ARMIAK

Its: TREASURER

/s/ [Illegible]
- ----------
Witness to Lessee

STATE OF OHIO
COUNTY OF FRANKLIN SS:

BE IT REMEMBERED, that on this 24th day of June, 1998, before me, the subscriber, a Notary Public in and for said County and State, personally appeared MORRISON TAYLOR, LTD., by Robert C. White, its President and executed the foregoing instrument, and acknowledged such execution thereof to be his and its free and voluntary act and deed for the uses and purposes mentioned therein.

IN TESTIMONY THEREOF, I have hereunto signed my name and affixed my official seal on the day and year aforesaid.

/s/ Denise M. Damon

Notary Public

[SEAL]

STATE OF OHIO
COUNTY OF FRANKLIN SS:

BE IT REMEMBERED, that on this 18 day of June, 1998, before me, the subscriber, a Notary Public in and for said County and State, personally appeared ADS ALLIANCE DATA SYSTEMS, INC., by ROBERT ARMIAK, its TREASURER, and executed the foregoing instrument, and acknowledged such execution thereof to be his and its free and voluntary act and deed for the uses and purposes mentioned therein.

IN TESTIMONY THEREOF, I have hereunto signed my name and affixed my official seal on the day and year aforesaid.

/s/ Mary Brewer

Notary Public

daimler\alliance\1stamd.003

[SEAL]

LEASE AGREEMENT

EXECUTED BY AND BETWEEN

MORRISON TAYLOR, LTD. - LESSOR

AND

ADS ALLIANCE DATA SYSTEMS, INC. - LESSEE

TABLE OF CONTENTS

LEASE AGREEMENT

By this Lease Agreement (hereafter referred to as the "Lease") dated this 1st day of July, 1997 (the "Effective Date"), by and between, MORRISON TAYLOR, LTD., an Ohio Limited Liability Company organized under the laws of the State of Ohio (hereafter referred to as the "Lessor") and ADS ALLIANCE DATA SYSTEMS, INC., a corporation organized under the laws of the State of Delaware hereafter referred to as the "Lessee"), Lessor hereby leases unto Lessee, and Lessee accepts and leases from Lessor the Premises as hereinafter described for the term, the rent, and subject to the conditions and covenants hereinafter provided.

In consideration thereof, the parties covenant and agree as follows:

1. DEFINITIONS

Unless the context otherwise specifies or requires, the following terms shall have the following meanings herein specified.

(a) The term "REAL PROPERTY" shall mean a certain tract of real estate commonly known as 800 TechCenter Drive, Gahanna, Ohio 43230 the legal description of which is attached hereto and marked as Exhibit "A".

(b) The term "BUILDING" shall mean a 1 story office building containing approximately 54,615 leasable square feet of space, more or less, as outlined on the diagram attached hereto and marked as Exhibit "B," located upon the Real Property as hereinabove defined.

(c) The term "PREMISES" shall mean the Real Property, the Building and all other improvements on the Real Property.

(d) The term "REAL ESTATE TAXES AND ASSESSMENTS" shall mean all real estate taxes and any special assessments accruing during the term of the Lease, or any taxes which shall be levied in lieu of such taxes on the gross rentals of the Premises, but shall not include any penalties or interest payable by reason of failure to pay such taxes and

assessments, except to the extent that such penalties or interest have been assessed as a result of Lessee's failure to timely pay real estate taxes and assessments as set forth in Section 5 herein. To this end, Lessor and Lessee each acknowledge that pursuant to the Ohio Supreme Court, the method for financing school systems within the State of Ohio is currently under review and is expected to be substantially revised and modified. To the extent such modification impacts real estate taxes and assessments, the parties agree that any alternative tax established in lieu thereof or in substitution relating to the ownership, management or leasing of real property thereof shall be deemed to be part of the real estate taxes and assessments for the purposes of the above-described definition.

2. INITIAL TERM

The term of this Lease shall commence on the 1st day of September, 1997 (hereafter the "Commencement Date") and shall expire (unless sooner terminated pursuant to provisions contained herein) on the 31st day of August, 2007 for a term of 10 years. Lessee and its specialized subcontractors (i.e., telephone and/or computer installation people) shall have the right to enter the Premises prior to the Commencement Date for the purpose of getting the space ready for occupancy; provided the same shall not obstruct Lessor or its contractors from timely completion of construction. In the event the Premises are not available for occupancy on the Commencement Date, except as set forth below, this Lease shall not be void, or voidable, nor shall Lessor be liable to Lessee for any damages resulting therefrom, and provided the delay is not occasioned by acts or omissions of the Lessee, the Base Rent, and obligation to pay Real Estate Taxes and Assessments and other expenses, as hereafter provided, shall be waived and abated for the period between the Commencement Date and the date the Premises are available for occupancy, and the Expiration Date shall be extended by the time period necessary to assure that the term shall be for the period described above. Notwithstanding, if the Commencement Date does not begin on the first of the month, the term shall be extended to allow the expiration date to end on the last day of the month.

Notwithstanding the foregoing or any other provision hereof to the contrary, in the event the Premises are not available for occupancy within ten (10) weeks after the later of: (i) June 20, 1997 or (ii) the Effective Date, except as a result of delay caused by Lessee or force majeure under Section 7 hereof, Lessor shall pay to Lessee the sum of $1,000 per day for each day after that date that the Premises is not ready for occupancy, and if the Premises are not available for occupancy by November 30, 1997, except as a result of delay caused by Lessee or force majeure under Section 7 hereof, Lessee shall have the option, at any time thereafter until the Premises are available for occupancy, to terminate this Lease by written notice to Lessor, in which event this Lease shall terminate as of the date of such notice and shall be void in all respects except that Lessor shall pay to Lessee all amounts required to be paid under this paragraph for failure to make the Premises ready for occupancy through the effective date of termination of this Lease. The dates by which the Premises must be available for occupancy may be extended by the mutual agreement of the parties in the event of a change in the plans or scope of work requested by Lessee.

As used herein, the term "ready for occupancy" shall mean that (i) the Building and all improvements on the Real Property have been substantially completed in accordance with the plans and specifications therefor, (ii) a certificate of occupancy for the Building has been issued by the City of Gahanna, and (iii) Lessor has notified Lessee in writing at least seven (7) days in advance that the Premises will be ready for occupancy on that date. Acceptance of possession of the Premises by Lessee shall not relieve Lessor of its obligation to complete the Premises in accordance with the Plans and Specifications.

3. BASE RENT

The Lessee shall pay to the Lessor as annual Base Rent, in legal tender at the Lessor's address at 1533 Lake Shore Drive, Columbus, Ohio 43204, or such other address as may be designated by Lessor the annual sum of:

	Annual	Monthly
Year 1	$294,921.00	$24,576.75
Years 2-6	$488,804.25	$40,733.69
Years 7-10	$532,496.25	$44,374.69

promptly on the first day of every calendar month of the term, beginning on the Commencement Date, unless the Premises are not

available for occupancy on such date, in which case the first payment shall be due and payable upon the date the Premises are available for occupancy and shall be prorated, for such partial month.

The Base Rent shall be payable without demand, the same being hereby waived.

4. OPERATING, MAINTENANCE, TAXES, AND OTHER EXPENSES

(a) Subject to the provisions of Sections 5 and 18 hereof, in addition to Base Rent, Lessee shall pay to Lessor each month as additional rent an amount reasonably estimated by Lessor as being necessary to pay when due each real estate tax bill for which Lessee is responsible under Section 5 hereof and each premium of fire and extended coverage insurance for which Lessee is responsible under Section 18 hereof, with such amounts being spread over the number of months covered by such tax bill or premium invoice in equal installments. Such estimates shall be based upon the most recent tax bill and insurance premium invoice. Lessor shall pay all real estate tax bills and insurance premiums before the same are due without penalty and without lapse of coverage. In the event the amount of additional rent paid by Lessee hereunder is insufficient to pay a particular tax bill or premium invoice, Lessor shall provide Lessee with notice of the deficiency, and Lessee shall pay the amount of the deficiency within thirty (30) days after receipt of such notice and copies of the applicable tax bill or premium invoice. In the event the amount of additional rent is in excess of that needed to pay the next due real estate tax bill and invoice for insurance premium, the excess shall be applied to the next due additional rent payments and in the event of an excess upon termination of this Lease, the amount of such excess shall be paid by Lessor to Lessee within thirty (30) days after the date of termination.

(b) In addition, except as specifically set forth herein to the contrary, Lessee agrees to pay all of the expenses related to the operation of the Premises including but not limited to:

(1) Cost of any utilities for providing lighting and electrical service to the Premises, heating and cooling for the Building, water and sewer service for the Building;

(2) Landscaping, lawn care, fertilization, snow removal, janitorial service and trash removal;

(3) Maintenance and repairs of the Premises (including but not limited to electrical, plumbing, heating, air conditioning and mechanical equipment and the necessary tools and equipment associated therewith), parking areas and access drives, sidewalks and grounds, but exclusive of the roof, foundation and structural elements of the Building, the expenses for which shall be paid as set forth in Section 9 herein;

(4) Any and all taxes or other fees or assessments not described within paragraph (a) herein (such as personal property taxes for equipment used to service the Building, fees charged by any Owners Association and similar assessments), except for income taxes properly assessed against and payable by Lessor.

Such expenses shall be paid directly by Lessee to the respective vendor or service provider with the exception of real estate taxes and assessments which shall be paid to Lessor in accordance with Section 5 hereof.

5. TAXES AND ASSESSMENTS

Lessee shall be responsible for paying through additional rent in accordance with the procedure set forth in Section 4 hereof all real estate taxes and installments of assessments related to the

Premises relating to real estate tax bills relating to periods during the term of this Lease, without regard to the date the real estate tax bills are due and payable. Lessor shall provide Lessee with a copy of each real estate tax bill no later than fifteen (15) days after receipt of the tax bill. Lessee shall not be responsible for the payment of any penalty or interest on taxes or assessments as long as Lessee makes the additional rent payments set forth in Section 4 herein.

If the Premises are not a separate tax parcel, Lessor shall take such steps as are necessary to have the same created as a separate tax parcel.

With the consent of Lessor, which consent shall not be unreasonably withheld, Lessee shall have the right in its own name, or in Lessor's name where appropriate, but at its own cost and expense, to contest the amount or legality of any real property taxes, personal property taxes, assessments, impositions or all other claims and charges which it is obligated to pay hereunder and make application for the reduction thereof, or any assessment upon which the same may be based, and the Lessor agrees at the request of the Lessee to execute or join in the execution of any instruments or documents necessary in connection with such contest or application. If the Lessee shall contest such tax assessment, or other imposition and if as a result of such contest the time for paying such tax or assessment is delayed, the time within which the Lessee shall be required to pay the same to Lessor shall be similarly extended.

In no event shall Lessee be liable for payment of any income, estate or inheritance taxes imposed upon Lessor or the estate of Lessor with respect to the Premises. Lessee shall not pay any income, franchise or excise or excess profits tax levied upon or assessed against Lessor.

6. CONSTRUCTION AND COMPLETION OF THE PREMISES

Lessor agrees to construct the Building, the other improvements on the Real Estate, and the tenant improvements within the Building in compliance with plans and specifications prepared by Lessor's architect and approved by Lessee on or before the Commencement Date. Lessee shall not do anything, or fail to do anything, that will cause a delay in the completion of the construction of the Building and improvements, or that will increase the costs of such construction. In the event as a result of Lessee's failure to cooperate or comply with this

Section, completion is delayed beyond the Commencement Date, such delay shall not create an abatement of Base Rent for the period of delay caused by Lessee.

Lessee shall be entitled to a tenant improvement allowance in the amount of $873,840. To the extent that tenant improvements exceed this amount, Lessee shall reimburse Lessor within thirty (30) days after invoice therefor accompanied by such supporting documentation as Lessee may reasonably require. Further, Lessee shall have the right to review and approve all bids for tenant improvements. To this end, Lessee expressly acknowledges and agrees that should Lessee desire to review and approve any bid for tenant improvement work and should the same take more than one (1) day that the same shall act to postpone the occurrence of the penalty set forth within Section 2 herein by one day for each day in excess of one day that such approval is not given or refused so long as the approval is obtained within three days (and if it is not obtained within three days the same shall act to postpone the occurrence of the penalty set forth in Section 2 herein by an amount equal to the actual delay in completion caused by such failure to approve the same), it being agreed that the time frame for completing the construction of the tenant improvement work does not include review time for Lessee in excess of the aforementioned. In the event Lessee refuses to approve a bid for tenant improvements, Lessee shall be entitled to contract directly for such tenant improvement work and be reimbursed by Landlord for the cost thereof up to the total of any remaining balance of the tenant improvement allowance. Lessee acknowledges that should Lessee elect to contract for the completion of certain tenant improvement work that the same will cause an extension of the occurrence of the penalty as set forth within Section 2 herein to include any subsequent delays in completion of the tenant improvement work caused as a result of the need to reschedule work around the work to be completed by the Lessee.

7. FORCE MAJEURE

In the event the Lessor shall be delayed or hindered or prevented in the performance of any obligations required under the Lease by reasons of strike, lockouts, inability to procure labor or materials, failure of power, fire or other acts of God, restrictive governmental laws or regulations, riots, insurrection, war or any other reason not within the reasonable control of Lessor, then the performance of such obligations shall be excused for a period of such delay and the period for the

performance of any such act shall be extended for a period equivalent to the period of any such delay.

8. ASSIGNMENT BY LESSOR

If Lessor shall sell, assign, transfer or convey the Real Property and/or Building, such sale, assignment, conveyance or transfer shall be subject to this Lease, and provided the assignee assumes all of Lessor's obligations under this Lease, Lessee shall look to the assignee or transferee of Lessor's interest in this Lease for the performance of Lessor's obligations hereunder, and the Lessor shall from and after such assignment or transfer be relieved and discharged from any and all liabilities and obligations under this Lease. Lessor shall send notice to Lessee of any such sale, assignment, transfer, or conveyance at least thirty (30) days prior to the date that the next Base Rent shall be due.

9. MAINTENANCE

During the term of this Lease, Lessee shall maintain the Premises (exclusive of roof, foundation and structural elements of the Building which shall be the responsibility of Lessor subject to the terms hereafter set forth) as a first class office building except for damage occasioned by the act of Lessor, its employees, agents or invitees; provided, however, Lessee shall not be excused from its obligation to maintain the Premises as a result of the act of Lessor or its employees, agents or invitees if the same is subject to insurance coverages maintained by Lessee (or insurance coverages that would normally and customarily be carried by a lessee).

Upon completion of the Building, Lessor shall conditionally assign to Lessee all warranties and guarantees related to the roof of the Building. Lessor shall be solely responsible for the maintenance and repair of the roof of the Building during the first year of the lease term. Thereafter, during the initial term of this Lease, Lessee shall be responsible for performing all routine maintenance and repairs to maintain the roof in good order and condition utilizing a roofing contractor reasonably approved by Lessor that will not jeopardize any roof warranty with respect to the roof, and Lessor shall be responsible for replacement of the roof, unless such replacement is caused by the failure of Lessee to perform routine maintenance hereunder. In the event that Lessor is required during the first year of the initial term of this Lease to replace the roof, Lessee shall

reassign the roof related warranties and guaranties to Lessor, and Lessor shall replace the roof in accordance therewith. In the event that Lessor is required during the initial term of this Lease to replace the roof after the first lease year, Lessee shall reassign the roof related warranties and guaranties to Lessor and shall reimburse Lessor for the costs of such replacement up to a total amount of $13,653.75 during the term of the Lease, and Lessor shall pay all costs of repair and replacement in excess of such amount. Lessee shall pay Lessor any amount it is required to pay hereunder to reimburse Lessor for the costs of repair or replacement of the roof within thirty (30) days of request for payment accompanied by copies of all invoices necessary to support the requested payment. Anything herein to the contrary notwithstanding, Lessee shall be responsible for performing all routine maintenance to maintain the roof in good order and condition as set forth above during any and all renewal terms, and Lessor shall be responsible for replacement of the roof during any and all renewal terms, subject to Lessee reimbursing Lessor for all costs of the same in accordance with general terms and conditions as set forth within Section 4 herein, and the following sentence. In the event during any renewal term it becomes necessary to replace the roof or make any major repair to the roof, the cost of which would normally be amortized under generally acceptable accounting principles, for the purpose of this Section 9, the cost of such replacement or repair shall be amortized over the estimated useful life of the roof or the repair as reasonably determined by the outside accountants for Lessor and Lessee shall only be obligated to pay that portion of the cost of the replacement or repair attributable to the remainder of the then applicable renewal term, and upon exercise of a subsequent renewal term, that renewal term.

In the event that Lessor and Lessee are unable to agree upon whether repair or replacement is the appropriate activity relative to a problem with the roof, either party may provide written notice to the other of such inability to agree, and if the parties are still not in agreement within seven (7) days thereafter, each party shall select an independent roofing contractor who shall make a recommendation regarding repair or replacement within thirty (30) days after the expiration of such seven (7) day period. If the two roofing contractors cannot agree upon a recommendation, they shall mutually select a third contractor who shall make a recommendation of repair or replacement which shall be controlling on the parties. If either party does not select a roofing contractor or such contractor

does not timely submit its recommendation, the recommendation of the other contractor shall be controlling. Each party shall pay all costs and fees of the roofing contractor selected by it and the parties shall equally share the costs and fees of the third contractor.

Notwithstanding anything to the contrary contained herein, Lessor shall be solely responsible for maintenance and repair of the foundation and all structural elements of the Building; provided, however, during any renewal term of this Lease, Lessee shall be responsible to reimburse Lessor for the costs associated with the same in accordance with the terms and conditions as generally set forth within Section 4 herein, and the following sentence. In the event during any renewal term it becomes necessary to replace the foundation or structural elements or make any major repair to the foundation or structural elements, the cost of which would normally be amortized under generally acceptable accounting principles, for the purpose of this Section 9, the cost of such replacement or repair shall be amortized over the estimated useful life of the replacement or the repair as reasonably determined by the outside accountants for Lessor and Lessee shall only be obligated to pay that portion of the cost of the replacement or repair attributable to the remainder of the then applicable renewal term, and upon exercise of a subsequent renewal term, that renewal term. Further, Lessor shall warrant all improvements on the Premises (exclusive of tenant improvements constructed by Lessee) for a term of one year after the Commencement Date and shall make all repairs resulting from defective design, workmanship or materials during that period. Further, Lessor shall, at the request of Lessee, process any warranty claims under applicable warranties.

10. QUIET ENJOYMENT

So long as the Lessee shall observe and perform the covenants and agreements binding on it hereunder, the Lessee shall, at all times during the term herein granted, peacefully and quietly have and enjoy possession of the Premises without any encumbrance and hindrance.

11. CERTAIN RIGHTS RESERVED TO THE LESSOR

The Lessor reserves the following rights:

(a) On reasonable prior notice to the Lessee, to exhibit the Premises to any prospective purchaser, mortgagee, or assignee of any

mortgage secured by the Premises at any time during the term and to prospective tenants during the last year of the term.

(b) At any time in the event of an emergency, to take any and all measures, including inspections, repairs, alterations, additions and improvements to the Premises as may be necessary for the safety, protection or preservation of the Premises provided Lessor shall have first provided Lessee with such notice as is reasonable under the circumstances and Lessee shall have failed to take action with respect to such emergency. Relative to the same, Lessor shall use reasonable efforts to minimize disturbance of Lessee, its employees, agents, and invitees.

12. ESTOPPEL CERTIFICATES

Lessee and Lessor shall, within ten (10) days after written request of the other, execute, acknowledge, and deliver to the other or to the other's mortgagee, proposed mortgagee, or proposed purchaser of the Premises or any part thereof or proposed assignee of this Lease or successor in interest, reasonable estoppel certificates requested by the other party from time to time, which estoppel certificates shall show whether the Lease is in full force and effect and whether any changes may have been made to the original Lease; whether the term of the Lease has commenced and full rental is accruing; whether there are any defaults by Lessor or Lessee and, if so, the nature of such defaults; whether possession has been assumed and all improvements to be provided by Lessor have been completed; whether Base Rent has been paid more than thirty (30) days in advance; whether there are any liens, charges, or offsets against Rentals of any type due or to become due; and whether the address shown on such estoppel certificate is accurate, and such other matters reasonably requested.

13. WAIVER OF CERTAIN CLAIMS BY LESSEE

(a) All personal property belonging to the Lessee or any occupant of the Premises that is in or on any part of the Premises shall be there at the risk of the Lessee or of such other person only, and the Lessor, its agents and

employees shall not be liable for the theft or misappropriation thereof.

(b) Lessor shall not be liable for any damage or loss to fixtures, equipment, merchandise or other personal property of Lessee or any occupant of the Premises or any part thereof located anywhere in the Premises caused by fire, leak or flow of water (including water from the elevator system), explosion, sewer backup, breakage, leakage, obstruction, or other defect of the pipes, sprinklers, wires, plumbing, air conditioning or lighting fixtures, acts of God, public enemies, injunction, riot, strike, insurrection, war, court order, steam, rain or from any cause beyond Lessor's control, or any other insurable hazards except to the extent covered by the warranty of Lessor set forth in Section 9 hereof, and Lessee does hereby expressly release Lessor of and from such liability for such damages or loss.

(c) Lessor shall not be liable for any damage or loss resulting from business interruption at the Premises arising out of or incident to the occurrence of any of the perils which can be covered by a business interruption insurance policy except to the extent covered by the warranty of Lessor set forth in Section 9 hereof, and Lessee hereby expressly releases Lessor of and from such liability for such damages or loss.

(d) Nothing contained within this Section shall release Lessor from the fraudulent conduct of Lessor or any duties or obligations required to be performed by Lessor pursuant to law.

14. WAIVER OF CERTAIN CLAIMS BY LESSOR

Lessee shall not be liable for any damage to the Premises or any part thereof caused by fire or other insurable hazards, regardless of the cause thereof (except to the extent the same is the result of the negligent act(s) of Lessee), and Lessor hereby

expressly releases Lessee of and from any and all liability for such damages or loss.

15. MUTUAL WAIVER OF SUBROGATION

Any waiver of claims and/or release described within this Lease shall not be limited to the liability of the parties to each other; it shall also apply to the liability of any person claiming through or under the parties pursuant to a right of subrogation or otherwise. The waiver of claims or release shall not apply to loss or damage to property of a party unless the loss or damage occurs when the applicable insurance policy of the party contains a clause or endorsement to the effect that the release will not adversely affect or impair the policy or prejudice the rights of the insured to recover under the policy. In the event an insurance company is unwilling to include such a clause or endorsement in a policy carried by a party, the party required to carry the insurance shall give notice in writing to the other party of the unwillingness of the insurance company to provide such clause or endorsement in the policy. In such event, the party whose insurance company is unwilling to include such a clause or endorsement in the policy shall take immediate action to assure that insurance is obtained through a company that is willing to include such a clause or endorsement in the policy.

16. INDEMNIFICATION

Lessee indemnifies Lessor, each partner of Lessor, and each employee and agent of Lessor, against any loss, liability, or damages incurred in connection with or arising from: (i) the use or occupancy of the Premises by Lessee or any person claiming under Lessee; (ii) any activity, work, or thing done or permitted to be done by Lessee in or about the Premises; (iii) any acts, omissions, or negligence of Lessee or any person claiming under Lessee; (iv) any breach, violation, or non-performance by Lessee or any person claiming under Lessee of any term, covenant, or provision of this Lease, or any law, ordinance, or governmental requirement of any kind; or (v) (except for loss which is proximately caused by or results proximately from the negligence or intentional misconduct of Lessor, Lessor's employees and agents), any injury or damage to person, property, or business of Lessee, its employees, agents, or any other person entering upon the Premises under the express or implied invitation of Lessee.

Lessee shall defend any lawsuits with respect to claims for loss, liability or damages against which the indemnity provided above

applies, and shall pay any judgments which result from the lawsuits. "Lawsuits" includes arbitration proceedings and administrative proceedings, and all other governmental and quasi-governmental proceedings. "Liabilities" includes the fees and disbursements of attorneys and witnesses.

Lessor indemnifies Lessee, each partner of Lessee, and each employee and agent of Lessee, against any loss, liability, or damages incurred in correction with or arising from: (i) the use or occupancy of the Premises by Lessor or any person claiming under Lessor; (ii) any activity, work, or thing done or permitted to be done by Lessor in or about the Premises; (iii) any acts, omissions, or negligence by Lessor or any person claiming under Lessor; (iv) any breach, violation or non-performance by Lessor or any person claiming under Lessor of any term, covenant or provision of this Lease, or governmental requirement of any kind; or (v) (except for loss which is proximately caused by or results proximately from the negligence or intentional misconduct of Lessee, Lessee's employee and agents) any injury or damage to person, property, or business of Lessor, its employees, agents, or ANY OTHER PERSON ENTERING upon the Premises under the express or implied, invitation of Lessor.

Lessor shall defend any lawsuits with respect to claims for loss, liability or damages against which the indemnity provided above applies, and shall pay any judgments which result from the lawsuits. "Lawsuits" includes arbitration proceedings and administrative proceedings, and all other governmental and quasi-governmental proceedings. "Liabilities" includes the fees and disbursements of attorneys and witnesses.

Lessee agrees to the extent it is required to obtain insurance pursuant to this Lease, all such policies shall contain a broad form contractual liability endorsement obligating its insurance carrier to comply with the terms of this Section.

17. LIABILITY INSURANCE

Lessee shall maintain comprehensive public liability insurance with limits of not less than $1,000,000.00 for bodily injury and $100,000.00 per claim for property damage for injuries or damages occurring in or about the Premises. Lessor shall be named as an "additional insured" under such policy. Evidence of such insurance shall be provided on the date Lessee takes occupancy of the Premises.

18. FIRE AND EXTENDED COVERAGE INSURANCE

Lessor shall maintain during the term a fire and extended coverage insurance policy with respect to the Building, and as applicable, the Real Property. The coverage limits shall not be less than the reasonable estimate of the cost of replacing the Building and Real Property as applicable. The cost of replacing the Building and Real Property, as applicable, means the cost of replacing damage to the same as reasonably determined by Lessor with new materials of like kind and quality, except for foundation, footings, and other building elements customarily excluded from applicable coverages. Lessee shall reimburse Lessor for the costs of maintaining the insurance under this Section 18 as additional rent as set forth in Section 4 hereof.

Notwithstanding the foregoing, if Lessee reasonably determines that it will be less expensive to Lessee to obtain and maintain the insurance required under this Section 18 directly from an insurance carrier, and provided Lessor is named as an "insured" and such insurance coverage is comparable or better than the insurance coverage maintained by Lessor as determined by Lessor in its reasonable discretion and is obtained through an insurance carrier reasonably acceptable to Lessor and Lessee provides all information relating to the same, including specimen copies of the insurance policy(ies) to Lessor not later than 30 days prior to the proposed effective date of coverage, upon at least thirty (30) days prior written notice to Lessor, Lessee may obtain the insurance required under this Section 18 directly at its sole cost, and the additional rent provided for in Section 4 hereof shall be reduced by deleting any amounts for insurance premiums therefrom.

19. HOLDING OVER

If the Lessee retains possession of the Premises or any part thereof after the expiration of the term of the Lease, the Lessee shall pay the Lessor Base Rent at one and one-quarter the monthly rate in effect immediately prior to the termination of the term for the time the Lessee remains in possession. In addition thereto, Lessee shall be liable to Lessor for all damages, incidental, consequential, indirect and direct, sustained by reason of the Lessee's retention of possession. The provisions of this Section do not exclude the Lessor's rights of reentry or any other right provided hereunder or available at law or in equity. No such holding-over shall be deemed to constitute a

renewal or extension of the term hereof; however, all other provisions of this Lease shall remain in full force and effect.

20. ASSIGNMENT AND SUBLETTING

The Lessee shall not, without the Lessor's prior written consent, which consent shall not be unreasonably withheld as long as the assignment or sublease is to an entity of similar financial strength, (a) assign, convey, mortgage, pledge, encumber or otherwise transfer (whether voluntarily or otherwise) this Lease or any interest under it; (b) allow any transfer by operation of law; (c) sublet the Premises or any part thereof; or (d) permit the use or occupancy of the Premises or any part thereof by anyone other than the Lessee.

If this Lease is assigned or if the Premises or any part thereof be sublet or occupied by anybody other than the Lessee, with the consent of Lessor as stated above, Lessor may, after default by Lessee, collect rent from the assignee, subtenant or occupant, and apply the net amount collected to the Base Rent herein reserved, but no such assignment, subletting, occupancy or collection shall be deemed a waiver of any of Lessee's covenants contained in this Lease or the acceptance of such assignee, subtenant or occupant as Lessee, or a release of Lessee from further performance by Lessee of covenants on the part of Lessee herein contained.

In the event a sublease or assignment is made with the Lessor's prior written consent, as herein provided, Lessee shall pay Lessor a charge of $350.00 as reimbursement for necessary legal and accounting services required by Lessor to accomplish such assignment or subletting. Said amount shall be deemed to be additional rent under the terms of this Lease.

Notwithstanding any other provision hereof to the contrary, Lessee may assign its rights under this Lease or sublease all or any part of the Premises to a parent, subsidiary or affiliate without the consent of Lessor and without paying any assignment fee, provided Lessee shall not be relieved from liability hereunder as a result of such assignment or sublease, and Lessee shall not thereafter dissolve or sell substantially all of its assets without establishing reasonable reserves to meet its obligations under this Lease.

21. CONDITION OF PREMISES

On the expiration or termination of the Lease, Lessee shall return the Premises "broom clean" and in as good condition as when the Lessee took possession, ordinary wear and tear and loss by fire or other insured casualty excepted.

22. USE OF PREMISES

Lessee shall use the Premises for general office and related purposes and for no other purposes.

Lessee shall comply with all laws and ordinances, and all rules and regulations of all governmental authorities at any time in force, applicable to the Premises or to the Lessee's use thereof, and to this end and without limitation Lessee expressly covenants not to bring (or allow to be brought) into the Premises any substances which have been defined as "hazardous" or "toxic" substances under any applicable federal and/or state law, rule and/or regulation, except for Hazardous Substances stored, treated, generated, transported, processed, handled, produced or disposed of in the normal operation of the Premises as an office building in strict accordance with all Environmental Laws.

23. DAMAGE OR DESTRUCTION

If the Premises or any substantial part of the Premises is damaged or destroyed by fire or other casualty, such that the damage cannot be replaced or repaired within One Hundred Eighty (180) days thereafter, either party may by written notice to the other, terminate this Lease, which termination shall be effective as of the date of such damage.

If as a result of fire or other casualty the Premises are made partially or completely untenable, and the Lease is not terminated as provided above, this Lease shall remain in full force and effect and the Base Rent shall abate during such time as the Premises are untenable; provided, however, if Lessee occupies part of the space, Base Rent shall be abated by an amount determined by multiplying the Base Rent by a fraction of the numerator of which is the leasable space which cannot be occupied and the denominator of which is the total leasable square footage within the Premises.

Unless this Lease is terminated as hereinabove provided, this Lease shall remain in full force and effect and Lessor shall proceed with due diligence to restore, repair, and replace the

Premises to substantially the same condition as it was in as of the Commencement Date. Lessor shall be under no duty to restore any alterations, improvements or additions made by the Lessee or by Lessor at Lessee's request after the Commencement Date, unless the same are covered by proceeds of insurance designated for the same and available to Lessor in which case Lessor shall restore the same. In all cases, due allowances in the completion of the repairs shall be given to the Lessor for any reasonable delays caused by adjustment of insurance loss, strikes, labor difficulties, inability to obtain supplies or materials or any cause beyond Lessor's control.

24. EMINENT DOMAIN

(a) In the event that title to all of the Premises, or a portion of the Premises containing a part of the Building shall be condemned or taken in any manner for any public or quasipublic use, this Lease and the term and estate hereby granted shall forthwith cease and terminate as of the date of vesting of title in the name of the condemning authority and the Lessor and Lessee shall be entitled to participate in any award based upon their respective interest therein, if any. Without limitation, Lessee shall be entitled to make a claim for and participate in any part of an award made for the taking of personal property or fixtures belonging to Lessee, for the interruption of or damage to Lessee's business, for Lessee's moving expenses, and for the value of the remaining term of the Lease.

(b) In the event that title to a portion of the Real Property containing no portion of the Building shall be so condemned or taken and provided the same does not reduce the number of parking spaces available to Lessee by more than five percent (5%), this Lease shall remain in full force and effect without rent abatement, apportionment, or other alteration whatsoever, and Lessor shall be entitled to receive any award paid by the condemning authority, the Lessee hereby assigning to

Lessor the Lessee's interest therein, if any. If however, such taking reduces the number of parking spaces available to Lessee by more than five percent (5%), and Lessor cannot provide reasonably suitable alternative parking within thirty (30) days thereafter, then Lessee shall have the right to cancel this Lease upon written notice to Lessor exercised within ten (10) days following the day Lessor acknowledges in writing its inability to provide reasonably suitable alternative parking, or the expiration of the thirty (30) day period described above, whichever shall first occur. In such event, Lessor and Lessee shall be entitled to participate in any award as set forth in paragraph 24(a) hereof.

(c) For the purpose of this Section, a sale to a public or quasi-public authority under threat of condemnation shall constitute a vesting of title and shall be construed as a taking by such condemning authority.

25. LESSOR'S REMEDIES

All rights and remedies of the Lessor herein enumerated shall be cumulative, and none shall exclude any other right or remedy allowed by law or in equity. In addition to the other remedies provided in this Lease, the Lessor shall be entitled to the restraint by injunction without bond of the violation or attempted violation of any of the covenants, agreements or conditions of this Lease.

(a) If the Lessee shall: (i) apply for or consent to the appointment of a receiver or trustee of the Lessee or of all or a substantial part of its assets; (ii) file a voluntary petition in bankruptcy or admit in writing its inability to pay its debts as they come due; (iii) make a general assignment for the benefit of creditors; (iv) file a petition or an answer seeking reorganization or arrangement with creditors or to take advantage of any insolvency law; or (v) file an answer admitting the material allegations

of a petition filed against the Lessee in any bankruptcy, reorganization or insolvency proceeding, or if an order, judgment or decree shall be entered by any court of competent jurisdiction adjudicating the Lessee a bankrupt or insolvent or approving a petition seeking reorganization of the Lessee or appointing a receiver or trustee of the Lessee or of all or a substantial part of its assets, then in any of such events, the Lessor may give to the Lessee a notice of intention to end the term of this Lease specifying a day not earlier than ten (10) days thereafter, and upon the giving of such notice the term of this Lease and all right, title and interest of the Lessee hereunder shall expire as fully and completely on the day so specified as if that day were the date herein specifically fixed for the expiration of the term.

(b) If Lessee fails to pay any installment of Base Rent within five days after the same is due, Lessee shall pay Lessor a charge of $250.00 to defer Lessor's additional administrative costs associated with the same. Lessee shall pay in addition to the $250.00 charge described in the immediately preceding sentence, interest on the unpaid installment(s) of Base Rent at 4% over the Prime Rate of Interest as described within the WALL STREET JOURNAL or the maximum amount allowed by law (if such a limitation does so exist), whichever is less, (the "Default Rate") from the date such installment(s) was due. If Lessee fails to pay Base Rent on the date the same is due, and if such default continues for a period of twenty (20) days after receipt of written notice of such default, or in the event Lessee fails to cure any other default in this Lease within 30 days after receipt of notice to cure the same, then Lessor may terminate this Lease or terminate Lessee's possession under the Lease without terminating the Lease and endeavor to

relet the same. Nothing herein shall relieve Lessee of its obligation to pay Base Rent.

(c) Upon termination of this Lease, Lessee shall surrender the Premises and deliver possession thereof to Lessor. If Lessee fails to vacate the Premises, Lessor may obtain possession of the Premises in the manner provided or allowed by law.

(d) If the Lessor elects, without terminating the Lease, to endeavor to relet the Premises, the Lessor may, at the Lessor's option, enter into the Premises, remove the Lessee's signs and other evidence of tenancy, and take and hold possession thereof as provided in paragraph (c) of this Section provided, without such entry and possession terminating the Lease or releasing the Lessee in whole or in part, from the Lessee's obligation to pay the Base Rent hereunder for the full term as hereinafter provided. Upon and after entry into possession without termination of the Lease, the Lessor may relet the Premises or any part thereof for the account of the Lessee at the fair market rents for which there shall exist for the purpose of establishing the same a rebuttable presumption that the rents as agreed to by Lessor upon such re-rental of the Premises are, in fact, fair market rents (it being the intent of the later portion of this sentence to place the burden on the defaulting Lessee to establish that the rents as agreed to by the non-defaulting Lessor are not fair market rentals, rather than placing the burden on the non-defaulting Lessor to establish that the same are fair market rents). If the rents collected by Lessor upon such reletting are not sufficient to pay monthly the full amount of the Base Rent due hereunder plus the costs of reletting the same, including advertising, leasing commissions, attorney fees and the costs of retrofitting the tenant improvements, Lessee shall pay to Lessor the amount of the deficiency in full on demand as

the same accrue. To this end, it is agreed that the Lessor can collect immediately any costs of reletting once such costs are incurred, including advertising, leasing commissions, attorney fees, and the costs of retrofitting the tenant improvements; the Lessor will not be required to defer collection of the same after such expenses are incurred.

(e) Any property of Lessee not removed from the Premises within thirty (30) days after the Premises are vacated by Lessee shall be deemed abandoned by Lessee and may be retained by Lessor as its property or disposed of in such manner as Lessor may see fit. Any and all property removed by Lessor by authority of this Lease or law which belongs to Lessee shall be removed and/or stored at the risk and expense of Lessee.

26. LESSEE'S REMEDIES

If Lessor defaults in the performance of any covenant required to be performed by Lessor under the terms of this Lease, Lessee may serve upon Lessor and if requested by Lessor's lender(s) upon Lessor's lender's(s') written notice specifying the default and requiring performance by the Lessor within a period of time set forth in the notice, which shall not be less than thirty (30) days after receipt of said notice, except in the case of emergency. In the event that Lessor shall not have remedied the default within the time set forth in the notice, Lessee may by written notice to Lessor, at its sole option, cure Lessor's default and Lessor shall immediately reimburse Lessee for the expenses thereof with interest at the Default Rate. Further, if the default by Lessor is the failure to maintain the foundation, structure or roof as required under Section 9 hereof, and provided that except in the case of emergency, Lessee includes within the written notice specified in the default described within the first sentence of this Section, a written report by a structural engineer of recognized responsibility located within the Columbus metropolitan marketplace specifying in detail the nature and extent of the proposed deficiency and the proposed plan for modifying or correcting such deficiency, and Lessor thereafter fails to submit within such thirty (30) day period a written objection to such proposal supported by an opinion of a

structural engineer of recognized responsibility located within the Columbus metropolitan marketplace, Lessee may offset the expense thereof with interest at the Default Rate against Base Rent and additional rent thereafter accruing. However, if any default shall occur which cannot, with due diligence be cured within a period of thirty (30) days, and Lessor prior to the expiration of thirty (30) days from and after the giving of notice as aforesaid, commences to eliminate the causes of such default and proceeds diligently and with reasonable dispatch to take all steps and to do all work required to cure such default, then Lessee shall not have the right to declare the Lease terminated by reason of such default.

27. SUBORDINATION OF LEASE

This Lease is and shall be subject to and subordinate to any and all mortgages now existing upon or that may be hereafter placed upon the Building and/or the Real Property and to all advances made or to be made thereon and all renewals, modifications, consolidations, replacements or extensions thereof and the lien of any such mortgages to the full extent of all sums secured thereby. This provision shall be self-operative and no further instrument of subordination shall be necessary to effectuate such subordination and the recording of any such mortgage shall have preference and precedence and be superior and prior in lien to this Lease, irrespective of the date of recording. In confirmation of such subordination, Lessee shall on request of Lessor or the holder of any such mortgage execute and deliver to Lessor within ten (10) days any instrument that Lessor or such holder may reasonably request provided the same contains language substantially similar to that set forth within the next following paragraph, and to this end Lessee acknowledges that such instrument may also require certain additional affirmative obligations be undertaken by Lessee not heretofore set forth within this Lease and not inconsistent with the terms of this Lease such as the obligation of Lessee to notify the mortgage company granting the non-disturbance agreement described in the next following sentence in the event of a default by Lessor under this Lease.

Notwithstanding the foregoing in the event of a foreclosure of any such mortgage or of any other action or proceeding for the enforcement thereof, or of any sale thereunder, this Lease will not be barred, terminated, cut off or foreclosed nor will the rights and possession of Lessee thereunder be disturbed if Lessee shall not then be in default in the payment of rental or other

sums or be otherwise in default under the terms of this Lease, and Lessee shall attorn to the purchaser at such foreclosure, sale or other action or proceeding.

28. NOTICES AND CONSENTS

All notices, demands, requests, consents or approvals which may or are required to be given by either party to the other shall be in writing and shall be given personally with return receipt requested or by United States Certified or Registered Mail, postage prepaid, return receipt requested. Such notice shall be deemed given on the date inscribed on the return receipt. Such notice shall be directed: (a) if for the Lessee, to the Lessee at the Building, or at such other place as the Lessee may from time to time designate by notice to the Lessor; or (b) if for the Lessor, to 1533 Lake Shore Drive, Suite 50, Attention: Robert C. White, Columbus, Ohio, 43204, or at such other place as the Lessor may from time to time designate by notice to the Lessee. All consents and approvals provided for herein must be in writing to be valid. If the term Lessee as used in this Lease refers to more than one person, any notice, consent, approval, request, bill, demand or statement, given as aforesaid to any one of such persons shall be deemed to have been duly given to Lessee.

29. NO ESTATE IN LAND

This contract and Lease shall create the relationship of landlord and tenant between Lessor and Lessee; no estate shall pass out of Lessor except that of the tenancy described herein; and Lessee shall have only the rights of enjoyment stated herein of property vested in the Lessor which rights are not subject to levy and sale.

30. INVALIDITY OF PARTICULAR PROVISIONS

If any clause or provision of this Lease is or becomes illegal, invalid, or unenforceable because of present or future laws or any rule, decision, or regulation of any governmental body or entity, the intention of the parties hereto is that the remaining parts of this Lease shall not be affected thereby.

31. MISCELLANEOUS TAXES

Lessee shall pay prior to delinquency all taxes assessed against or levied upon its occupancy of the Premises, or upon the fixtures, furnishings, equipment, and all other personal property of Lessee located in the Premises, if nonpayment thereof shall

give rise to a lien on the real estate, and when possible Lessee shall cause said fixtures, furnishings, equipment and other personal property to be assessed and billed separately from the property of Lessor. In the event any or all of Lessee's fixtures, furnishings, equipment and other personal property, or upon Lessee's occupancy of the Premises, shall be assessed and taxed with the property of Lessor, Lessee shall pay to Lessor its share of such taxes within ten (10) days after delivery to Lessee by Lessor of a statement in writing setting forth the amount of such taxes applicable to Lessee's fixtures, furnishings, equipment or personal property.

32. BROKERAGE

Lessee and Lessor each represent to the other that they have not dealt with any broker or agent in connection with this transaction except The Daimler Group, Inc. and Carey Leggett Realtors, whose commissions shall be paid by Lessor, and each agrees to hold the other harmless from any claim for any other commission made by a party claiming to have worked with the other.

33. SPECIAL STIPULATIONS

(a) No receipt of money by the Lessor from the Lessee after the termination of this Lease or after the service of any notice or after the commencement of any suit, or after final judgment for possession of the Premises shall reinstate, continue or extend the term of this Lease or affect any such notice, demand or suit or imply consent for any action for which Lessor's consent is required.

(b) No waiver of any default of the Lessee or Lessor hereunder shall be implied from any omission by the Lessor or Lessee to take any action on account of such default if such default persists or be repeated, and no express waiver shall affect any default other than the default specified in the express waiver and that only for the time and to the extent therein stated.

(c) All of the covenants of the Lessee hereunder shall be deemed and construed to be "conditions" as well as covenants" as though

the words specifically expressing or importing covenants and conditions were used in each separate instance.

(d) This Lease shall not be recorded by either party without the consent of the other. However, on the request of either party Lessor and Lessee agree to make and execute a Memorandum of Lease in recordable form so as to give public notice of the execution of the within Lease, and a statement therein as to the date of commencement of the within Lease which shall not disclose the terms of rental hereunder.

(e) Neither party has made any representations or promises, except as contained herein, or in some further writing signed by the party making such representation or promise.

(f) Each provision hereof shall extend to and shall, as the case may require, bind and inure to the benefit of the Lessor and the Lessee and their respective heirs, legal representatives, successors, and assigns.

(g) If because of any act or omission of Lessee, a mechanics lien is filed against the Lessor or the real estate, Lessee shall hold Lessor harmless therefrom.

(h) This Lease shall not be binding until signed by both parties.

(i) No acceptance by Lessor of a lesser sum than the Base Rent or any other charge then due shall be deemed other than on account of the earliest installment of such rent or charge due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent or other charge be deemed an accord and satisfaction, and Lessor may accept such check or payment without prejudice to Lessor's right to recover the balance of such installment or charge or other monies owing by Lessee or pursue any other remedy in this Lease provided.

34. LIMITATION OF LESSOR'S LIABILITY

(a) The individual partners of Lessor shall have no personal liability with respect to any of the provisions of this Lease or any obligation arising from, or in connection with this Lease. If Lessor or any successor in interest shall be a joint venture or a partnership, the members of the joint venture or the partnership shall have no personal liability with respect to any provisions of this Lease or any obligation arising from or in connection with this Lease.

(b) If Lessee shall assert a claim against Lessor and Lessor is the owner of the Premises at the time the claim is asserted, Lessee shall look solely to Lessor's ownership interest in the Premises for satisfaction of all remedies of any award of damages.

35. FINANCIAL STATEMENTS

Upon reasonable request, but no more frequently than once each year, the Lessee shall provide financial statements to Lessor and/or Lessor's lending institution.

36. HAZARDOUS SUBSTANCES

(a) Lessor and Lessee hereby covenant and agree that the following terms shall have the following meanings:

(i) "ENVIRONMENTAL LAWS" mean all federal, state, and local laws, statutes, ordinances, and codes relating to the use, storage, treatment, generation, transportation, processing, handling, production, or disposal of any Hazardous Substance and the rules, regulations, policies, guidelines, interpretations, decisions, orders, and directives with respect thereto.

(ii) "HAZARDOUS SUBSTANCE" means, without limitation, any flammable explosives, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum and petroleum based products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances, or related materials, as defined in the Comprehensive Environmental Response, Compensation

and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, ET SEQ.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, et sea.), the Toxic Substances Control Act, as amended (15 U.S.C. Sections 2601, ET SEQ.), or any other applicable Environmental Law.

(iii) "INDEMNITEE" means Lessor, its respective successors and assignees, its respective partners, officers, directors, employees, agents, representatives, contractors and subcontractors, and any subsequent owner of the Real Property and Building who acquires title thereto from or through Lessor.

(iv) "RELEASE" has the same meaning as given to that term in the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, et seq.), and the regulations promulgated thereunder.

(b) Lessee covenants and agrees with Lessor as follows:

(i) Lessee shall keep, and shall cause all occupants of the Premises to keep the Premises, free of all Hazardous Substances, except for Hazardous Substances stored, treated, generated, transported, processed, handled, produced, or disposed of in the normal operation of the Premises as an office building, in accordance with all Environmental Laws.

(ii) Lessee shall comply with, and shall cause all occupants of the Premises to comply with all Environmental Laws.

(iii) Lessee shall promptly provide Lessor with a copy of all notifications which it gives or receives with respect to any past or present Release of any Hazardous Substance or the threat of such a Release on, at, or from the Premises or any property adjacent to or within the immediate vicinity of the Premises.

(iv) Lessee shall undertake and complete all investigations, studies, sampling, and testing for Hazardous Substances reasonably required by Lessor

and, in accordance with all Environmental Laws, all removal and other remedial actions necessary to contain, remove, and clean up all Hazardous Substances that are determined to be present at the Premises (if as a result of the actions or inactions of Lessee or any occupant of the Premises) in violation of any Environmental Laws.

(v) Lessor shall have the right, but not the obligation, to cure any violation by Lessee of the Environmental Laws and Lessor's cost and expense to so cure shall be the responsibility of Lessee under this Lease Agreement.

(c) Lessee covenants and agrees, at its sole cost and expense, to indemnify, defend, and save harmless Indemnitee from and against any and all damages, losses, liabilities, obligations, penalties, claims, litigation, demands, defenses, judgments, suits, actions, proceedings, costs, disbursements, and/or expenses (including, without limitation, reasonable attorneys' and experts' fees and expenses) of any kind or nature whatsoever which may at any time be imposed upon, incurred by, asserted, or awarded against Indemnitee arising out of the actions or inactions of Lessee or any occupant of the Premises, and (i) the storage, treatment, generation, transportation, processing, handling, production, or disposal of any Hazardous Substance by Lessee, (ii) the presence of any Hazardous Substance or a Release of any Hazardous Substance or the threat of such a Release at or from the Premises, (iii) human exposure to any Hazardous Substance, (iv) a violation of any Environmental Law, or (v) a material misrepresentation or inaccuracy in any representation or warranty or material breach of or failure to perform any covenant made by Lessee herein (collectively, the "Indemnified Matters").

The Liability of Lessee to Indemnitee here under shall in no way be limited, abridged, impaired, or otherwise affected by (i) the release, expiration, or termination of this Lease Agreement, (ii) the invalidity or unenforceability of any of the terms or provisions contained in this Lease Agreement, (iii) any exculpatory provisions of this Lease Agreement, (iv) any applicable statute of limitations, (v) the

assignment of this Lease Agreement by Lessor or Lessee, (vi) the sale, transfer, or conveyance of all or part of the Real Property and Building, (vii) the dissolution or liquidation of Lessee, (viii) the death or legal incapacity of Lessee, (ix) the release or discharge, in whole or in part, of Lessee in any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation, or similar proceeding, or (x) any other circumstances which might otherwise constitute a legal or equitable release or discharge, in whole or in part, of Lessee under this Lease Agreement.

The foregoing indemnity shall be in addition to any and all other obligations and liabilities Lessee may have to Lessor at common law.

37. LEASE CANCELLATION

Provided Lessee is not then in default hereunder, Lessee will have a one time option to cancel the Lease at the end of the sixth lease year. In order to exercise the one time lease cancellation, the Lessee will give Lessor written notice twelve months prior to the anniversary of the sixth lease year. In addition to notifying the Lessor at least twelve months before the end of the sixth lease year, Lessee must pay a cancellation fee equal to twelve (12) months of base rent If Lessee does not give Lessor written notice twelve months prior to the end of the sixth lease year the lease cancellation will go away.

38. RENEWAL OPTION

In the event Lessee is not in default in the payment of Base Rent or additional rent or otherwise in material default of any of the terms, covenants, or conditions of this Lease, the Lessee may elect to renew this Lease for three (3) additional terms of five (5) years. The option period shall commence on the day following the Expiration Date and shall continue for a term of five (5) years thereafter. The Base Rent for the renewal terms of this Lease shall be 1st Renewal (Years 11-15) Base Rent $10.25 per square foot, 2nd Renewal (Years 16-20) Base Rent $11.00 per square foot, 3rd Renewal (Years 21-25) Base Rent $11.75 per square foot.

In order to exercise the renewal options, Lessee must give Lessor notice in writing of its election to exercise such option not

less than one hundred eighty (180) days prior to the Expiration Date.

IN WITNESS WHEREOF, the undersigned have hereto set their hands.

SIGNED AND ACKNOWLEDGED
IN THE PRESENCE OF:

/s/ Denise M. Damon
- ----------
Witness to Lessor

[Illegible]
- ----------
Witness to Lessor

LESSOR:
MORRISON TAYLOR LTD.

/s/ Robert C. White

By: Robert C. White
Its: President

LESSEE:
ADS ALLIANCE DATA SYSTEMS, INC.

[Illegible]
- ----------
Witness to Lessor

/s/ Daniel T. Groomes

By: Daniel T. Groomes

Its: VP FINANCE

[Illegible]
- ----------
Witness to Lessor

STATE OF OHIO
COUNTY OF FRANKLIN SS:

BE IT REMEMBERED, that on this 3rd day of July, 1997, before me, the subscriber, a Notary Public in and for said County and State, personally appeared MORRISON TAYLOR, LTD., by Robert C. White, its President and executed the foregoing instrument, and acknowledged such execution thereof to be his and its free and voluntary act and deed for the uses and purposes mentioned therein.

IN TESTIMONY THEREOF, I have hereunto signed my name and affixed my official seal on the day and year aforesaid.

/s/ Denise M. Damon

[SEAL] DENISE M. DAMON
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES FEB. 27, 2000

STATE OF OHIO
COUNTY OF FRANKLIN SS:

BE IT REMEMBERED, that on this 1st day of July, 1997, before me, the subscriber, a Notary Public in and for said County and State, personally appeared ADS ALLIANCE DATA SYSTEMS, INC., by Daniel T. Groomes, its VP Finance, and executed the foregoing instrument, and acknowledged such execution thereof to be his and its free and voluntary act and deed for the uses and purposes mentioned therein.

IN TESTIMONY THEREOF, I have hereunto signed my name and affixed my official seal on the day and year aforesaid.

/s/ Margaret Carpenter Delfino

Notary Public

[SEAL] MARGARET CARPENTER DELFINO
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES NOV. 29, 1999

EXHIBIT "A"

February 6, 1997

DESCRIPTION OF 8.699 ACRE COMBINING TRACT (OFFICENTER 2, PHASE 7)
& PROPOSED TECHCENTER DRIVE, GAHANNA, OHIO
FOR THE DAIMLER GROUP, INC.

Situated in the State of Ohio, County of Franklin, City of Gahanna, in Lot Number Five (5), Quarter Township 3, Township 1 North, Range 16 West, United States Military Lands, and being all of a 7.319 acre tract of land conveyed to Andre M. Buckles, Trustee, by deed of record in Official Record 33961, Page A 19, Recorder's Office, Franklin County, Ohio, and being all of a 1.380 acre tract of land conveyed to Andre M. Buckles, Trustee, by deed of record in Official Record__, Page __, Recorder's Office, Franklin County, Ohio, and bounded and described as follows:

Beginning, for reference, at a point at the intersection of the centerline of Taylor Road (50 feet wide) with the southwest right-of-way line of Morrison Road and the northeast limited access right-of-way line of Interstate Route 270, in the north line of said Lot No. 5, at the northwest corner of a 5.745 acre tract of land conveyed as Parcel No. 1200 WD to State of Ohio by deed of record in Deed Book 3255, Page 555, Recorder's Office, Franklin County, Ohio, and at a corner of a 34.634 acre tract of land conveyed as Parcel No. 1200 WL to State of Ohio by deed of record in Deed Book 3255, Page 559, Recorder's Office, Franklin County, Ohio, all as shown upon Sheet 16 of 28 of Ohio Department of Transportation right-of-way plans for FRA-270-28.30 N;

thence S 85 DEG. 47' 21" E along the centerline of Taylor Road, along a portion of the north line of said Lot No. 5, along the north line of said 5.745 acre tract and along a portion of the north line of said original 220.064 acre tract a distance of 1,506.38 feet to a point (passing a point at the northeast corner of said 5.745 acre tract at 530.13 feet);

thence S 4 DEG. 12' 39" W perpendicular to the centerline of Taylor Road, perpendicular to the north line of said Lot No. 5 and perpendicular to the north line of said original 220.064 acre tract a distance of 25.00 feet to a 3/4-inch I.D. iron pipe set in the south right-of-way line of Taylor Road and at the northeast corner of a 4.716 acre tract of land conveyed out of said original 220.064 acre tract to Morrison Taylor, Ltd., by

deed of record in Official Record 28006, Page I 13, Recorder's Office, Franklin County, Ohio;

thence continuing S 4 DEG. 12' 39" W along a portion of an east line of said 4.716 acre tract a distance of 392.61 feet to a 3/4-inch I.D. iron pipe set at a corner of a 4.563 acre tract of land conveyed out of said original 220.064 acre tract to Morrison Taylor, Ltd., by deed of record in Official record 30635, Page A 01, Recorder's Office, Franklin County, Ohio;

thence S 85 DEG. 47' 21" E parallel with the south right-of-way line of Taylor Road and along a north line of said 4.563 acre tract a distance of 77.11 feet to a 3/4-inch I.D. iron pipe set at a corner of said 4.563 acre tract;

thence S 31 DEG. 56' 18" E along a portion of the northeast line of said 4.563 acre tract a distance of 61.46 feet to a 3/4-inch I.D. iron pipe set at a northwest corner of said 7.319 acre tract and at the true place of beginning of the tract herein intended to be described;

thence S 85 DEG. 56' 18" E along a north line of said 7.319 acre tract and along the north line of said 1.380 acre tract a distance of 747.41 feet to a 3/4-inch I.D. iron pipe set at the northeast corner of said 1.380 acre tract (passing a 3/4-inch I.D. iron pipe set at a northeast corner of said 7.319 acre tract and at the northwest corner of said 1.380 acre tract at 684.38 feet);

thence S 4 DEG. 03' 42" W along the east line of said 1.380 acre tract a distance of 619.67 feet to a 3/4-inch I.D. iron pipe set at the southeast corner of said 1.380 acre tract and in a north line of said 7.319 acre tract;

thence S 83 DEG. 36' 12" E along a portion of a north line of said 7.319 acre tract a distance of 116.99 feet to a 3/4-inch I.D. iron pipe set at a northeast corner of said 7.319 acre tract;

thence S 6 DEG. 23' 48" W along an east line of said 7.319 acre tract a distance of 50.00 feet to a 3/4-inch I.D. iron pipe set at the southeast corner of said 7.319 acre tract;

thence N 83 DEG. 36' 12" W along a south line of said 7.319 acre tract and along a north line of an 8.643 acre tract of land conveyed out of said original 220.064 acre tract to Morrison Taylor, Ltd. by deed of record in Official Record 33808, Page F

11, Recorder's Office, Franklin County, Ohio, a distance of 253.10 feet to a 3/4-inch I.D. iron pipe set at a point of curvature (passing a 3/4-inch I.D. iron pipe set at the northeast corner of said 8.643 acre tract at 60.00 feet);

thence northwesterly along a curved south line of said 7.319 acre tract, along a curved north line of said 8.643 acre tract and with a curve to the right, data of which is: radius = 255.00 feet and delta = 31 DEG. 39' 54", a chord distance of 139.14 feet bearing N 67 DEG. 46' 15" W to a 3/4-inch I.D. iron pipe set at the point of tangency;

thence N 51 DEG. 56' 18" W along a south line of said 7.319 acre tract and along a north line of said 8.643 acre tract a distance of 60.92 feet to a 3/4-inch I.D. iron pipe set at a point of curvature;

thence westerly along a curved south line of said 7.319 acre tract, along a curved north line of said 8.643 acre tract and with a curve to the left, data of which is: radius = 253.24 feet and delta = 70 DEG. 00' 00", a chord distance of 290.51 feet bearing N 86 DEG. 56' 18" W to a 3/4-inch I.D. iron pipe set at the point of tangency;

thence S 58 DEG. 03' 42" w along a south line of said 7.319 acre tract and along a north line of said 8.643 acre tract a distance of 242.41 feet to a 3/4-inch I.D. iron pipe set in the curved northeast right-of-way line of Morrison Road, An the curved northeast line of said 5.745 acre tract, at the southwest corner of said 7.319 acre tract and at the northwest corner of said 8.643 acre tract;

thence northwesterly along the curved northeast right-of-way line of Morrison Road, along a portion of the curved northeast line of said 5.745 acre tract, along the curved west line of said 7.319 acre tract and with a curve to the left, data of which is: radius = 3,524.04 feet and sub-delta = 0 DEG. 58' 32", a sub-chord distance of 60.01 feet bearing N 30 DEG. 58' 09" W to a 3/4-inch I.D. iron pipe set at a northwest corner of said 7.319 acre tract and at the southernmost corner of said 4.563 acre tract;

thence N 58 DEG. 03' 42" E along a north line of said 7.319 acre tract and along the southeast line of said 4.563 acre tract a distance of 479.00 feet to a 3/4-inch I.D. iron pipe set at a corner of said 7.319 acre tract and at the easternmost corner of said 4.563 acre tract;

thence N 31 DEG. 56' 18" W along a west line of said 7.319 acre tract and along a portion of the northeast line of said 4.653 acre tract a distance of 498.76 feet to the true place of beginning;

containing 8.699 acres of land more or less and being subject to all easements and restrictions of record.

The above description was prepared by Richard J. Bull, Ohio Surveyor No. 4723, of C.F. Bird & R.J. Bull, Inc., Consulting Engineers & Surveyors, Columbus, Ohio, from an actual field survey performed under his supervision in January, 1997. Basis of bearings is the centerline of Taylor Road, being assumed at S 85 DEG. 47' 21" E, and all other bearings are based upon this meridian.

- ----------
Richard J. Bull
Ohio Surveyor #4723

[FLOOR PLAN]

TENANT CERTIFICATE

THIS CERTIFICATE is given as of September 8, 1998 by ADS Alliance Data Systems, Inc. ("Tenant") for the benefit of USG Annuity & Life Company, its Parent, Subsidiary, or Affiliated Company ("Lender"), whose address is 604 Locust Street, Des Moines, Iowa 50309.

RECITALS

A. Tenant is a lessee under a certain lease dated July 1, 1997 (the "Lease") with Morrison Taylor, Ltd., ("Borrower")

B. Lender has made, or intends to make, a mortgage loan to be secured by a mortgage or deed of trust from Borrower for the benefit of Lender (the "Mortgage") encumbering the real property and the improvements described in the Mortgage (collectively, the "Property"), wherein the premises covered by the Lease (the "Demised Premises") is located.

C. Borrower and Lender have executed, or will execute, an Assignment of Leases and Rents (the "Assignment"), pursuant to which the Lease is assigned to Lender and Lender grants the right to Borrower to collect all rents and other sums payable under the Lease ("Rents") until the revocation of such right by Lender, at which time all Rents are to be paid to Lender.

D. Lender and Borrower have requested the execution of this Certificate by Tenant as a condition to Lender releasing $130,000 currently held in escrow by Lender.

Tenant certifies to Lender as follows:

(a) Tenant took possession of the Demised Premises on or about September 1, 1997, and commenced paying rent on September 1, 1997;

(b) The term of the Lease commenced on September 1, 1997, and terminates on August 1, 2007 and there have been no amendments to the Lease, except for a First Amendment to Lease Agreement which is attached to this Certificate;

(c) The amount of the last rental payment (excluding expense reimbursements) was $ 40,733.69 and the rental period for which such payment was made was for the month ending September 30, 1998;

(d) The improvements described in the Lease have been accepted by the Tenant and have been constructed, to the best of Tenant's knowledge, in accordance with the plans and specifications therefor;

(e) The Lease is in full force and effect, no advance rentals have been paid, and Tenant has no unsatisfied claims against Borrower; and

(f) Tenant has no option or other right to purchase all or any portion of the Property.

TENANT: ADS Alliance Data Systems, Inc.

By /s/ Bruce L. McClary

Name Bruce L. McClary

Title Director of Operations

TENANT CERTIFICATE
AND MUTUAL RECOGNITION AGREEMENT

THIS AGREEMENT is entered into as of December 12, 1997, between ADS Alliance Data Systems, Inc.("Tenant"), Morrison Taylor, Ltd. ("Borrower"), and USG Annuity & Life Company, its Parent, Subsidiary, or Affiliated Company, ("Lender"), whose address for notices is 604 Locust Street, Des Moines, Iowa 50309, Attn: Managing Director.

RECITALS

A. Tenant is the lessee and Borrower is the lessor under a certain lease dated July 1, 1997 (the "Lease").

B. Lender has made, or intends to make, a mortgage loan to be secured by a mortgage or deed of trust from Borrower for the benefit of Lender (the "Mortgage") encumbering the real property and the improvements described in the Mortgage (collectively, the "Property"), wherein the premises covered by the Lease (the "Demised Premises") is located.

C. Borrower and Lender have executed, or will execute, an Assignment of Leases and Rents (the "Assignment"), pursuant to which the Lease is assigned to Lender and Lender grants the right to Borrower to collect all rents and other sums payable under the Lease ("Rents") until the revocation of such right by Lender, at which time all Rents are to be paid to Lender.

D. Lender has requested the execution of the two Agreements contained herein by Borrower and/or Tenant as a condition to Lender making the requested mortgage loan or consenting to the Lease.

E. Tenant acknowledges that Tenant will benefit by entering into an agreement with Lender concerning Tenant's relationship with any purchaser or transferee of the Property in the event of foreclosure of the Mortgage or a transfer of the Property by deed in lieu of foreclosure.

PART ONE - TENANT CERTIFICATE

Tenant certifies to Lender as follows:

(a) Tenant took possession of the Demised Premises on or about September 1, 1997, and commenced paying rent on September 1, 1997;

(b) The term of the Lease commenced on September 1, 1997, and terminates on August 31, 1997 and there have been no amendments to the Lease;

(c) The amount of the last rental payment (excluding expense reimbursements) was $24,576.75 and the rental period for which such payment was made was for the month ending December 31, 1997;

(d) The improvements described in the Lease have been accepted by the Tenant and have been constructed, to the best of Tenant's knowledge, in accordance with the plans and specifications therefor;

(e) The Lease is in full force and effect, no advance rentals have been paid, and Tenant has no unsatisfied claims against Borrower; and

(f) Tenant has no option or other right to purchase all or any portion of the Property.

TENANT: ADS Alliance Data Systems, Inc.

By /s/ Daniel T. Groomes

Name Daniel T. Groomes

Title VP Finance

FIRST AMENDMENT TO LEASE AGREEMENT

This First Amendment to Lease Agreement (the "First Amendment") is dated this 18 day of June, 1998 (the "Effective Date") by and between MORRISON TAYLOR, LTD., a limited liability company organized under the laws of the State of Ohio and having an office and place of business located at 1533 Lake Shore Dr., Suite 50, Columbus, Ohio 43204 ("Lessor") and ADS ALLIANCE DATA SYSTEMS, INC., a corporation organized under the laws of the State of Delaware and having an office and place of business located at 800 TechCenter Drive, Gahanna, Ohio 43230 ("Lessee").

BACKGROUND INFORMATION

On July 1, 1997, Lessor and Lessee entered into a certain lease agreement for a certain tract of real estate and the improvements constructed thereon, commonly known as 800 TechCenter Drive, Gahanna, Ohio 43230 (the "Original Lease").

Lessee has subsequent to the execution of the Original Lease and contemporaneous with the execution of this First Amendment entered into a certain lease agreement for a certain parcel of real estate and improvements constructed thereon commonly known as 775 Taylor Road which property is immediately adjacent to and contiguous to the real property which is the subject of the Original Lease Agreement (the "Adjacent Property Lease Agreement").

As a condition of the execution of the Adjacent Property Lease Agreement, the Landlord under the Adjacent Property Lease Agreement required that both the Adjacent Property Lease Agreement and the Original Lease Agreement contain provisions that provide that in the event Lessee were to default under either lease agreement, the same shall constitute a default under the other lease agreement (i.e. that the lease agreements contain a cross-default provision).

Lessor and Lessee have agreed to the same.

NOW, THEREFORE, in consideration of the promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1 CROSS-DEFAULT. In the event Lessee were to default under the terms and conditions of the Adjacent Property Lease Agreement, the same shall constitute an event of default under the Original Lease as if the same were set forth within Section 25 of the Original Lease. In the event that the landlord under the Adjacent Property Lease were to default under the terms and conditions of the Adjacent Property Lease Agreement, and the tenant under the Adjacent Property Lease Agreement and the Original Lease are the same, the same shall constitute an event of default by Lessor under the Original Lease as if the same were set forth in Section 26 of the Original Lease.

2. ASSIGNMENT OR SUBLETTING BY LESSEE/REMOVAL OF COMMON WALKWAY. In the event Lessee were to assign or sublet the Premises over unto any other person or entity (except for an assignment or subletting to a parent, subsidiary or affiliate of Lessee), Lessee shall (except to the extent provided to the contrary in the last sentence of this paragraph) as a condition precedent to such assignment or subletting remove the common walkway constructed by Lessee upon the Real Property which common walkway connects the Building with the building which is located upon the real property which is contiguous and immediately and adjacent to the Real Property which real property is commonly known as 775 Taylor Road, Gahanna, Ohio 43230. The preceding condition precedent shall not be applicable if contemporaneous with the assignment or subletting of the Original Lease, the Adjacent Property Lease Agreement is also sublet or assigned to the same person or entity to which the Original Lease is so sublet or assigned.

   Anything herein to the contrary notwithstanding in the event Lessee were to be required to remove the Common Walkway as located upon Real Property as described above, Lessee may be relieved from such obligation if Lessee ratifies and reaffirms in writing at the time of the subletting or assignment as described above, its obligation to remove the Common Walkway as located upon Real Property upon the expiration or termination of either the Adjacent Property Lease Agreement or the Original Lease which ever shall occur.

3. ASSIGNMENT OR SUBLETTING OF ADJACENT PROPERTY LEASE AGREEMENT/REMOVAL OF COMMON WALKWAY. In the event Lessee were to assign or sublet its interest in the Adjacent Property Lease Agreement (except for an assignment or subletting to a parent, subsidiary or affiliate of Lessee), Lessee shall remove the common walkway as located upon the Real Property. The preceding shall not be applicable if contemporaneous with the assignment or subletting of the Adjacent Property Lease Agreement, the Original Lease is also sublet or assigned to the same person or entity to which the Adjacent Property Lease Agreement is so sublet or assigned.

   Anything herein to the contrary notwithstanding in the event Lessee were to be required to remove the Common Walkway as located upon Real Property as described above, Lessee may be relieved from such obligation if Lessee ratifies and reaffirms in writing at the time of the subletting or assignment as described above, its obligation to remove the Common Walkway as located upon Real Property upon the expiration or termination of either the Adjacent Property Lease Agreement or the Original Lease which ever shall occur.

4. ADDITIONAL REMEDY IN THE EVENT OF DEFAULT. In the event of any uncured default by the Lessee, in addition to any other remedies provided herein, Lessor may require Lessee to remove the common walkway (as is described in Section 2 above) and in

the event Lessee fails to remove the same, Lessor may remove such common walkway at Lessee's sole cost and expense.

5. MODIFICATION TO LEASE CANCELLATION. In the event Lessee were to exercise its rights to cancel the Original Lease, as set forth in Section 37 of such document, and the Adjacent Property Lease Agreement shall continue to exist from and after the cancellation of the Original Lease, then Lessee shall remove the common walkway from the Real Property. Further, in the event Lessee were to exercise its rights to cancel the Adjacent Property Lease Agreement, then notwithstanding the fact that the Original Lease may continue to exist from and after the cancellation of the Adjacent Property Lease Agreement, Lessee shall remove the common walkway from the Real Property.

6. REMOVAL OF COMMON WALKWAY. The removal of the common walkway as set forth herein shall include the restoration of the area previously improved by the common walkway to a condition similar to the immediately surrounding real property (i.e. appropriately landscaped to match existing conditions).

7. NO OTHER CHANGES. Lessor and Lessee agree that no further changes to the Original Lease are contemplated by this First Amendment.

8. RATIFICATION. Lessor and Lessee hereby ratify and reaffirm all of the terms and conditions of the Original Lease except as modified by this First Amendment.

IN WITNESS WHEREOF, the undersigned have hereto set their hands.

Signed and Acknowledged
in the Presence of:

[Illegible]
- ----------
Witness to Lessor

/s/ Denise M. Damon
- ----------
Witness to Lessor

LESSOR:
MORRISON TAYLOR LTD.

/s/ Robert C. White

By: Robert C. White
Its: President

LESSEE:
ADS ALLIANCE DATA SYSTEMS, INC.

/s/ Mary Brewer
- ----------
Witness to Lessee

/s/ Robert P Armiak
By:
Its: ROBERT P ARMIAK, TREASURER

[Illegible]
- ----------
Witness to Lessee

STATE OF OHIO
COUNTY OF FRANKLIN SS:

BE IT REMEMBERED, that on this 24th day of June, 1998, before me, the subscriber, a Notary Public in and for said County and State, personally appeared MORRISON TAYLOR, LTD., by Robert C. White, its President and executed the foregoing instrument, and acknowledged such execution thereof to be his and its free and voluntary act and deed for the uses and purposes mentioned therein.

IN TESTIMONY THEREOF, I have hereunto signed my name and affixed my official seal on the day and year aforesaid.

/s/ Denise M. Damon
Notary Public

[SEAL] DENISE M. DAMON
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES FEB. 27, 2000

STATE OF OHIO
COUNTY OF FRANKLIN SS:

BE IT REMEMBERED, that on this 18 day of June, 1998, before me, the subscriber, a Notary Public in and for said County and State, personally appeared ADS ALLIANCE DATA SYSTEMS, INC., by Robert Armiak, its Treasurer, and executed the foregoing instrument, and acknowledged such execution thereof to be his and its free and voluntary act and deed for the uses and purposes mentioned therein.

IN TESTIMONY THEREOF, I have hereunto signed my name and affixed my official seal on the day and year aforesaid.

/s/ Mary Brewer

Notary Public

[SEAL] MARY BREWER
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES JUNE 30, 1999

TENANT CERTIFICATE
AND MUTUAL RECOGNITION AGREEMENT

THIS AGREEMENT is entered into as of December 12, 1997, between ADS Alliance Data Systems, Inc.("Tenant"), Morrison Taylor, Ltd. ("Borrower"), and USG Annuity & Life Company, its Parent, Subsidiary, or Affiliated Company, ("Lender"), whose address for notices is 604 Locust Street, Des Moines, Iowa 50309, Attn: Managing Director.

RECITALS

A. Tenant is the lessee and Borrower is the lessor under a certain lease dated July 1, 1997 (the "Lease").

B. Lender has made, or intends to make, a mortgage loan to be secured by a mortgage or deed of trust from Borrower for the benefit of Lender (the "Mortgage") encumbering the real property and the improvements described in the Mortgage (collectively, the "Property"), wherein the premises covered by the Lease (the "Demised Premises") is located.

C. Borrower and Lender have executed, or will execute, an Assignment of Leases and Rents (the "Assignment"), pursuant to which the Lease is assigned to Lender and Lender grants the right to Borrower to collect all rents and other sums payable under the Lease ("Rents") until the revocation of such right by Lender, at which time all Rents are to be paid to Lender.

D. Lender has requested the execution of the two Agreements contained herein by Borrower and/or Tenant as a condition to Lender making the requested mortgage loan or consenting to the Lease.

E. Tenant acknowledges that Tenant will benefit by entering into an agreement with Lender concerning Tenant's relationship with any purchaser or transferee of the Property in the event of foreclosure of the Mortgage or a transfer of the Property by deed in lieu of foreclosure.

PART ONE - TENANT CERTIFICATE

Tenant certifies to Lender as follows:

(a) Tenant took possession of the Demised Premises on or about September 1, 1997, and commenced paying rent on September 1, 1997;

(b) The term of the Lease commenced on September 1, 1997, and terminates on August 31, 1997 and there have been no amendments to the Lease;

(c) The amount of the last rental payment (excluding expense reimbursements) was $24,576.75 and the rental period for which such payment was made was for the month ending December 31, 1997;

(d) The improvements described in the Lease have been accepted by the Tenant and have been constructed, to the best of Tenant's knowledge, in accordance with the plans and specifications therefor;

(e) The Lease is in full force and effect, no advance rentals have been paid, and Tenant has no unsatisfied claims against Borrower; and

(f) Tenant has no option or other right to purchase all or any portion of the Property.

TENANT: AM Alliance Data Systems, Inc.

By /s/ Daniel T. Groomes

Name Daniel T. Groomes

Title VP Finance

PART TWO - MUTUAL RECOGNITION AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals, Tenant, Borrower and Lender, and their successors and assigns, agree as follows:

1. Tenant and Borrower agree for the benefit of Lender that:

(a) Tenant shall not pay any rent more than one month in advance;

(b) Tenant and Borrower will not enter into any agreement for the cancellation, amendment or modification of the Lease without Lender's prior written consent;

(c) Tenant will not terminate the Lease because of a default by Borrower unless Tenant shall have first given Lender written notice and a reasonable opportunity to cure such default; and

(d) Tenant, upon receipt of notice from Lender that it has revoked the license granted to Borrower to collect Rents, shall pay to Lender all Rents then or thereafter due under the Lease, and any such payments to Lender shall be credited against the Rents as if made to Borrower.

2. The Lease is hereby subordinated in all respects to the Mortgage and to all renewals, modifications and extensions thereof, but the parties hereto agree that a foreclosure proceeding shall not affect the Lease or the obligations of Tenant thereunder except as otherwise provided herein.

3. Borrower, Tenant and Lender agree that the fee title to the Property and the leasehold estate created by the Lease shall not merge but shall remain separate and distinct, notwithstanding the union of said estates either in Borrower, Tenant, Lender or any third party by purchase, assignment or otherwise.

4. If the interests of Borrower in the Property are acquired by Lender:

(a) If Tenant shall not then be in default under the Lease, the Lease shall not terminate or be terminated and the rights of Tenant thereunder shall continue in full force and effect except as provided in the Lease or this Agreement and except that the Mortgage will govern with respect to the disposition of proceeds of insurance policies or condemnation or eminent domain awards;

(b) Tenant shall be bound to Lender under all of the terms, covenants and conditions of the Lease for the balance of the term thereof; and

(c) Lender shall be bound to Tenant under all of the terms, covenants and conditions of the Lease provided, however, that Lender shall not be:

(i) Liable for any act or omission of Borrower or any prior landlord;

(ii) Subject to any offsets or defenses which Tenant might have against Borrower or any prior landlord;

(iii) Liable for the return of any security deposit;

(iv) Bound to Tenant subsequent to the date upon which Lender transfers its interest in the Demised Premises to any third party;

(v) Liable to Tenant under any indemnification provisions set forth in the Lease or for any damages Tenant may suffer as a result of any false representation set forth in the Lease, the breach of any warranty set forth in the Lease, or any act of, or failure to act by any party other than Lender; or

(vi) Bound by any option or other right to purchase all or any portion of the Property.

The provisions of this paragraph shall be effective and self-operative immediately upon Lender succeeding to the interests of Borrower without the execution of any other instrument.

5. This Agreement may not be modified orally or in any other manner except by an agreement in writing signed by the parties hereto or their respective successors in interest.

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

TENANT: ADS Alliance Data Systems, Inc.

By /s/ Daniel T. Groomes

Name Daniel T. Groomes

Its VP Finance

BORROWER: Morrison Taylor, Ltd.

By /s/ Robert C. White

Name Robert C. White

Its President

LENDER: USG ANNUITY & LIFE COMPANY, an Oklahoma corporation
By: Equitable Investment Services, Inc., its Agent

By

Name: Robert H. Kunnen
Its: Managing Director

COMMERCIAL LEASE AGREEMENT

WATERVIEW PARKWAY, L.P.
(LANDLORD)

AND

ADS ALLIANCE DATA SYSTEMS, INC.
(TENANT)

TABLE OF CONTENTS

LIST OF DEFINED TERMS

LEASE AGREEMENT

This Lease Agreement (this "LEASE") is entered into by WATERVIEW PARKWAY, L.P., a Texas limited partnership ("LANDLORD"), and ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation ("TENANT").

1. PREMISES. TERM. AND INITIAL IMPROVEMENTS.

(a) Landlord leases to Tenant, and Tenant leases from Landlord, the real property described on EXHIBIT A (the "LAND"), along with the building containing 61,750 rentable square feet and other improvements located on the Land, and all Building Systems (as defined below) (the "BUILDING"), subject to the terms and conditions in this Lease. The Land and Building are herein collectively called the "PREMISES." In connection with its use of the Premises, Tenant shall have the right to use the easements and appurtenances related to the Premises. Landlord and Tenant stipulate that the number of rentable square feet for the Building stated herein shall be binding upon them, subject to changes thereto caused by Casualty (defined below), Taking (defined below), expansion, or other similar event Landlord hereby conditionally assigns all of the warranties with respect to the Building Systems, provided that Tenant may not amend or modify any terms or conditions of such warranties and such assignment shall be ineffective upon the occurrence of an Event of Default.

(b) The Lease term shall be 120 months, beginning on the Commencement Date (defined below) (the "TERM", which defined term shall include all renewals and extensions of the Term); however, if the Commencement Date is not the first day of a calendar month, then the Term shall end on the last day of the 120-month period that begins with the first day of the first full calendar month of the Term. The "COMMENCEMENT DATE" shall be the date of Landlord's acquisition of the Premises from Dresser Industries, Inc. ("DRESSER"). If Landlord has not acquired the Premises from Dresser by July 30, 1997, then this Lease shall automatically terminate.

(c) Tenant hereby accepts the Premises in its "AS-IS" condition, and Landlord shall have no obligation to perform any work therein (including demolition of any improvements existing therein or construction of any tenant-finish-work or other improvements therein) and shall not be obligated to reimburse Tenant or provide any allowance for any cost relating to the demolition of improvements therein. Whenever Tenant is required by any Law to obtain a certificate of occupancy for any portion of the Premises, Tenant shall, at is expense and prior to occupying such portion of the Premises or conducting its business therein, obtain and deliver to Landlord a certificate of occupancy for such portion of the Premises from the appropriate governmental authority.

2. BASE RENT. SECURITY DEPOSIT AND ADDITIONAL RENT.

(a) Tenant shall pay to Landlord "BASE RENT", in advance, without demand, deduction or (except as specifically provided herein) set off, equal to the following amounts for the following months of the Term:

Lease Year	Monthly Base Rent
1 through 5	$57 478.96
6 through 10	$66,123.96

As used herein, the term "LEASE YEAR" shall mean the twelve-month period beginning with the Commencement Date and each twelve-month period thereafter; however, if the Commencement Date is not the first day of a calendar month, the first Lease Year shall be the period beginning with the Commencement Date and ending at the expiration of the twelve-month period that begins with the first day of the first full calendar month of the Term. The first monthly installment of Base Rent, plus the other monthly charges set forth in Section 2.(c), shall be due on the Commencement Date; thereafter, monthly installments of Base Rent shall be due on the first day of each calendar month following the Commencement Date. If the Term begins on a day other than the first day of a month or ends on a day other than the last day of a month, the Base Rent and additional rent for such partial month shall be prorated.

(b) Tenant shall deposit with Landlord on the date hereof $57,478.96 (the "SECURITY DEPOSIT"), which shall be held by Landlord to secure Tenant's obligations under this Lease; however, the Security Deposit is not an advance rental deposit or a measure of Landlord's damages for an Event of Default (defined below). In the event Tenant fails to perform any one or more of its obligations under this Lease, then, after Landlord has given Tenant the notice and cure period for such failure set forth in Section 19 below, Landlord may use any portion of the Security Deposit to satisfy Tenant's unperformed obligations hereunder, without prejudice to any of Landlord's other remedies. If so used, Tenant shall pay Landlord an amount that will restore the Security Deposit to its original amount upon request in connection with any waiver of a Tenant default or modification of this Lease, Landlord may require that Tenant provide Landlord with an additional amount to be held as part of the Security Deposit The Security Deposit shall be Landlord's property. Within 30 days after the expiration or earlier termination of this Lease, Landlord must provide Tenant with an accounting for the Security Deposit, which accounting must include all previous deductions from and replenishments of the Security Deposit as well as Landlord's estimate of the maintenance and repair costs Landlord will incur in performing Tenant's obligations under this Lease which were not performed in accordance with the terms of this Lease (the "REMAINING WORK"). Landlord must return to Tenant the balance of such Security Deposit that will not bc applied to Tenant's unperformed obligations, together with such accounting, within 30 days after the expiration or earlier termination of this Lease. To the extent the actual cost to perform Tenant's unperformed obligations is less than the amount deducted as an estimate of the cost to perform Tenant's unperformed obligations, Landlord must return such excess to Tenant within 120 days after

the expiration or earlier termination of this Lease. The foregoing requirements concerning an accounting and return of the Security Deposit shall apply to any person who succeeds to the interest of

Landlord during the Term, even if such person does not receive the Security Deposit from the previous landlord or any other person.

(c) Tenant shall pay, as additional rent, all costs incurred by Landlord for the cost of insurance maintained by Landlord under Section 9.(b), including that portion of the premiums under any blanket or umbrella insurance policy maintained by Landlord as may be reasonably allocated to the Premises by Landlord ("PASS-THROUGH EXPENSES"). On the first day of each month, Tenant shall pay to Landlord an amount equal to 1/12 of Landlord's estimate of the annual Pass-Through Expenses. The initial monthly payments of Pass-Through Expenses are based upon Landlord's estimate of the Pass-Through Expenses for the year in question, and shall be increased or decreased annually to reflect the projected actual Pass-Through Expenses for that year. Within 90 days after the end of each calendar year, Landlord shall deliver to Tenant a statement setting forth the amount of Pass-Through Expenses for such calendar year and the amount Tenant has paid in respect thereof for such calendar year, together with evidence of the cost of such Pass-Through Expenses (the "PASS-THROUGH EXPENSE STATEMENT"). If Tenant's total payments in respect of Pass-Through Expenses for any year are less than the Pass-Through Expenses for that year, Tenant shall pay the difference to Landlord within ten days after Landlord's request therefor; if such payments are more than such Pass-Through Expenses, Landlord shall pay the difference to Tenant when Landlord delivers to Tenant the Pass-Through Expense Statement The amounts of the initial monthly installments of Base Rent and Pass-Through Expenses are as follows:

Base Rent	$57,478.96
Pass-Through Expenses	560.00
Total initial monthly payment	$58,038.96

(d) If any payment required of Tenant under this Lease is not paid when due, Landlord may charge Tenant a fee equal to 5% of the delinquent payment to reimburse Landlord for its cost and inconvenience incurred as a consequence of Tenant's delinquency.

(e) All payments and reimbursements required to be made by Tenant under this Lease shall constitute "Rent" (herein so called).

3. TAXES

(a) Tenant shall pay all taxes, assessments and governmental charges whether federal, state, county, or municipal and whether they are imposed by taxing or management districts or authorities presently existing or hereafter created (collectively, "TAXES") that accrue against the Premises and deliver to Landlord receipts from the applicable taxing authority or other evidence acceptable to Landlord to verify the payment thereof at least 30 days before such Taxes become delinquent If, during the Term, there is levied, assessed or imposed on Landlord a capital levy or other tax directly on the rent or a franchise tax, assessment, levy or charge measured by or based, in whole or in part, upon rent (other than federal, state, or local income taxes), then all such taxes, assessments, levies or charges, or the part thereof so measured or based, shall be included within the term "Taxes".

(b) Tenant shall (1) before delinquency pay all taxes levied or assessed against any personal property, fixtures or alterations placed in the Premises and (2) deliver to Landlord receipts from the applicable taxing authority or other evidence acceptable to Landlord to verify that such taxes have been paid at least ten days before such Taxes become delinquent If any such taxes are levied or assessed against Landlord or Landlord's property and (A) Landlord pays them or (B) the assessed value of Landlord's property is increased thereby and Landlord pays the increased taxes, then Tenant shall pay to Landlord such taxes within ten days after Landlord's request therefor.

(c) Tenant may, at its expense, contest the validity or amount of any Taxes in accordance with Law, in which event the payment thereof may be deferred, as permitted by Law, during the pendency of such contest, if diligently prosecuted. Within 15 days before any contested Taxes become due, Tenant shall deposit with Landlord an amount sufficient to pay such contested item (together with any interest, fees, and penalties that may accrue during any such contest), which amount shall be applied to the payment of such items when the amount thereof shall be finally determined. Nothing herein, however, shall permit any Taxes to remain unpaid for any interval that would permit the Premises, or any part thereof, to be sold or seized by any governmental authority for the nonpayment of Taxes. If at any time, in the reasonable judgment of Landlord, it shall become necessary to do so, Landlord may, after written notice to Tenant, under protest, if so requested by Tenant, apply the amounts so deposited or so much thereof as may be required to prevent a sale or seizure of the Premises or foreclosure of any lien created thereon to secure payment of such unpaid Taxes. Tenant shall pay all penalties, interest, and fees assessed because of Tenant's failure to pay Taxes when due, and Tenant shall indemnify, defend, and hold harmless Landlord from and against any costs, liability, or damage incurred by Landlord arising out of or attributable to Tenant's failure to pay Taxes when due. If required by Law, Landlord shall join in any contest proceedings brought by Tenant, at Tenant's expense.

(d) If Tenant fails timely to deliver evidence of the payment of the amounts required to be paid by Tenant under this Section 3, then Landlord may pay such amounts, if unpaid, in which case, Tenant shall reimburse to Landlord all amounts so paid within ten days after Landlord delivers to Tenant written notice thereof.

(e) If, after the date hereof, a material adverse change occurs in Tenant's financial condition or if an Event of Default occurs, then, at Landlord's option, Tenant shall pay to Landlord a sum equal to 1/12th of the annual Taxes payable under this Lease on the first day of each month during the Term. Landlord shall hold such payments in a non-interest bearing account. All such monthly payments of Taxes shall be based on Landlord's reasonable estimate

of the Taxes due for the year in question, and any deficiency of funds in the escrow account shall be paid by Tenant to Landlord upon demand. If an Event of Default occurs, Landlord may apply any funds in the escrow account to the satisfaction of any unperformed obligation of Tenant under this Lease.

4. LIMITED LANDLORD OBLIGATIONS. Except as provided in Section 5.(b), Landlord shall not be required to maintain, repair or perform any other obligations with respect to the Premises. Except as specifically provided elsewhere in this Lease, Tenant's obligation to pay rent hereunder shall be absolute and net of all expenses incurred in connection with the operation, maintenance, ownership and management of the Premises.

5. MAINTENANCE AND REPAIR OBLIGATIONS.

(a) TENANT'S OBLIGATIONS. Except for those items described in Section 5.(b) below as being Landlord's responsibility to maintain, repair or replace, Tenant shall maintain all parts of the Premises in good condition and repair. Such obligation includes, without limitation, all electrical, plumbing, heating, ventilation, and air conditioning, life-safety lighting and other mechanical systems and equipment (collectively, the "BUILDING SYSTEMS"), the roof, and skylights, windows, plate glass, doors, and partitions. If any portion of the Premises cannot be fully repaired or restored, then Tenant shall promptly replace such portion of the Premises, regardless of whether the benefit of such replacement extends beyond the Term; provided, however, that in no event will Tenant be responsible for replacing the roof membrane or roof support system, which is Landlord's responsibility under the terms of Section 5.(b) below. Without limiting the generality of the foregoing, Tenant shall perform the following obligations:

(1) Tenant shall maintain the parking areas, driveways, alleys, landscaping and grounds surrounding the Premises in a clean and sanitary condition, consistent with the operation of a first-class office building, including prompt maintenance, repairs and replacements of(A) the exterior of the Building (including painting), but not the items set forth in Section 5.(b) below, (B) sprinkler systems and sewage lines, (C) pavement curbs, and sidewalks, and (D) any other items normally associated with the foregoing.

(2) Tenant shall maintain the Building Systems in good repair and condition and in accordance with Law and with such equipment manufacturers' suggested operation/maintenance service program; such obligation shall include replacement of all equipment necessary to maintain such equipment and systems in good working order. At least 14 days before the end of the Term, Tenant shall deliver to Landlord a certificate from an engineer reasonably acceptable to Landlord certifying that the Building Systems are then in good repair and working order.

(b) LANDLORD'S OBLIGATIONS. Landlord's maintenance obligations are limited to maintaining, repairing and replacement of the foundation and structural members of the exterior walls of the Building and replacement of the Building's roof support system and roof membrane. Landlord shall not be responsible (I) for any such work until Tenant delivers to Landlord written notice of the need therefor, or (2) for alterations to such items required by Law because of Tenant's use of the Premises (which alterations shall be performed by Tenant). Landlord's liability for any such item shall be limited to the cost of performing such word If there is a dispute as to whether the roofs support system or membrane is required to be replaced, then Landlord and Tenant shall mutually appoint an engineer with at least five years experience in evaluation of commercial building roof systems, who will determine whether replacement of the roofs support system or membrane is required. The determination of such engineer shall be binding on Landlord and Tenant If Landlord and Tenant cannot agree on such an engineer, then either Landlord or Tenant may request the Dallas division of the American Arbitration Association (the "AAA") to appoint an engineer with the requirements listed above to determine whether replacement of the roofs support system or membrane is required. The appointment by the AAA and decision of such engineer shall be binding on Landlord and Tenant Landlord shall be in default under this Lease if Landlord fails to perform any of its obligations within 30 days after receiving from Tenant written notice specifying such failure; however, if such failure cannot reasonably be cured within such 30-day period, but Landlord begins to cure such failure within such 30-day period, Landlord thereafter diligently pursues the curing thereof to completion, and such failure is cured within 120 days after Tenant first delivered to Landlord written notice thereof, then Landlord shall not be in default hereunder. If Landlord fails to perform its obligations within the time periods specified in the previous sentence, then Tenant may perform such work and offset the costs thereof from the next due installment of Base Rent and other amounts due under this Lease. Tenant's right to perform work under this Section 5.(b) is subject to the following conditions:

(1) all such work shall be performed in a good and workmanlike manner and in accordance with Law;

(2) except in an emergency, all such work shall be performed in accordance with plans and specifications approved by Landlord (which approval shall not be unreasonably withheld), whose approval shall be deemed given if Landlord fails to disapprove with specific objections any submitted plans and specifications within three business days after Tenant delivers such plans to Landlord;

(3) all such work shall be performed by contractors which maintain commercial liability insurance in an amount not less than $l,000,000 per occurrence (which insurance [except in the case of an emergency] names Landlord as an additional insured) and, except in an emergency, which contractors are reasonably acceptable to Landlord; Landlord's approval shall be deemed given if Landlord fails to disapprove any contractor within three business days after Tenant delivers to Landlord a request for its consent thereto and if Landlord disapproves a contractor, Landlord must deliver to Tenant a list of at least five (5) contractors whose principal offices are in the Dallas - Fort Worth area who are acceptable to Landlord and if Landlord fails to do so, such disapproval will be deemed to be approval; and

(4) Tenant delivers to Landlord "as-built" plans of the work

performed by Tenant.

(c) Tenant may, at its option and expense, engage a third party manager reasonably acceptable to Landlord to monitor and administer Tenant's maintenance and repair obligations under this Lease. For purposes hereof, any Affiliate of Trammell Crow Company shall be acceptable to Landlord. Waterview Parkway, L.P.

("WATERVIEW") (or an Affiliate thereof) shall monitor Landlord's performance of its obligations hereunder and correspond with Landlord in connection therewith at no additional cost to Tenant

6. ALTERATIONS. Landlord hereby expressly consents to Tenant making alterations and installing equipment to the Premises substantially as described in or shown on EXHIBIT G attached to and made a part of this Lease for all purposes and to installing a security system in the Premises. Tenant shall not make any other alterations, additions or improvements to the Premises which affect the Building Systems or the Building's Structure (defined below) without the prior written consent of Landlord which consent cannot be unreasonably withheld or delayed and which will be deemed given if not withheld in accordance with the terms of this Section 6 within 30 days after the date upon which Tenant delivers the items described in the next succeeding sentence. Landlord shall not be required to notify Tenant of whether it consents to any such alteration, addition or improvements until it has received plans and specifications therefor prepared by a licensed engineer which are sufficiently detailed to allow construction of the work depicted thereon to be performed in a good and workmanlike manner. If Landlord disapproves of any plans and specifications, Landlord must notify Tenant in writing of such disapproval and must state in reasonable detail those items of which Landlord does not approve and the changes Tenant must make before Landlord will approve such plans and specifications for such alterations. If Tenant revises the plans and specifications in accordance with Landlord's requirements, Landlord will not be permitted to object to any item shown in reasonable detail on the preceding draft of the plans and specifications or to those items Tenant altered in accordance with Landlord's comments. Landlord's approval of any plans and specifications shall not be a representation that the plans or the work depicted thereon will comply with Law or be adequate for any purpose, but shall merely be Landlord's consent to performance of the work. Upon completion of any alteration, addition, or improvement, Tenant shall deliver to Landlord accurate, reproducible as-built plans therefor. Tenant may erect shelves, bins, machinery and trade fixtures and install equipment provided that such items do not overload or adversely affect the Building's Structure or the Building System& Unless Landlord specifies in writing, all alterations, additions, and improvements shall be Landlord's property when installed in the Premises; provided, however, that Tenant may remove the UPS system, related batteries and the emergency generator described on EXHIBIT G (the "BACKUP EQUIPMENT") from the Premises and Tenant's security system. All work performed by a Tenant Party in the Premises (including that relating to the installations, repair, replacement, or removal of any item) shall be performed in accordance with Law and in a good and workmanlike manner, and so as not to damage or alter the Building's Structure or the Building Systems. when used herein, the term "BUILDING'S STRUCTURE" shall mean the roof exterior walls, load-bearing columns, and foundation of the Building. Upon completion of any alteration, additional improvement to the Premises, Tenant shall deliver to Landlord "as-built" plans and specifications therefor.

7. SIGNS. Tenant shall not place, install or attach any signage, decorations, or advertising media (collectively, the "SIGNAGE") to the Premises (a) without obtaining Landlord's prior written approval, which shall not be unreasonably withheld or delayed and which will not be deemed necessary for signs incorporating Tenant's then. existing logo or substantially similar to Tenant's signs in any other location in the United States, or (b) which would violate any Laws. Tenant shall repair, paint, and/or replace any portion of the Premises damaged or altered as a result of its Signage when it is removed (including, without limitation, any discoloration of the Building). Landlord shall not be required to notify Tenant of whether it consents to any sign until it (1) has received detailed, to-scale drawings thereof specifying design, material composition, color scheme, and method of installation. Landlord's consent to any signs will be deemed given if Landlord does not withhold its consent in accordance with the terms of this Section 7 within 30 days after the date upon which Tenant delivers the items described in the immediately preceding sentence. If Landlord disapproves of any sign, Landlord must notify Tenant in writing of such disapproval and must state in reasonable detail those items of which Landlord does not approve and the changes Tenant must make before Landlord approves such signs. If Tenant revises its sign plans in accordance with Landlord's requirements, Landlord will not be permitted to object to any item shown in reasonable detail on the preceding draft of the sign plans or to those items Tenant altered in accordance with Landlord's comments.

8. UTILITIES. Tenant shall obtain and pay for all water, gas, electricity, heat, telephone, sewer, sprinkler charges and other utilities and services used at the Premises, together with any taxes, penalties, surcharges, maintenance charges, and the like pertaining to the Tenant's use of the Premises. Landlord shall not be liable for any interruption or failure of utility service to the Premises. If Tenant fails to pay any such amounts when due, Landlord may do so, in which case, Tenant shall reimburse Landlord for all amounts paid by Landlord within ten days after Landlord's request therefor.

9. INSURANCE. (a) Tenant shall maintain (1) workers' compensation insurance (with a waiver of subrogation endorsement reasonably acceptable to Landlord) and commercial general liability insurance (with contractual liability endorsement), including personal injury and property damage in the amount of $1,000,000 per occurrence combined single limit for personal injuries and death of persons and property damage occurring in or about the Premises, plus umbrella liability coverage of at least $5,000,000 per occurrence, and (2) all risk insurance covering (A) the replacement cost of all alterations, additions, partitions and improvements installed in the Premises, (B) the replacement cost of all of Tenant's personal property in the Premises, and (C) loss of profits in the event of an insured peril damaging the Premises. Such policies shall (I) name Landlord, Landlord's agents, Landlord's Mortgagee's and their respective Affiliates (defined below), as additional insureds (and as loss payees on the fire and extended coverage insurance), (ii) be issued by an insurance company with at least a Best's B rating and which does not have any insurance policy which exceeds one percent (1%) of the adjusted policyholders' surplus, (iii) provide that such insurance may not be cancel led unless 30-days' prior written notice is first given to Landlord and Landlord's Mortgagee, (iv) be delivered to Landlord by Tenant before the Commencement Date and at least 15 days before each

renewal thereof and (v) provide primary coverage to Landlord when the claim is for a matter covered by Tenant's indemnity set forth in Section 11 below and any policy issued to Landlord is similar or duplicate in coverage, in which case Landlord's policy shall be excess over Tenant's policies.

(b) Landlord shall maintain insurance covering the risk of direct physical losses for the Building's shell in the amount of its full replacement cost, with a deductible amount not to exceed $50,000, including rent loss

insurance. Such insurance shall be issued by an insurance company with at least a Best's B rating and which does not have any insurance policy which exceeds one percent (1%) of the adjusted policyholders' surplus, endorsed to provide that the underwriter thereof shall have no subrogation rights against Tenant.

10. DESTRUCTION OF OR DAMAGE TO PROPERTY.

(a) SUBSTANTIAL DAMAGE. In the event the Premises are damaged or destroyed by fire or other casualty, Tenant must give Landlord written notice of the occurrence of such fire or other casualty (a "CASUALTY") Within 30 days after Tenant notifies Landlord of the occurrence of such damage or destruction, Landlord must deliver to Tenant a realistic construction schedule, prepared by a reputable general contractor selected by Landlord, setting forth such general contractor's estimated time periods to complete key portions of the repair and restoration, and to fully complete such repair and restoration (the "CONSTRUCTION SCHEDULE"). If the Construction Schedule indicates that the repair and restoration will not be substantially completed within eight months after the restoration plans have been approved by Tenant (such damage being herein termed "SUBSTANTIAL DAMAGE"), then either Landlord or Tenant may terminate this Lease by written notice to the other at any time within 30 days after Landlord delivers the Construction Schedule to Tenant. Such termination shall be effective as of the date set forth in such notice, which date cannot be less than 30 days after the date of such notice nor more than 90 days after the date of such notice. In the event neither Landlord nor Tenant terminates this Lease as a result of such fire or other Casualty, but Landlord fails to substantially complete such repair and restoration as provided under Section 10.(c) within eight months after the restoration plans have been approved by Tenant (or such longer period as specified in the Construction Schedule) plus additional days of delay in obtaining substantial completion caused by force majeure or by a Tenant Party's acts or omissions, then Tenant may terminate this Lease by delivering written notice to Landlord, specifying a termination date no later than 60 days after the date of such notice, at any time after the end of the applicable time period but before the substantial completion of such repair and restoration. If (1) Landlord is required to apply a substantial amount of the insurance proceeds to reduce the balance of any debt secured by a mortgage on the Premises, or (2) the damage is not of a type covered or required to be covered by Landlord's insurance, then Landlord may terminate this Lease by delivering written notice to Tenant thereof, effective as the date specified in such notice, which date shall not be earlier than 60 days after the date of such notice. Landlord must exercise the termination rights specified in the previous sentence, if at all, within 60 days after the occurrence of the Casualty in question.

(b) DAMAGE DURING THE LAST LEASE YEAR. In the event a material portion of the Premises is damaged or destroyed by fire or other Casualty, and neither Landlord nor Tenant is entitled to terminate this Lease in accordance with Section 10.(a) above, but the remainder of the Term is less than 12 months, either Landlord or Tenant may terminate this Lease by written notice to the other within 30 days after the occurrence of such damage or destruction; provided, however, that if Landlord exercises such right and there is an renewal Term outstanding, Tenant may override Landlord's termination right by exercising the next available option within 30 days after Landlord delivers written notice to Tenant advising Tenant of its intention to terminate this Lease. Any termination under this Section 10.(b) is effective as of the date set forth in such notice, which date cannot be less than 30 days after the date of such notice nor more than 90 days after the date of such notice. As used in this Section 10.(b), a "material portion of the Premises" means damage or destruction whose repair costs equal or exceed 10% of the value of the Building before such destruction.

(c) RESTORATION AFTER DAMAGE OR DESTRUCTION: RENT ABATEMENT. In the event neither panty terminates or is entitled to terminate this Lease under Sections 10.(a) and 10.(b) above, then Landlord must diligently begin to repair and restore the Building's shell and the other portions of the Premises, to substantially the same condition they were in as of the date of such fire or other Casualty, and (1) Tenant shall pay to Landlord the deductible amount applicable to such damage or destruction under Landlord's insurance policy and Tenant's insurance policy, (2) all insurance proceeds payable in respect of improvements to the Premises under Tenant's insurance policy shall be paid to Landlord for application to the repair work, and (3) to the extent Tenant's insurance is insufficient to repair and restore such improvements, Tenant shall pay to Landlord for the costs thereof in advance; it being understood that Landlord's obligation to repair and restore the Premises shall be limited to insurance proceeds paid and payments made by Tenant in respect thereof, provided that Landlord maintains the insurance required under Section 9.(b). During such repair and restoration, the Base Rent and other charges under this Lease will abate in an amount that is fair and equitable under the circumstances, taking into account, among other things, the extent to which Tenant closes down all or a portion of its operations until such repair and restoration has been completed and the nature and extent of the interference with Tenant's business operations as a result of such casualty as well as the repair and restoration process.

11. LIABILITY. INDEMNIFICATION. WAIVER OF SUBROGATION AND NEGLIGENCE CLAIMS.

(a) Subject to Section 11.(b), Tenant shall indemnify, defend, and hold harmless Landlord, its successors, assigns, agents, employees, contractors, partners, directors, officers and affiliates (collectively, the "INDEMNIFIED PARTIES") from and against all fines, suits, losses, costs, liabilities, claims, demands, actions and judgments of every kind or character (1) arising from Tenant's failure to perform its covenants hereunder, (2) recovered from or asserted against any of the Indemnified Parties on account of any Loss (defined below) to the extent that any such Loss may be incident to, arise out of; or be caused, either proximately or remotely, wholly or in part, by a Tenant Panty or any other person entering upon the Premises under or with a Tenant Party's express or implied invitation or permission, (3) arising from or out of the occupancy or use by a Tenant Party or arising from or out of any occurrence in the Premises, howsoever caused, or (4) suffered by, recovered from or asserted against any of the Indemnified Parties by a Tenant Party (defined below), EXCEPT

TO THE EXTENT LANDLORD'S NEGLIGENCE CAUSED SUCH LOSS OR DAMAGE.

(b) Landlord shall not be liable to Tenant or those claiming by, through, or under Tenant for any injury to or death of any person or persons or the damage to or theft destruction, loss, or loss of use of any property or inconvenience (a "LOSS") caused by casualty, theft, fire, third parties, or any other matter (including Losses arising through repair or alteration of any part of the Building, or failure to make repairs, or from any other cause), EXCEPT TO

THE EXTENT LANDLORD'S NEGLIGENCE CAUSED SUCH LOSS IN WHOLE OR IN PART. Each of Landlord and Tenant waives any claim it might have against the other for any damage to or theft, destruction, loss, or loss of use of any property, to the extent the same is insured against under any insurance policy maintained by it that covers the Premises, Landlord's or Tenant's fixtures, personal property, leasehold improvements, or business, or is required to be insured against by it under the terms hereof, REGARDLESS OF WHETHER THE NEGLIGENCE OR FAULT OF THE OTHER PARTY CAUSED SUCH LOSS: HOWEVER, LANDLORD'S WAIVER SHALL BE INAPPLICABLE TO ANY DEDUCTIBLE AMOUNT MAINTAINED UNDER LANDLORD'S INSURANCE POLICIES.

12. USE. Tenant may use the Premises solely for office uses, light fabrication and assembly, or manufacturing laboratory as those uses are defined in the Dallas Development Code and High Technology uses and Geological Research and Development as these uses are defined below:

> HIGH TECHNOLOGY means as a process or related to a process for data transmission, numeric computation, word processing, graphics display and analysis, biologic or chemical research and analysis as any of these may pertain to any consumer, business, or government good, be it a service or a product using electronics or quasi-electronics rather than mechanical means.
>
> QUASI-ELECTRONICS means including fibre-optics, laser technology, and microwaves which may be manufactured or transmitted by other than electronic means.
>
> GEOLOGICAL RESEARCH AND DEVELOPMENT means the study of the earth's elements and development and manufacture of products for the study of the earth's elements so long as the development and manufacturing process does not cause noxious odors, noise, or other hazards to the environment or to persons living within 50 miles of the facility.

Under no circumstances will Tenant be obligated to occupy or operate for business at the Premises, it being understood and agreed that Tenant may at any time cease occupying or operating at all or a part of the Premises.

Tenant shall not use the Premises to receive, store or handle any product, material or merchandise that is explosive or highly inflammable or hazardous. Tenant shall be solely responsible for complying with all Laws applicable to Tenant's specific use, occupancy, and condition of the Premises. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, light, noise or vibrations to emanate from the Premises; nor take any other action that would constitute a nuisance or would disturb, unreasonably interfere with, or endanger Landlord or any other person; nor permit the Premises to be used for any purpose or in any manner that would void the insurance thereon.

13. LANDLORD'S LIMITED RIGHT OF ACCESS. Landlord acknowledges that because of the extremely high value and sensitivity of the equipment in the Premises, as well as the information processed by such equipment, Landlord cannot have, and does not have, a free right of access to the Premises and is not entitled to have a key to the Premises. Except in the case of an emergency (defined as an event which poses the immediate threat of injury or death to persons or significant damage to property), Landlord (together with prospective and existing mortgagees, prospective purchasers, and [during the last six months of the Term] prospective tenants) may only enter the Premises after notice to Tenant (which may be made by telephone as long as Landlord's representative speaks to the facilities manager for the Building) and while representatives designated by the facilities manager are present Such representatives shall be available to accompany Landlord and any prospective or existing mortgagee, prospective purchaser, or (during the last six months of the Term) prospective tenant within forty-eight hours after Landlord gives notice to Tenant of its desire to enter the Premises. Such entry must be made in a manner designed to minimize to the extent reasonably possible the operations and business conducted at the Premises (however, Landlord shall not be required to enter the Premises after normal business hours). In order to allow Landlord to deal with emergencies while preserving Tenant's right to control access to the Premises, Tenant will provide a list of names, addresses, telephone, and pager numbers for employees or consultants whom Landlord may contact at any time when an emergency occurs and who will be available to the Premises within two (2) hours after Landlord makes contact with such persons. Tenant may make changes to such list from time to time and deliver notice of such changes to Landlord and such new list will replace or add to, as specified in such notice, any list previously in Landlord's possession. Unless, in Landlord's good faith, reasonable judgment, the nature of the emergency makes it imprudent to delay entry into the Premises, Landlord must use every effort to contact every person on the list until someone can arrive at the Premises and must not enter the Premises until the earlier of (a) one (1) hour after Landlord has contacted every person on the list and been unable to obtain a commitment from any person on such list that such person will arrive at the Premises within two (2) hours after such contact, (b) two (2) hours after Landlord makes contact with at least one (1) person on such list and such person agrees to arrive at the Premises within two (2) hours after such contact, or (c) when a person on such list arrives at the Premises and accompanies Landlord into the Premises. During the last six months of the Term, Landlord may erect a sign on the Premises indicating that the Premises are available for lease. Otherwise, Landlord may not erect any signs on the Premises.

14. ASSIGNMENT AND SUBLETTING.

(a) Tenant shall not, without the prior written consent of Landlord (which shall not be unreasonably withheld or delayed), (1) assign, transfer, or encumber this Lease or any estate or interest herein, whether directly or by operation of law, (2) permit any other entity to become Tenant hereunder by merger, consolidation, or other reorganization, (3) if Tenant is an entity other than a corporation whose stock is publicly traded, permit the transfer of an ownership interest in Tenant so as to result in a change in the current control of Tenant unless such transfer occurs in connection with a public offering of stock of Tenant on a nationally recognized securities exchange (any such public

offering shall not be considered a Transfer hereunder), (4) sublet any portion of the Premises, (5) grant any license, concession, or other right of occupancy of any portion of the Premises, or (6) permit the use of the Premises by any parties other than Tenant (any of the events listed in Sections 14.(a)(I) through 14.(a)(6) being a "TRANSFER"). Landlord

may withhold its consent, in its sole discretion, to any such Transfer to (I) any governmental agency, (ii) any party which will use hazardous materials in the Premises (other than those customarily used and stored in space which is used for office space), or (iii) any party whose use of the Premises will, in Landlord's engineer's judgment, overload the Building's Structure or any Building System; however, as a condition to withholding its consent under clause (iii) of this sentence, Landlord must deliver to Tenant written notice objecting to the proposed transferee setting forth in reasonable detail the reason for such objection within ten days after Tenant has delivered to Landlord written notice requesting such consent together with such information as may be reasonably necessary for Landlord to evaluate the effect of the proposed transferee's use on the Building's Structure and Building Systems. If Tenant requests Landlord's consent to a Transfer, then Tenant shall provide Landlord with a written description of all terms and conditions of the proposed Transfer, and the following information about the proposed transferee: name and address; reasonably satisfactory information about its proposed use of the Premises; financial statements of the transferee for its most recently ended fiscal year and fiscal quarter and a credit report from Dunn and Bradstreet for the transferee (or, if unavailable, other credit information reasonably acceptable to Landlord); and at least two references from the proposed transferee's bank. If Landlord fails to notify Tenant that it disapproves of a Transfer within ten days after Tenant has delivered to Landlord written notice requesting such consent together with the information specified in the previous sentence, then Landlord shall be deemed to have approved of the Transfer in question. Tenant shall reimburse Landlord for its reasonable attorneys' fees and other expenses incurred in connection with considering any request for its consent to a Transfer. If Landlord consents to a proposed Transfer, then the proposed transferee shall deliver to Landlord a written agreement whereby it expressly assumes the Tenant's obligations hereunder (however, any transferee of less than all of the space in the Premises shall be liable only for obligations under this Lease that are properly allocable to the space subject to the Transfer, and only to the extent of the rent it has agreed to pay Tenant therefor) arising from and after the date of such Transfer (however, in the case of a merger, consolidation, other similar business arrangement, or sale of all or substantially all of Tenant's assets, the Transferee must assume all of Tenant's obligations hereunder, regardless of when they accrued). No transfer shall release Tenant from performing the obligations of the "Tenant" under this Lease, but rather Tenant and its transferee shall be jointly and severally liable therefor. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfers. If an Event of Default occurs while the Premises or any part thereof are subject to a Transfer, then Landlord, in addition to its other remedies, may collect directly from such transferee all rents becoming due to Tenant and apply such rents against Tenant's rent obligations. Tenant authorizes its transferees to make payments of rent directly to Landlord upon receipt of notice from Landlord to do so.

(b) Landlord may, within 30 days after submission of Tenant's written request for Landlord's consent to a Transfer, cancel this Lease (or, as to a subletting or assignment, cancel as to the portion of the Premises proposed to be sublet or assigned) as of the date the proposed Transfer was to be effective. If Landlord cancels this Lease as to any portion of the Premises, then this Lease shall cease for such portion of the Premises and Tenant shall pay to Landlord all rent accrued through the cancellation date relating to the portion of the Premises covered by the proposed Transfer. Thereafter, Landlord may lease such portion of the Premises to the prospective transferee (or to any other person) without liability to Tenant. The termination right set forth in this Section 14.(b) shall not apply to Permitted Transfers or to any other Transfer to which Landlord specifically consents in writing.

(c) If no Event of Default exists, all compensation received by Tenant for a Transfer in respect of the interval in question that exceeds the Base Rent and the Pass-Through Expenses allocable to the portion of the Premises covered thereby for the same interval shall be payable as follows:

(1) first, to Tenant until Tenant has received an amount equal to all actual, third-party, out-of-pocket costs incurred by Tenant in connection with such Transfer (including, without limitation, brokerage commissions, attorneys' fees and expenses, tenant-finish-work, and other tenant inducements); and

(2) thereafter, 50% to Landlord and 50% to Tenant.

If an Event of default exists, all such excess compensation shall be payable to Landlord. Tenant shall hold all amounts it receives which are payable to Landlord in trust and shall deliver all such amounts to Landlord within ten days after Tenant's receipt thereof.

(d) Notwithstanding the foregoing, Tenant may Transfer all or part of its interest in this Lease or all or part of the Premises to the following types of entities (a "PERMITTED TRANSFEREE") without the written consent of Landlord (a "PERMITTED TRANSFER", provided that the Premises will continue to be used only for the Permitted Use and the conditions set forth below are satisfied:

(1) an Affiliate of Tenant;

(2) any entity in which or with which Tenant, or its corporate successors is merged or consolidated, in accordance with applicable statutory provisions governing merger and consolidation of such entities, so long as (A) Tenant's obligations hereunder are assumed by the entity surviving such merger or created by such consolidation; and (B) the surviving or created entity will, immediately after such transaction, have an unsecured debt rating of at least BBB as established by Standard & Poor's Corporation;

(3) any entity acquiring all or substantially all of Tenant's assets if such entity's unsecured credit rating immediately after such acquisition is at least BBB as established by Standard & Poor's

Corporation;

(4) any entity whose unsecured debt rating is at least BBB as established by Standard & Poor's Corporation and whose use of the Premises would not involve any use described in clauses (ii) or (iii) of Section 14.(a); or

(5) any sublessee provided that, after giving effect to such sub lease, the aggregate portion of the Premises that would then be subject to either a sublease or partial assignment of this Lease to persons other than those described in clauses (1), (2), (3) or (4) does not exceed 25% of the rentable area of the Premises and the sublessee is not a governmental agency or a person whose use of the Premises would involve matters described in clauses (ii) or (iii) of Section 14.(a).

Tenant shall promptly notify Landlord of any such Permitted Transfer. Any Transfer by a Permitted Transferee described in clause (5) above shall require Landlord's prior written consent Any Transfer by a Permitted Transferee described in clauses (1) through (4) above to Mother Permitted Transferee shall not require Landlord's consent, but shall require prompt notification to Landlord thereof; all other Transfers by any such Permitted Transferee shall require Landlord's written consent.

15. CONDEMNATION. If a material portion of the Premises is taken for any public or quasi-public use by right of eminent domain or private purchase in lieu thereof (a "TAKING"), then Tenant may terminate this Lease by delivering to Landlord written notice thereof within 30 days after the Taking, in which case rent shall be abated during the unexpired portion of the Term, effective on the date of such Taking. If this Lease is not terminated because of a Taking, then rent payable during the unexpired portion of the Term shall be reduced to such extent as may be fair and reasonable under the circumstances, and Landlord shall repair any damage to the Premises caused by the Taking, to the extent of the award actually received by Landlord (less than the cost incurred in connection with the receiving of such award and any amounts payable to a Landlord's Mortgagee). Landlord shall notify Tenant of the amount Landlord receives in connection with any such Taking within 30 days after such amount is finally determined. If such amounts are insufficient to fully restore the Premises, then Tenant may, at its sole option and without obligation to do so, fund the extra amounts necessary to fully restore the Premises. All compensation awarded for any Taking shall be the property of Landlord, and Tenant assigns any interest it may have in any such award to Landlord; however, Landlord shall have no interest in any award made to Tenant for loss of business or goodwill or for the taking of Tenant's fixtures, personal property, or other improvements that Tenant is entitled to remove from the Premises at the end of the Term, if a separate award for such items is made to Tenant For purposes of this Section 15, the phrase "a material portion of the Premises Is taken" shall mean a Taking which affect the interior space of the Building, reduces the number of parking spaces available for Tenant's use to less than one space per 333 rentable square feet in the Building or permanently denies access to the Premises from publicly-dedicated roads; however, in the case of removed parking spaces, Landlord may, within 180 days after such Taking, construct additional parking on the Land so that the number of parking spaces on the Land shall be at least one space per 333 rentable square feet in the Building, in which case, Tenant shall not be entitled to terminate this Lease because of such Taking. If Landlord elects to construct additional parking spaces, then it must deliver to Tenant written notice thereof with in 30 days after the Taking.

16. SURRENDER OF PREMISES: HOLDING OVER.

(a) No act by Landlord shall be an acceptance of a surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid unless it is in writing and signed by Landlord. At the end of the Term or the termination of Tenant's right to possess the Premises, Tenant shall (1) deliver to Landlord the Premises with all improvements located thereon, other than the Backup Equipment and Tenant's security system, in good repair and in working order, reasonable wear and tear (subject however to Tenant's maintenance obligations) and damage by casualty or condemnation excepted, (2) deliver to Landlord all keys to the Premises, and (3) remove all signage placed on the Premises by or at Tenant's request All fixtures, alterations, additions, and improvements (whether temporary or permanent) shall be Landlord's property and shall remain on the Premises except as provided in the next two sentences. Tenant may remove all the Backup Equipment as well as Tenant's security system and all unattached fixtures, furniture, and personal property placed in the Premises by Tenant Additionally, Tenant shall remove such alterations, additions, improvements, fixtures, equipment, wiring, furniture, and other property as Landlord may request unless Landlord has specifically approved in writing the installation thereof and did not indicate to Tenant in writing, when such approval was granted, that Tenant would have to remove the item at the end of the Term. All work required of Tenant under this Section 16.(a) shall be coordinated with Landlord and be done in a good and workmanlike manner, in accordance with all Laws, and so as not to damage the Building. Tenant shall, at its expense, repair all damage caused by any work performed by Tenant under this Section 16.(a).

(b) If Tenant remains in possession of the Premises after the expiration of the Term without the execution of a new lease or of an agreement extending the Term, but Tenant and Landlord are engaged in negotiations for a new lease or extension, then, Tenant will be deemed to be occupying the Premises as a Tenant from month to month, subject to all of the terms of this Lease as may be applicable to a month to month tenancy, and at the Base Rent and other charges provided for in the last preceding year, prorated on a monthly basis. If, however, Landlord has delivered notice to Tenant that it does not wish to continue or does not wish to begin negotiations, as the case may be, then, effective as of the later of 90 days after the date Landlord delivers such notice to Tenant or the expiration date of the Term, Tenant must vacate the Premises. If Tenant does not do so, then Tenant shall be a holdover tenant and during the holdover period Tenant must pay as Base Rent an amount equal to two hundred percent (200%) of the Base Rent provided for in the last preceding year, plus other rent which would be due during such holdover period if this Lease were still in effect Additionally, Tenant shall defend, indemnify, and hold harmless Landlord from any damage, liability and expense (including attorneys' fees and expenses) incurred because of such holding over. No payments of money by Tenant to Landlord after the Term shall reinstate, continue or extend the Term, and, except as set forth above, no extension of the Term shall be valid unless it is in writing and signed by Landlord and Tenant.

17. QUIET ENJOYMENT. Provided Tenant has fully performed its obligations under this Lease, Tenant shall peaceably and quietly hold and enjoy the Premises for the Term, without hindrance from Landlord or any parry claiming by, through, or under Landlord, but not otherwise.

18. EVENTS OF DEFAULT. Each of the following events shall constitute an "EVENT OF DEFAULT" under this Lease:

(a) Tenant fails to pay any rent when due and such failure continues for a period of ten days after Landlord has delivered to Tenant written notice thereof

(b) The filing of a petition by or against Tenant or any guarantor of Tenant's obligations hereunder (1) in any bankruptcy or other insolvency proceeding; (2) seeking in any relief under any debtor relief Law; (3) for the appointment of a liquidator, receiver, trustee, custodian, or similar official for all or substantially all of Tenant's property or for Tenant's interest in this Lease; or (4) for reorganization or modification of Tenant's capital structure (however, if any such petition is filed against Tenant, then the filing of such petition shall not constitute an Event of Default, unless it is not dismissed within 45 days after the filing thereof.

(c) Tenant fails to comply with any term, provision or covenant of this Lease (other than those listed in this Section 18), and such failure continues for 30 days after written notice thereof to Tenant; however, if such default is not susceptible of being cured within such 30-day period, then an Event of Default shall not occur hereunder if Tenant begins to cure such default within 30.day period, thereafter diligently pursues such cure, and such default is cured within 120 days after Landlord initially delivered to Tenant written notice of such default.

19. REMEDIES.

(a) Upon any Event of Default, Landlord may, in addition to all other rights and remedies afforded Landlord hereunder or by Law, take any of the following actions:

(1) Terminate this Lease by giving Tenant written notice thereof, in which event, Tenant shall pay to Landlord the sum of (A) all rent accrued hereunder through the date of termination, and (B) all amounts due under Section 19.(b) and (C) an amount equal to (I) the total rent that Tenant would have been required to pay for the remainder of the Term discounted to present value at a per annum rate equal to the "Discount Rate" as published on the date this Lease is terminated by The Wall Street Journal, Southwest Edition, in its listing of"Money Rates," minus (ii) the then present fair rental value of the Premises for such period, similarly discounted; or

(2) Terminate Tenant's right to possess the Premises without terminating this Lease by giving written notice thereof to Tenant, in which event Tenant shall pay to Landlord (A) all rent and other amounts accrued hereunder to the date of termination of possession, (B) all amounts due from time to time under Section 19.(b) as and when due, and (C) all rent and other sums required hereunder to be paid by Tenant during the remainder of the Term, as they come due under this Lease, diminished by any net sums (i.e., after deducting all costs incurred in connection with such reletting that were not paid [or are not required to be paid] by Tenant under Section 19.(b)(4)) thereafter received by Landlord through reletting the Premises during such period. Landlord shall use reasonable efforts to relet the Premises on such terms and conditions as Landlord may reasonably determine (including a term different than the Term, rental concessions, and alterations to, and improvement of, the Premises); however, in determining whether Landlord shall have used reasonable efforts to relet the Premises, Landlord shall not be obligated to relet the Premises to any person whose unsecured debt rating is less than BBB as established by Standard & Poor's Corporation. Tenant's obligations hereunder shall not be diminished because of Landlord's failure to relet the Premises or to collect rent due for a reletting except to the extent required by Law. Tenant shall not be entitled to the excess of any consideration obtained by reletting over the rent due hereunder. Reentry by Landlord in the Premises shall not affect Tenant's obligations hereunder for the unexpired Term; rather, Landlord may, from time to time, bring action against Tenant to collect amounts due by Tenant, without the necessity of Landlord's waiting until the Term ends. Unless Landlord delivers written notice to Tenant expressly stating that it has elected to terminate this Lease, all actions taken by Landlord to exclude or dispossess Tenant of the Premises shall be deemed to be taken under this Section 19.(a)(2). If Landlord elects to proceed under this Section 19.(a)(2), it may at any time elect to terminate this Lease under Section 19.(a)(1).

Additionally, Landlord may perform Tenant's un performed obligations hereunder.

(b) Tenant shall pay to Landlord all costs incurred by Landlord (including court costs and reasonable attorneys' fees and expenses) in (I) obtaining possession of the Premises, (2) removing and storing Tenant's or any other occupant's property after the 15-day period specified in Section 19.(c) expires, (3) repairing, restoring, or otherwise putting the Premises into condition required under Section 16.(a), (4) if Tenant is dispossessed of the Premises and this Lease is not terminated, reletting all or any part of the Premises (excluding brokerage commissions, cost of tenant finish work, allowances, and other expenses customarily amortized in base rent), (5) performing Tenant's obligations which Tenant failed to perform, (6) if this Lease is terminated, the product obtained by multiplying the aggregate brokerage commissions incurred by Landlord in connection with this Lease by a fraction whose numerator is the number of calendar months (including partial calendar months) during the period beginning with the termination date and ending on the scheduled expiration date of the initial Term applicable to such space (or, if a renewal Term is in effect, the scheduled expiration date of the renewal Term applicable to such space) and whose denominator is the number of calendar months in the initial Term or, if a renewal Term is in effect, the number of months in the renewal Term (however, if the calculation is being made for a renewal Term, then only those costs incurred in respect of the renewal Term will be included), and (7) enforcing, or advising Landlord of, its rights, remedies, and recourses.

Landlord's acceptance of rent following an Event of Default shall not waive Landlord's rights regarding such Event of Default. Landlord's receipt of rent with knowledge of any default by Tenant hereunder shall not be a waiver of such default, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless set forth in writing and signed by Landlord. No waiver by Landlord of any violation or breach of any of the terms contained herein shall waive

Landlord's rights regarding any future violation of such term or violation of any other term. If Landlord repossesses the Premises pursuant to the authority herein granted, then Landlord shall have the right to (A) keep in place and (except for Tenant's equipment) use or (B) (subject to Section 19.(c)) remove and store, at Tenant's expense, all of the furniture, fixtures, equipment and other property in the Premises, including that which is owned by or leased to Tenant at all times before any foreclosure thereon or repossession thereof by any lessor thereof or third party having a lien thereon. After the 15-:lay period specified in Section 19.(c) expires, Landlord may relinquish possession of all or any portion of such furniture, fixtures, equipment and other property to any person (a "CLAIMANT") who presents to Landlord a copy of any instrument represented by Claimant to have been executed by Tenant (or any predecessor of Tenant) granting Claimant the right under various circumstances to take possession of such furniture, fixtures, equipment or other property, without the necessity on the part of Landlord to inquire into tic authenticity or legality of the instrument. Landlord may, at its option and without prejudice to or waiver of any rights it may have, (I) require that its representatives escort Tenant to the Premises to retrieve any personal belongings of Tenant and/or its employees or (ii) obtain a list from Tenant of the personal property of Tenant and/or its employees, and make such property available to Tenant and/or Tenant's employees; however, Tenant first shall pay in cash all costs and estimated expenses to be incurred in connection with the removal of such property and making it available. The rights of Landlord herein stated are in addition to any and all other rights that Landlord has or may hereafter have at law or in equity, and Tenant agrees that the rights herein granted Landlord are commercially reasonable.

(c) Notwithstanding anything contained in this Lease to the contrary, in recognition of the enormous intrinsic value of, and value in connection with Tenant's business of, Tenant's equipment at the Premises, Tenant at all times will have access to the Premises for the purpose of servicing, having access to, or removing such equipment until such time as such equipment is removed in accordance with this Section 19.(c) or the third to last sentence of Section 19.(b). For a period of 15 days following the expiration or termination of this Lease, Landlord cannot disturb or move any of Tenant's equipment under any circumstances, even if Landlord has terminated Tenant's right to possess the Premises or terminated this Lease; after such 15-day period, all items not so removed shall, at the option of Landlord, be deemed abandoned by Tenant and may be appropriated, sold, stored, destroyed, or otherwise disposed of by Landlord without notice to Tenant and without any obligation to account for such items, and Tenant shall pay for the cost incurred by Landlord in connection therewith.

20. LANDLORD'S LIABILITY. Liability of Landlord to Tenant for any default by Landlord, shall be limited to actual, direct, but not consequential, damages therefor and shall be recoverable only from the interest of Landlord in the Building and the Land, any insurance or condemnation proceeds, and rent derived from the Building and the Land, and neither Landlord nor Landlord's owners shall have any personal liability therefor.

21. MORTGAGES. This Lease shall be subordinate to any deed of trust, mortgage, or other security instrument (a "MORTGAGE"), or any ground lease, master lease, or primary lease (a "PRIMARY LEASE"), that now or hereafter covers all or any part of the Premises (the mortgagee under any Mortgage or the lessor under any Primary Lease is referred to herein as "LANDLORD'S MORTGAGE"). However, as a condition to such subordination, the Landlord's Mortgagee must execute, acknowledge, and deliver to Tenant a subordination, non-disturbance, and attornment agreement in the same form as EXHIBIT E hereto (which may have non-substantive changes thereto to reflect changes in factual matters) or, at Landlord's option, another form whose form and substance are acceptable to Tenant (an "SNDA"), Tenant shall execute, acknowledge, and deliver an SNDA within ten days after Landlord's request therefor. Notwithstanding the subordination provided herein, any Landlord's Mortgagee may subordinate its Mortgage or Primary Lease (as the case may be) to this Lease. Tenant shall execute such documentation as the Landlord's Mortgagee may reasonably request evidencing the subordination of this Lease to such Landlord's Mortgagee's Mortgage or Primary Lease or, if the Landlord's Mortgagee so elects, the subordination of such Landlord's Mortgagee's Mortgage or Primary Lease to this Lease. If at the closing of Landlord's acquisition of the Premises ("CLOSING"), an SNDA has not deposited into escrow, whose delivery is subject only to the consummation of the Closing, then either Landlord or Tenant may terminate this Lease before Closing occurs. Landlord represents and warrants that after giving effect to Closing, the only Mortgage on the Premises will be held by Principal Commercial Advisors, Inc. and there will be no Primary Lease affecting the Premises.

22. ENCUMBRANCES. Tenant has no authority, express or implied, to create or place any lien or encumbrance of any kind or nature whatsoever upon, or in any manner to bind Landlord's property or the interest of Landlord or Tenant in the Premises or to charge the rent for any claim in favor of any person dealing with Tenant, including those who may furnish materials or perform labor for any construction or repairs. Tenant shall pay or cause to be paid all sums due for any labor performed or materials furnished in connection with any work performed on the Premises by or at the request of Tenant. Tenant shall give Landlord immediate written notice of the placing of any lien or encumbrance against the Premises.

23. MISCELLANEOUS.

(a) Words of any gender used in this Lease shall include any other gender, and words in the singular shall include the plural, unless the context otherwise requires. The captions inserted in this Lease are for convenience only and in no way affect the interpretation of this Lease. The following terms shall have the following meanings: "LAWS" shall mean all federal, state, and local laws, rules, and regulations; all court orders, governmental directives, and governmental orders; and all restrictive covenants affecting the Property, and "LAW" shall mean any of the foregoing; "AFFIANTS" shall mean any person or entity which, directly or indirectly, controls, is controlled by, or is under

common control with the party in question; "TENANT PARTY" shall include Tenant, any assignees claiming by, through, or under Tenant, any subtenants claiming by, through, or under Tenant, and any of their respective agents, contractors, employees, and invitees; and "INCLUDING" means including without limitation.

(b) Landlord may transfer and assign, in whole or in part, its rights and obligations in the Premises, in which case Landlord shall have no further liability hereunder, except to account for the Security Deposit

if it is not transferred to the transferee or assignee. Each party shall furnish to the other, promptly upon demand, a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the due authorization of such party to enter into this Lease.

(c) Except for Tenant's monetary obligations and Landlord's and Tenant's obligations to maintain insurance, whenever a period of time is herein prescribed for action to be taken by Landlord or Tenant, neither Landlord nor Tenant shall be liable or responsible for, and there shall be excluded from the computation for any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, governmental laws, regulations, or restrictions, or any other causes of any kind whatsoever, which are beyond the control or anticipation of Landlord or Tenant.

(d) Tenant shall, from time to time, within ten days after request of Landlord, deliver to Landlord, or Landlord's designee, a certificate of occupancy for the Premises, financial statements for itself and an estoppel certificate stating that this Lease is in full effect, the date to which rent has been paid, the unexpired Term and such other factual matters pertaining to this Lease as may be reasonably requested by Landlord.

(e) This Lease constitutes the entire agreement of the Landlord and Tenant with respect to the subject matter of this Lease, and contains all of the covenants and agreements of Landlord and Tenant with respect thereto. Landlord and Tenant each acknowledge that no representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations not expressly set forth in this Lease are of no effect This Lease may not be altered, changed or amended except by an instrument in writing signed by both parties hereto.

(f) All obligations of Tenant hereunder not fully performed by the end of the Tenn shall survive, including, without limitation, all payment obligations with respect to Taxes and insurance and all obligations concerning the condition and repair of the Premises.

(g) If any provision of this Lease is illegal, invalid or unenforceable, then the remainder of this Lease shall not be affected thereby, and in lieu of each such provision, there shall be added, as a part of this Lease, a provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

(h) All references in this Lease to "the date hereof' or similar references shall be deemed to refer to the last date, in point of time, on which all parties hereto have executed this Lease.

(i) Landlord and Tenant each warrant to the other that it has not dealt with any broker or agent in connection with this Lease other than Peterson Realty Group ("PETERSON"), whose commission shall be paid by Landlord in accordance with that Commission Agreement-Lease dated June 12, 1997. Tenant and Landlord shall each indemnify the other against all costs, attorneys' fees, and other liabilities for commissions or other compensation claimed by any broker or agent, other than Peterson, claiming the same by, through, or under the indemnifying party.

(j) If and when included within the term "Tenant," as used in this instrument, there is more than one person, firm or corporation, all shall jointly arrange among themselves for their joint execution of a notice specifying an individual at a specific address within the continental United States for the receipt of notices and payments to Tenant All parties included within the terms "Landlord" and "Tenant," respectively, shall be bound by notices given in accordance with the provisions of Section 24 to the same effect as if each had received such notice.

(k) The terms and conditions of this Lease are confidential and Tenant shall not disclose the terms of this Lease to any third party except as may be required by law or to enforce its rights hereunder, provided however, that, after Closing, Tenant may record a memorandum of this Lease, in form of EXHIBIT F hereto, in the Real Property Records of Dallas County, Texas.

(l) Tenant shall pay interest on all past-due rent from the date due until paid at the maximum lawful rate. In no event, however, shall the charges permitted under this Section 23.(l) or elsewhere in this Lease, to the extent they are considered to be interest under applicable Law, exceed the maximum lawful rate of interest.

24. NOTICES. Each provision of this instrument or of any applicable Laws and other requirements with reference to the sending, mailing or delivering of notice or the making of any payment hereunder shall be deemed to be complied with when and if the following steps are taken:

(a) All rent shall be payable to Landlord at the address for Landlord set forth below or at such other address as Landlord may specify from time to time by written notice delivered in accordance herewith. Tenant's obligation to pay rent shall not be deemed satisfied until such rent has been actually received by Landlord.

(b) All payments required to be made by Landlord to Tenant hereunder shall be payable to Tenant at the address set forth below, or at such other address within the continental United States as Tenant may specify from time to time by written notice delivered in accordance herewith.

(c) Any written notice or document required or permitted to be delivered hereunder shall be deemed to be delivered upon the earlier to occur of (1) tender of delivery (in the ease of a hand-delivered notice), or (2) three days after being deposited in the United States Mail, postage prepaid, Certified Mail, in each case, addressed to the parties hereto at the respective addresses set out below, or at such other address as they have theretofore specified by

written notice delivered in accordance herewith. If Landlord has attempted to deliver notice to Tenant at Tenant's

address reflected on Landlord's books but such notice was returned or acceptance thereof was refused, then Landlord may post such notice in or on the Premises, which notice shall be deemed delivered to Tenant upon the posting thereof

25. HAZARDOUS WASTE. The term "HAZARDOUS SUBSTANCES," as used in this Lease shall mean pollutants, contaminants, toxic or hazardous wastes, or any other substances, the removal of which is required or the use of which is restricted, prohibited or penalized by any "ENVIRONMENTAL LAW," which term shall mean any Law relating to health, pollution or protection of the environment. Tenant hereby agrees that (a) no activity will be conducted on the Premises that will produce any Hazardous Substances, except for such activities that are part of the ordinary course of Tenant's business activities (the "PERMITTED ACTIVITIES") provided such Permitted Activities are conducted in accordance with all Environmental Laws; (b) the Premises will not be used in any manner for the storage of any Hazardous Substances except for any temporary storage of such materials that are used in the ordinary course of Tenant's business (the "PERMITTED MATERIALS") provided such Permitted Materials are properly stored in a manner and location satisfying all Environmental Laws; (c) no portion of the Premises will be used as a landfill or a dump; (d) Tenant will not install any underground tanks of any type; and (e) no Tenant Party will bring or knowingly permit any Hazardous Substances to be brought onto the Premises, except for the Permitted Materials, and if so brought thereon, the same shall be immediately removed by Tenant, with proper disposal, and all required cleanup procedures shall be diligently undertaken pursuant to all Environmental Laws. If at any time during or after the Term, the Premises are found to be so contaminated or subject to any such condition that were not shown to be present in inspections conducted at or before Closing, Tenant shall defend, indemnify and hold Landlord harmless from all claims, demands, actions, liabilities, costs, expenses, damages and obligations of any nature arising from or as a result of the use of the Premises by Tenant. Tenant will maintain on the Premises a list of all materials stored at the Premises for which a materials safety data sheet (an "MSDS") was issued by the producers or manufacturers thereof, together with copies of the MSDS for such materials, and shall deliver such list and MSDS copies to Landlord upon Landlord's request therefor. Tenant shall remove all Permitted Materials from the Premises in a manner acceptable to Landlord before Tenant's right to possess the Premises is terminated. If Landlord determines in good faith that it is likely that there are environmental problems at the Premises, Landlord must notify Tenant of such fact and arrange with Tenant for a time at which Landlord may enter the Premises and conduct environmental inspections and tests therein as it may require from time to time, provided that Landlord shall use reasonable efforts to minimize, to the extent reasonably possible, the interference with Tenant's business. Such inspections and tests shall be conducted at Landlord's expense, unless they reveal (1) the presence of Hazardous Substances (other than Permitted Materials) which were not shown to be present in inspections conducted at the time of Closing or (2) Tenant or any other Tenant Party has not complied with the requirements set forth in this Section 25, in which case Tenant shall reimburse Landlord for tie reasonable cost thereof within ten days after Landlord's request there for.

26. WAIVER OF LANDLORD'S LIEN. Any fixtures, signs, equipment (including, without limitation, Tenant's mainframe computer), and other personal property of Tenant affixed to or located in the Premises remain the property of Tenant, and Landlord waives and acknowledges that it has no liens, whether constitutional, statutory or consensual, upon any of Tenant's fixtures, signs, equipment or other personal property. Landlord agrees that Tenant has the right to remove at any time any and all of its trade fixtures, equipment, signs, and other personal property which it may have stored or installed in the Premises. Landlord hereby covenants and agrees that before removing any fixtures, equipment, signs, or other personal property from the Premises, it will give any lender of whom Tenant has given Landlord notice 30 days notice and opportunity to remove such items, provided such lender agrees to pay rent for the Premises until such time as such items are removed.

27. ADDITIONAL PARKING AREA. Tenant may construct an additional parking lot on the Land, subject to the following requirements:

(a) the parking lot must be located within the area shown on EXHIBIT H; and

(b) the parking lot must be constructed (1) using similar materials and in a similar manner to the existing parking lot on the Land, (2) in accordance with all applicable Law, and (3) in a good and workmanlike manner;

Once constructed, the parking lot will be considered part of the Premises and subject to all of Tenant's obligations concerning the Premises, including, without limitation, the terms of Section 5.(a).

28. TENANT IMPROVEMENT FINANCING. Landlord shall use reasonable efforts to assist Tenant in finding lenders for the financing of up to $1,500,000 for Tenant's initial improvements to the Premises and for equipment Tenant's inability to obtain such financing, however, shall not affect Tenant's obligations under this Lease.

29. EXISTING EQUIPMENT. If Tenant installs the Backup Equipment, then Tenant shall store in the Building the existing generator, UPS system, and related equipment and deliver them to Landlord in their present condition at the end of the Term or, if earlier, the termination of Tenant's right to possess the Premises.

TENANT ACKNOWLEDGES THAT (1) IT HAS INSPECTED AND ACCEPTS THE PREMISES IN AN "AS IS, WHERE IS" CONDITION, (2) LANDLORD HAS MADE NO WARRANTY, REPRESENTATION, COVENANT, OR AGREEMENT WITH RESPECT TO THE MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE PREMISES, (3) THE PREMISES ARE IN GOOD AND SATISFACTORY CONDITION, (4) NO REPRESENTATIONS AS TO THE REPAIR OF THE PREMISES, NOR PROMISES TO ALTER, REMODEL OR IMPROVE THE PREMISES HAVE BEEN MADE BY LANDLORD, AND (5) THERE ARE NO REPRESENTATIONS OR WARRANTIES, EXPRESSED, IMPLIED OR STATUTORY, THAT EXTEND BEYOND THE DESCRIPTION OF THE PREMISES.

Executed by Tenant on July 16, 1997.

TENANT: ADS ALLIANCE DATA SYSTEMS, INC.

By: James E. Andersen

Name: James E. Andersen

Title: Executive Vice President

Address: 5001 Spring Valley Road
West Tower, Suite 650
Dallas, Texas 75244
Telephone: 972-960-5100
Fax: 972-960-5162

with a copy to: Carolyn Melvin
ADS Alliance Data Systems, Inc.
4590 East Broad Street
Columbus, Ohio 43213
Telephone: 614-755-5000
Fax: 614-863-5965

Executed by Landlord on July 16, 1997.

LANDLORD: WATERVIEW PARKWAY, L.P.
By: 1996 DFW Office, Inc., its general partner

By: [illegible]

Name: [illegible]

Title: Executive Vice President

Address: 2200 Ross Avenue, Suite 3700
Dallas, Texas 75201
Telephone: (214) 979-6300
Fax: (214) 979-6326

with a copy to: Greg L. Arrell
Vinson & Elkins L.L.P.
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201
Telephone: (214) 220-7798
Fax: (214) 999-7798

EXHIBIT A

BEING a 410,021 square feet (9.4128 acres) tract of land situated in the John Clay Survey, Abstract No. 313, Dallas County, Texas, L50 being all of Lot 1, Block A/8735, Dresser Addition, an addition to the City of Dallas according to the plat thereof recorded in Volume 81203, Page 0275, Deed Records, Dallas County, Texas, and being more particularly described as follows:

BEGINNING at a 5/8" iron rod set for corner in the west line of Waterview Road (80' public R.O.W.) at the northeast corner of U.T.D. Synergy Park Phase II, as recorded by plat in Volume 86051, Page 3744, Deed Records, Dallas County, Texas.

THENCE WEST departing the said west line of Waterview Road, a distance of 569.26 feet to a 5/8" iron rod set for corner in the east line of that certain tract of land conveyed to Texas A&M University in Volume 72221, Page 2873, Deed Records, Dallas County, Texas, at the northwest corner of said U.T.D. Synergy Park Phase II;

THENCE N00 12' 12'W along the west line of said Texas A&M University tract, a distance of 610.00 feet to a 1/2" iron rod found for corner at the southwest corner of U.T.D. Synergy Park Phase I, as recorded by plat in Volume 85245, Page 4873, Deed Records, Dallas County, Texas.

THENCE EAST departing the east line of said Texas A&M University tract and along the south line of said U.T.D. Synergy Park Phase I, a distance of 700.00 feet to a 3/8" iron rod found for corner in the aforementioned west line of Waterview Road;

THENCE along the said west line of Waterview Road the following:

500 12'12'E a distance of 223.02 feet to a 5/8" iron rod set for corner at the beginning of a curve to the right which has a central angle of 30 12' 12', a radio of 600.00 feet, and a chord which bears S14 53'54'W - 312.64 feet;

Along said curve to the right, an arc distance of 316.29 feet to a 5/8" iron rod set for corner at the end of said curve;

S30 00'00"W a distance of 97.96 feet to the POINT OF BEGINNING and containing 410,021 square feet or 9.4128 acres of land.

EXHIBIT B

EXPANSION OPTION

1. EXERCISE OF OPTION. Provided that (a) no Event of Default then exists, (b) there has been no material adverse change in Tenant's financial condition, comparing the time the Lease is executed and the time that Tenant exercises the expansion option, and (c) Tenant is not in default under its covenants with its then-current lenders, if any (which defaults have not been waived in writing by such lenders), Tenant may elect to expand the Building once by up to 35,000 square feet (but not less than 15,000 square feet) by delivering to Landlord written notice thereof not later than 12 months before the end of the Term (the "EXPANSION NOTICE"), specifying the expansion area's size and location on the Land, which location may be in one or both of the areas shown on EXHIBIT H (the "EXPANSION SPACE").

2. PRELIMINARY APPROVAL. Within 30 days after Tenant delivers the Expansion Notice to Landlord, Landlord shall prepare and submit to Tenant for its review (a) preliminary plans and outline specifications (the "EXPANSION DISCUSSION DOCUMENTS") for Landlord and Tenant's preliminary conception of the construction of the shell and interior of the Expansion Space (the "EXPANSION DISCUSSION WORK"), (b) preliminary cost estimates for performing the Expansion Discussion Work, (c) preliminary rents for the Expansion Space (based upon the formula outlined in Paragraph 5 below), and (d) a preliminary construction schedule, showing the anticipated dates of various phases of the construction (including the dates of substantial completion and full completion). Tenant must notify Landlord whether it approves of the submitted Expansion Discussion Documents, the preliminary cost estimates, the preliminary rents, and the preliminary construction schedule within 14 days after Landlord delivers them to Tenant If Tenant disapproves of such Expansion Discussion Documents, preliminary cost estimates, preliminary rents, or preliminary construction schedule. Then Tenant must notify Landlord of that fact, specifying in detail the reasons for such disapproval. In such event, Landlord shall amend the submitted Expansion Discussion Documents (to the extent it approves such amendments), and, if required by such amendments to the Expansion Discussion Documents, amend the preliminary cost estimates, preliminary rents, or preliminary construction schedule, as the case may be, and deliver them to Tenant for its review within ten days after receiving Tenant's notice disapproving the submitted Expansion Discussion Documents, preliminary cost estimates, preliminary rents, or preliminary construction schedule. Landlord and Tenant must repeat this process (using the same time periods) until both of them have approved the Expansion Discussion Documents, the preliminary cost estimates, the preliminary rents, and the preliminary construction schedule. At any time until the Expansion Discussion Documents, the preliminary cost estimates, the preliminary rents, and the preliminary construction schedule have been approved by Landlord and Tenant, Tenant may rescind its election to expand by written notice to Landlord. If such election is rescinded as provided in this paragraph, Tenant shall pay to Landlord all reasonable costs incurred by Landlord prior to the date of such rescission and an administrative fee of $3,000.00 to cover Landlord's overhead cost in connection therewith.

3. FINAL APPROVAL. Within 30 days after Tenant and Landlord have approved the Expansion Discussion Documents, the preliminary cost estimates, the preliminary rents, and the preliminary construction schedule, Landlord shall prepare and deliver to Tenant detailed plans and specifications for the Expansion Space (the "PRELIMINARY EXPANSION PLANS AND SPECIFICATION"), which must be based upon the approved Expansion Discussion Documents (including, without limitation, working drawings, construction drawings, and electrical, plumbing and mechanical drawings), estimated cost estimates, estimated rents, and estimated construction schedule. Tenant may only object to those matters shown on the Preliminary Expansion Plans and Specifications which are inconsistent with or are additions to the approved Expansion Discussion Documents. Tenant must deliver notice of its objections to Landlord within 14 days after Landlord delivers such items to Tenant and Landlord must respond within ten days after Tenant delivers such notice to Landlord. Landlord and Tenant must repeat this process (using the same time periods) until both of them have approved the Preliminary Expansion Plans and Specifications. The Preliminary Expansion Plans and Specifications, as finally approved, are referred to in this Agreement as the "EXPANSION PLANS AND SPECIFICATIONS" and the work shown on such Expansion Plans and Specifications is referred to as the "EXPANSION WORK." After the final Expansion Plans and Specifications have been approved by Landlord and Tenant, Landlord shall enter into a guaranteed maximum price construction contract or, at Tenant's option, another form of contract with a general contractor for the performance of the Expansion Work. Before entering into such contract, however, Landlord and Tenant must consent to the terms thereof At any time before the Expansion Plans and Specifications and the general contract have been approved, Tenant may rescind its expansion election. If Tenant rescinds such election and the final cost estimates or final rents exceed the approved preliminary cost estimates or approved preliminary rents, respectively, by more than 15% or the final construction schedule provides for a substantial completion date that is more than two months later than the substantial completion date set forth in the approved preliminary construction schedule, then Tenant must pay to Landlord all reasonable costs incurred by Landlord before such rescission and an administrative fee of $3,000 to cover Landlord's overhead costs in connection therewith. If Tenant rescinds such election under any circumstances other than those set forth in the immediately preceding sentence, then Tenant shall pay to Landlord all reasonable cost incurred by Landlord before such rescission and-an administrative charge of $15,000 to cover Landlord's overhead cost in connection therewith.

4. EXPANSION AMENDMENT. Contemporaneously with the execution of the general contract, Tenant and Landlord must execute an amendment to the Lease (an "EXPANSION AMENDMENT") which will (a) extend the term of this Lease until ten years after substantial completion of the Expansion Space Work (the "EXPANSION AMENDMENT LEASE TERM") (the period beginning with the day after the expiration date of the initial ten-year Term (or, if the expansion option is exercised during a renewal Term, the expiration date of the renewal Term) and ending on

the expiration date of the Expansion Amendment Lease Term is herein called the "EXPANSION EXTENSION"), (b) provide that the Base Rent (1) for the Expansion Space equals the Base Rent calculated as provided below in Paragraph 5, and (2) for the existing Premises, (A) during the original ten-year Term or (if the expansion option is exercised during a renewal Term) the renewal Term (i.e., before giving effect to the Expansion), the monthly Base Rent due for such space under the terms of this Lease, and (B) for the first five-year period of the Expansion Extension (or part thereof), the monthly Base Rent

shall be 115% of the monthly Base Rent in effect for the initial Premises during the last month of the initial ten.year Term, and for the next five-year period of the Expansion Extension (or part thereof) the monthly Base Rent shall be 115% of the monthly Base Rent in effect for the initial Premises during the initial five years of the Expansion Extension, and (c) provide for a construction exhibit requiring Landlord to perform the Expansion Work in a good and workmanlike manner and in accordance with all Laws.

5. CALCULATION OF EXPANSION SPACE BASE RENT. The annual Base Rent for the Expansion Space will be determined as follows: (a) in the case of the first five years of Expansion Space Lease Term, an amount equal to (1) the Total Expansion Costs (defined below), times (2) the sum of (A) a mortgage constant rate equal to the Ten-Year Mortgage Money Rate (defined below) at the time in question and (B) 300 basis points or (if Tenant's unsecured debt rating at the time of such election is A or better as established by Standard & Poor's Corporation) 250 basis points; and (b) in the case of the final five years of the Expansion Amendment Lease Term, 115% of the annual Base Rent rate for the initial five years of the Expansion Amendment Lease Term. For example, if the Ten-Year Mortgage Money Rate were 8.0%, the add on factor is 300 basis points (so that 8% + 3% = 11%), and the Total Expansion Cost for the Expansion Space in question were $3,000,000, then the annual Base Rent for such Expansion Space during the first five years of the Expansion Amendment Lease Term for such Expansion Space would be $330,000 (calculated as follows: $3,000,000 X .11 = $330,000), and $379,500 for the final five years of the Expansion Space Lease Term.

"TOTAL EXPANSION COSTS" means all soft and hard costs incurred in connection with the design and construction of the improvements for the Expansion Space in question, including, without limitation, all architecture, engineering, contractors, market leasing commissions, development fees (not to exceed 4% of total construction costs), brokerage and legal fees and expense, any interest expense, tax and insurance payments incurred during such construction process, and any loan or mortgage fees, and any other costs, fees or expenses incurred with the construction of the Expansion Space.

"TEN-YEAR MORTGAGE MONEY RATE" means the mortgage constant (i.e., the amount of annual debt service, expressed as a percentage of the loan amount, that is necessary to pay interest and the entire principal over the amortization period) at the time such determination is being made associated with mortgage loans made available by the following institutional lenders for permanent loans for properties similar to the Premises which are leased to tenants having a credit rating similar to Tenant's credit rating at the time in question, with an amortization schedule of 25 years and a maturity date often years: Metropolitan Life Insurance Company; Prudential Life Insurance Company; and The Principal Financial Group. If however, any of such institutional lenders are not providing permanent financing for properties similar to the Premises, then Landlord may substitute another institutional lender therefor.

6. TERMINATION OF EXPANSION SPACE. If the Expansion Work is not substantially completed such that Tenant may use the Expansion Space for its intended purpose within nine months after the date set forth for substantial completion in the development schedule approved by Landlord and Tenant, plus the number of days of delay caused by force majeure events and the number of days of delay caused by the actions of Tenant Parties (the "TERMINATION DATE"), then Tenant may terminate this Lease by delivering written notice thereof to Landlord before the earlier of (a) ten days after the Termination Date or (b) the date the Expansion Space is substantially completed. Should Landlord desire to extend the period of time for performance for delays caused by Tenant Parties or force majeure, then it must, within ten days after discovery of the cause for such delay, deliver written notice to Tenant specifying the cause of such delay and the anticipated duration of such delay. Landlord's failure to deliver such notice will be deemed a waiver of the right to extend such time period for such reason. If Landlord fails to provide the Expansion Discussion Documents, the Preliminary Expansion Plans and Specifications, or requested modifications thereof as provided in Paragraphs 2 and 3 of this Exhibit and such failure continues for a period of 15 days after Tenant has delivered to Landlord written notice thereof, then Tenant may cause the preparation of such plans, specifications, and modifications and deduct the cost thereof from its obligation to pay Base Rent under this Lease (in which case, such costs shall be deemed to have been paid by Landlord to the extent Tenant deducts such amount from Base Rent).

7. COMPLIANCE WITH LAWS: CONSTRUCTION FINANCING. Landlord's obligations to construct any of the Expansion Space provided in this Exhibit shall be subject to (a) all then applicable Laws and (b) Landlord's obtaining financing acceptable to Landlord for the construction of the Expansion Space at commercially reasonable rates. Accordingly, if any Law would prohibit construction of the Expansion Space or if Landlord cannot obtain such financing, then Landlord shall have no obligation to construct the Expansion Space. Landlord shall use commercially reasonable and diligent efforts to obtain approval of the proposed expansion under applicable Law and to obtain such financing. If Landlord is unable to obtain such financing within 45 days after the Expansion Plans and Specifications have been finally approved, Landlord shall promptly notify Tenant thereof and Tenant's election to expand the Premises shall terminate, in which case, Tenant shall pay to Landlord all reasonable costs incurred by Landlord before such termination, but shall not be obligated to pay to Landlord any administrative charge for overhead costs in connection therewith.

8. LANDLORD'S APPROVAL. Landlord's approval of the matters described under this Exhibit shall not be unreasonably withheld. If Landlord disapproves any matter, it must notify Tenant in reasonable detail of the reasons for such disapproval.

EXHIBIT C

EXTENSION OPTIONS

Provided no Event of Default exists and Tenant is, or Tenant and Tenant's subtenants are, occupying the entire Premises at the time of such election, Tenant may renew this Lease for two additional periods of five years each on the same terms provided in this Lease (except as set forth below), by delivering written notice of the exercise thereof to Landlord not sooner than 14 months, nor later than II months, before the expiration of the Term. On or before the commencement date of the extended Term in question, Landlord and Tenant shall execute an amendment to this Lease extending the Term on the same terms provided in this Lease, except as follows:

(a) The Base Rent payable for each month during each such extended Term shall be the prevailing rental rate for renewal of existing leases in the vicinity of the Premises, at the commencement of such extended Term, for space of equivalent quality, size, utility and location, with the length of the extended Term and the credit standing of Tenant to be taken into account (the "MARKET RENT"). Within ten days after Tenant delivers notice of the exercise of such renewal option, Landlord must deliver to Tenant a statement setting forth the rent Landlord believes constitutes Market Rent. Within ten days after the date upon which Landlord delivers such notice, Tenant must either (1) accept such Market Rent, or (2) deliver to Landlord a statement setting forth the rent Tenant believes constitutes Market Rent. If Tenant delivers an alternate statement to Landlord, then Tenant and Landlord shall attempt to agree upon Market Rent within 30 days. If, at the end of such 30-:lay period, Tenant and Landlord have been unable to agree upon a Market Rent figure, then Landlord and Tenant must, within ten days after such 30-day period, each appoint an outside consultant (who must be either a broker or a real estate appraiser and who must be familiar with the market for buildings such as the Premises and active in the market for at least ten years) and the outside consultants must consult together for at least ten days to determine the Market Rent If the outside consultants reach an agreement, then the Market Rent upon which they agree will be binding upon all parties. If they are unable to reach an agreement, then each of them must prepare its own statement of Market Rent, must appoint a third consultant (who must meet the requirements set forth above), and deliver their statements to such third consult, all within ten days after the expiration of the ten-day consulting period. The third consultant must prepare its report within 20 days after being appointed and the statement of the third consultant will be binding upon all parties. Landlord and Tenant will each pay for the cost of its own consultant. If it is necessary to appoint the third consultant, then Landlord and Tenant will divide the cost of such consultant equally. If either party fails to appoint a consultant within the time period set forth above, then such panty will be deemed to have appointed the consultant of the other party. If either party's consultant fails to meet or issue a report within the time period specified, then such party's consultant will be deemed to have agreed with the findings of the other party's consultant At such time as the Market Rate is finally determined, Tenant will be entitled to rescind its exercise of such option by written notice to Landlord, which notice must be delivered within 30 days after the date upon which the Market Rate is finally determined.

(b) Tenant shall have no further renewal options unless expressly granted by Landlord in writing.

(c) Landlord shall lease to Tenant the Premises in their then-current condition, and Landlord shall not provide to Tenant any allowances (e.g., moving allowance, construction allowance, and the like) or other tenant inducements.

Tenant's rights under this Exhibit shall terminate if (1) this Lease or Tenant's right to possession of the Premises is terminated, (2) Tenant assigns any of its interest in this Lease or sublets any portion of the Premises without Landlord's written consent, or (3) Tenant fails to timely exercise its option under this Exhibit, time being of the essence with respect to Tenant's exercise thereof.

EXHIBIT D

[Intentionally omitted]

Record and return to:

Mark M. Sloan
Thompson & Knight, P.C.
1700 Pacific Ave., Suite 3300
Dallas, Texas 75201

SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT AGREEMENT

THIS AGREEMENT, made and entered into as of the _____ day of July, 1997, by and between PRINCIPAL COMMERCIAL ADVISORS, INC., an Iowa corporation, with its principal office at 11050 Roe Avenue, Suite 200, Overland Park Kansas 66211 (hereinafter called "Mortgagee"), WATERVIEW PARKWAY, L.P., a Texas limited partnership, with its principal office at 2200 Ross Avenue, 3700 Texas Commerce Tower, Dallas, Texas 75201 (hereinafter called "Lessor") and ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation, having its principal office at 4590 E. Broad Street, Columbus, Ohio 43213 (hereinafter called "Lessee");

W I T N E S S E T H:

WHEREAS, Lessee has by a written lease dated July __, 1997 (hereinafter called the "Lease") leased from Lessor all or part of certain real estate and improvements thereon located in the City of Dallas, Texas, as more particularly described in EXHIBIT A attached hereto (the "Demised Premises"); and

WHEREAS, Lessor is encumbering the Demised Premises as security for a loan (the "Loan") from Mortgagee to Lessor (the "Mortgage"); and

WHEREAS, Lessee, Lessor and Mortgagee have agreed to the following with respect to their mutual rights and obligations pursuant to the Lease and the Mortgage;

NOW, THEREFORE, for and in consideration of Ten Dollars ($10.00) paid by each party to the other and the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt whereof is hereby acknowledged, the parties hereto do hereby covenant and agree as follows:

1. Lessee's interest in the Lease and all rights of Lessee thereunder, including any purchase option, if any, shall be and are hereby declared subject and subordinate to the Mortgage upon the Demised Premises and its terms, and the term "Mortgage" as used herein shall also include any amendment, supplement, modification or renewal thereof. Notwithstanding the foregoing, Mortgagee shall allow insurance proceeds and condemnation

awards to be used to rebuild, restore and/or repair the Demised Premises in accordance with (he terms and conditions of the Lease, provided that (I) Lessee is not then in default under the Lease (after the expiration of any applicable grace or cure period) and (ii) neither Lessor nor Lessee have the right to terminate the Lease on account of such casualty or condemnation or, in the event either Lessor or Lessee have the right to terminate the Lease on account of such casualty or condemnation, then such party shall have waived such right with respect to such casualty or condemnation.

2. In the event of any foreclosure of the Mortgage or any conveyance in lieu of foreclosure, provided that the Lessee shall not then be in default beyond any grace or cure period under the Lease and that the Lease shall then be in full force and effect, then Mortgagee shall neither terminate the Lease nor join Lessee in foreclosure proceedings, nor disturb Lessee's possession, and the Lease shall continue in full force and effect as a direct lease between Lessee and Mortgagee.

3. After the receipt by Lessee of notice from Mortgagee of any foreclosure of the Mortgage or any conveyance of the Demised Premises in lieu of foreclosure, Lessee will thereafter attorn to and recognize Mortgagee or any purchaser from Mortgagee at any foreclosure sale or otherwise as its substitute lessor on the terms and conditions set forth in the Lease.

4. Lessee shall not prepay any of the rents under the Lease more than one month in advance except with the prior written consent of Mortgagee.

5. In the event Mortgagee shall become the owner of the Demised Premises as a result of a foreclosure sale or other transfer, Mortgagee shall not be liable for damage for any act or omission of the Lessor (although Mortgagee will be obligated to perform all of Lessor's obligations under the Lease even if the need for an obligation arose before the effective date of the foreclosure or other transfer), nor shall Mortgagee be subject to any offsets or deficiencies which Lessee may be entitled to assert against the Lessor as a result of any act or omission of Lessor occurring prior to Mortgagee's obtaining possession of the Demised Premises if Lessee has not given Mortgagee written notice of such act or omission giving rise to such right of offset and the same time period as Lessor is entitled to under the Lease in which to cure such act or omission.

6. The Lease may not be amended, altered, or terminated without the prior written consent of Mortgagee. Mortgagee agrees that it will not unreasonably withhold its consent to any requested amendment or modification of the Lease which does not (I) reduce the rent payable by Lessee under the Lease, (ii) shorten the term of the Lease, or (iii) materially increase the obligations of Lessor under the Lease. In the event Mortgagee does not respond to a request for its consent to any amendment or modification of the Lease within thirty (30) days after the requesting party delivers the request for approval, then Mortgagee shall be deemed to have approved such amendment or modification.

7. So long as the Loan is outstanding, Lessee will provide Mortgagee with the same evidence of payment of taxes and insurance (if Lessee is obligated for such payments under the Lease) as the Lessor may be entitled under the Lease. In addition, Lessee will give Mortgagee the same notices, including without limitation notices of default, and thereafter the same right to cure any defaults or take any action as the Lessor may be entitled under the Lease, without the obligation to cure such defaults or take such action.

8. If the Lease is canceled or terminated for any reason, if any purchase option contained in the Lease is exercised, or if Lessee is required to pay to Lessor any payment in excess of one calendar month in advance, including, but not limited to lease termination or purchase option payments, refunds of any type, prepayments of rents, litigation settlements or settlements of past due rents (all of which shall be referred to herein collectively as "Extraordinary Rental Payments"), Lessor and Lessee will notify Mortgagee and Lessor consents to Lessee remitting and Lessee agrees to remit any Extraordinary Rental Payments to Mortgagee directly and immediately. Subject to the rights of Mortgagee contained herein, nothing in this paragraph shall constitute a waiver by the Lessee of its rights against the Lessor under the Lease or limit the rights of the Lessee to maintain any action at law or equity against the Lessor provided that such action does not reduce the term of the Lease or the rental obligations herein referred to during the term of the Lease.

9. So long as the Loan is outstanding, Mortgagee or its designee shall have the same right as Lessor under the Lease to enter upon the Property to visit or inspect the Property, at such reasonable times as Mortgagee or its designee may request.

10. There shall be no merger of the Lease or the leasehold estate created thereby with any other estate in the Property, including without limitation the fee estate, by reason of the same person or entity acquiring or holding, directly or indirectly, the Lease and said leasehold estate and any such other estate.

11. If Mortgagee shall become the owner of the Demised Premises or the Demised Premises shall be sold by reason of non-judicial or judicial foreclosure or other proceedings brought to enforce the Mortgage or the Demised Premises shall be conveyed by deed in lieu of foreclosure, Lessee agrees to pay all rents directly to Mortgagee or other purchaser of the Demised Premises, as the case may be, in accordance with the Lease immediately upon notice of Mortgagee or such purchaser, as the case may be, succeeding to Lessor's interest under the Lease, and Mortgagee's or such other purchaser's agreement that Mortgagee (or such other purchaser, as the case may be) is bound by all of the obligations of Lessor under the Lease, subject to the terms of this Agreement.

12. Lessee acknowledges that the Mortgage and the Assignment of Leases and Rents in favor of Mortgagee permit the Mortgagee to require Lessee to pay the rents and other amounts due under the Lease to the Mortgagee in the event Lessor defaults under the Mortgage. Accordingly, Lessee agrees, subject to the limitations set forth in this Paragraph, that if the Mortgagee notifies Lessee of a default under the Mortgagee and demands that the Lessee

pay its rent and other sums due under the Lease directly to Mortgagee, the Lessee will honor such demand beginning with the payment next due after fifteen (15) days have expired after such notice of default. Notwithstanding the foregoing, the Lessee will only be obligated to honor one (1) such demand by the Mortgagee and the Lessee's obligation to make any such payments will extend to no more than three (3) consecutive monthly payments unless the Mortgagee has begun diligent, good faith efforts towards the foreclosure of its lien against the Demised Premises under the Mortgage, is actively pursuing such efforts, and provides Lessee with written proof of such efforts within such three (3) month period, in which case Lessee's obligation to make such payments will extend for an additional three (3) months to a total of six (6) consecutive monthly payments. Thereafter, the Lessee agrees to deposit all rents and other amounts due in an escrow account to be released to the recipient designated by order of a court of competent jurisdiction or in accordance with written instructions from the Mortgagee and Lessor which have been approved by the Lessee, or, to Mortgagee upon the consummation of a foreclosure of the Demised Premises under the Mortgage. Lessor hereby releases and discharges the Lessee of and from any liability to Lessor resulting from the Lessee's payment to the Mortgagee in accordance with the terms of this Agreement.

13. If Lessee is a corporation or partnership, Lessee will preserve and keep in force and effect its corporate or partnership existence and all licenses or permits necessary to the proper conduct of its business during the Term of the Lease.

14. The Lease and this certificate have been duly authorized, executed and delivered by the Lessee and constitute legal, valid and binding instruments enforceable against Lessee in accordance with their respective terms, except as such terms may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally.

15. This Agreement and its terms shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, including without limitation, any purchaser at any foreclosure sale.

16. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, and such counterparts when taken together shall constitute but one agreement.

17. All information, notices or requests provided for or permitted to be given or made pursuant to this Agreement shall be deemed to be an adequate and sufficient notice if given in writing and service is made by either (I) registered or certified mail, postage prepaid, in which case notice shall be deemed to have been received three (3) business days following deposit to the mail; or (ii) nationally recognized overnight air courier, next day delivery, prepaid, in which case such notice shall be deemed to have been received one (I) business day following delivery to such courier. All notices shall be addressed to the addresses set forth below, or to such other addresses as may from time to time be specified in writing by Lessee or Mortgagee to the other:

If to Mortgagee:

Principal Commercial Advisors, Inc.
11050 Roe Avenue, Suite 200
Overland Park, Kansas 66211-1216
Loan No. 100106

With copy to:

Mark M. Sloan
Thompson & Knight, P.C.
1700 Pacific Avenue, Suite 3300
Dallas, Texas 75201

If to Lessee:

ADS Alliance Data Systems, Inc.
4590 B. Broad Street
Columbus, Ohio 43213
Attention: Carolyn Melvin

With copy to:

Harriet Anne Tabb
Tabb & Associates
8333 Douglas Avenue, Suite 1250
Dallas, Texas 75225

If to Lessor:

c/o Trammell Crow Dallas/Fort Worth, Inc.
2200 Ross Avenue
3700 Texas Commerce Tower
Dallas, Texas 75201

With copy to:

Bryant W. Burke
Vinson & Elkins L.L.P.
2001 Ross Avenue
3700 Trammell Crow Center
Dallas, Texas 75201-2975

IN WITNESS WHEREOF, this Agreement has been fully executed under seal on the day and year first above written.

MORTGAGEE:

PRINCIPAL COMMERCIAL ADVISORS, INC.,
an Iowa corporation

By:_____
Name:_____
Title:_____

By:_____
Name:_____
Title:_____

LESSOR:

WATERVIEW PARKWAY, L.P., a Texas limited partnership

By: 1996 DFW Office, Inc., a Delaware corporation, its General Partner

By:_____
Name:_____
Title: _____

LESSEE:

ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation

By:_____
Name:_____
Title:_____

THE STATE OF KANSAS)
)
COUNTY OF JOHNSON)

This instrument was acknowledged before me on July _____, 1997 by _____ of Principal Commercial Advisors, Inc., an Iowa corporation, on behalf of said corporation.

_____
Notary Public, State of Kansas

_____
(printed name)

My commission expires:

_____

THE STATE OF KANSAS)
)
COUNTY OF JOHNSON)

This instrument was acknowledged before me on July _____, 1997 by _____ of Principal Commercial Advisors, Inc., an Iowa corporation, on behalf of said corporation.

_____
Notary Public, State of Kansas

_____
(printed name)

My commission expires:

_____

THE STATE OF TEXAS)
)
COUNTY OF DALLAS)

This instrument was acknowledged before me on July _____, 1997 by _____ of ADS Alliance Data Systems, Inc., a Delaware corporation, on behalf of said corporation.

_____
Notary Public, State of Texas

_____
(printed name)

My commission expires:

_____

THE STATE OF TEXAS)
)
COUNTY OF DALLAS)

This instrument was acknowledged before me on July _____, 1997 by _____ of 1996 DFW Office, Inc., a Delaware corporation, on behalf of said corporation in its capacity as General Partner of Waterview Parkway, L.P., a Texas limited partnership.

_____
Notary Public, State of Texas

_____
(printed name)

My commission expires:

_____

EXHIBIT F

AFTER RECORDING,
RETURN TO:

Harriet Anne Tabb
Tabb & Associates
8333 Douglas Avenue
Suite 1250
Dallas, Texas 75225

MEMORANDUM OF LEASE

This Memorandum of Lease is made and entered into as of, although not necessarily on, July _____, 1997, by and between WATERVIEW PARKWAY, L.P., a Texas limited partnership whose address is 2200 Ross Avenue, Suite 3700, Dallas, Texas, 75201 ("LANDLORD") and ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation, whose address is 5001 Spring Valley, Suite 650, West Tower, Dallas, Texas, 75244, with a copy to ADS Alliance Data Systems, Inc., 4590 East Broad Street, Columbus, Ohio, 43213, Attn: Carolyn Melvin ("TENANT").

1. LEASED PREMISES. Landlord has leased to Tenant the land described on EXHIBIT A attached to and made a part of this Memorandum of Lease for all purposes (the "LAND") and the Building, other improvements, and all electrical, plumbing, heating, ventilation, and air conditioning, life.safety lighting and other mechanical systems and equipment located on the Land (the "BUILDING"). The Land and the Building together are referred to as the Premises. Additionally, Tenant has been granted the right to use all easements and appurtenances related to the Premises.

2. UNRECORDED LEASE. This Memorandum of Lease is made upon all of the terms, covenants, and conditions set forth in that certain unrecorded lease by and between Landlord and Tenant, made to be effective as of the same effective date as this Memorandum of Lease (the "UNRECORDED LEASE"). All of the terms, covenants, and conditions of the Unrecorded Lease are made a part of and as though fully set forth in this Memorandum of Lease.

3. COMMENCEMENT DATE/TERM/OPTIONS TO EXTEND. The Unrecorded Lease commences on the effective date of this Memorandum of Lease and continues until July 31, 2007. Tenant has two (2) five (5) year options to extend the term of the Unrecorded Lease.

4. INTERPRETATION. Landlord and Tenant have entered into this Memorandum of Lease in order that third parties may have notice of the existence of the Unrecorded Lease. This Memorandum of Lease is not a summary of the Unrecorded Lease. In the event of a conflict between this Memorandum of Lease and the Unrecorded Lease, the Unrecorded Lease controls.

5. TERMINATION. This Memorandum of Lease automatically terminates upon the expiration or earlier termination of the Unrecorded Lease. At such time as the Unrecorded Lease expires or is terminated, Landlord may record an affidavit stating that die Unrecorded Lease has expired or terminated as of a particular date and the recording of such affidavit will operate to terminate this Memorandum of Lease. Such document must be in the form of an affidavit, must include tie statement that an individual is swearing to such facts based on his or her own knowledge, and must be notarized with a jurat as well as an acknowledgment.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Memorandum of Lease as of the date first set forth above.

LANDLORD: WATERVIEW PARKWAY, LP., a Texas limited partnership
By: 1996 DFW Office, Inc., a Delaware corporation, its general partner

By:_____
Name:_____
Title:_____

TENANT: ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation

By:_____
Name:_____
Title:_____

THE STATE OF TEXAS Section
Section
COUNTY OF DALLAS Section

This instrument was acknowledged before me on July _____, 1997, by _____ of 1996 DFW Office, Inc., a Delaware corporation, general partner of Waterview Parkway, L.P., a Texas limited partnership, on behalf of said corporation and limited partnership.

_____
Notary Public, State of Texas

THE STATE OF TEXAS Section
Section
COUNTY OF DALLAS Section

This instrument was acknowledged before me on July _____ 1997, by _____ of ADS Alliance Data Systems, Inc., a Delaware corporation, on behalf of said corporation.

_____
Notary Public, State of Texas

Exhibit G

14 July 1997

Mr. Drew Peterson
Peterson Reality Group
5001 LBJ Freeway, Suite 875
Dallas, Texas 75244

Re: Alliance Data Systems

Dear Drew,

The following list represents base building equipment which were identified in our limited survey as needing immediate or potential future replacement during the course of the lease term:

A. Chillers number One and Two
B. Cooling tower
C. Emergency Generator
D. Refrigerated air drier for the tri-plex air compressor
E. UPS system and batteries
F. New or relamped and reballasted recessed fluorescent light fixtures
G. Additional air supply or new HVAC unit(s) to the east wing
H. The addition of electric unit heaters in return air plenum of the east wing
I. Chilled water pumps and condenser water pumps
J. Temperature control air compressor
K. Built up air handling unit fans
L. Factory fabricated air handling units
M. Computer room variable air volume boxes
N. Provide new, or supplement existing, life safety systems
O. Provide energy management system
P. Provide new, or supplement existing, security system

I have not included in this list fixtures and equipment not normally associated with leasehold improvements such as the telephone switch, furnishings, computers, peripheral devices and associated hardware and software, and postal equipment.

Tenant must install each piece of replacement equipment in one of the following areas: (I) the area where the equipment being replaced is currently located, (ii) another area within the building, or (iii) the outside screened equipment area. Tenant must not place any replacement equipment on the roof or outside of the building (except within the screened equipment area), unless Tenant is putting the replacement equipment in such location because that is where the equipment being replaced is currently located.

Please call me if you have any questions.

Sincerely,
Benso Hlavaty Paret

[FLOOR PLAN]

SPACE PLAN - OPTION D (8X8 CUBICLES)

20	OFFICES
109	8X8 CUBICLES
-	----------
129	TOTAL

FURNITURE LAYOUT
EAST WING FLOOR PLAN

[FLOOR PLAN]

SPACE PLAN - OPTION D (8X8 CUBICLES)

4 OFFICES
46 8X8 CUBICLES (INCLUDES PC/LAN RCVG)
- ----------
50 TOTAL

FURNITURE LAYOUT
WEST WING FLOOR PLAN

[BUILDING LAYOUT]

ALLIANCE DATA SYSTEMS
17201 WATERVIEW PARKWAY
DALLAS, TEXAS

EXHIBIT H

AFTER RECORDING, RETURN TO:
Harriet Anne Tabb
Tabb & Associates
8333 Douglas Avenue
Suite 1250
Dallas, Texas 75225

MEMORANDUM OF LEASE

This Memorandum of Lease is made and entered into as of, although not necessarily on, July _____, 1997, by and between WATERVIEW PARKWAY, L.P., a Texas limited partnership whose address is 2200 Ross Avenue, Suite 3700, Dallas, Texas, 75201 ("LANDLORD") and ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation, whose address is 5001 Spring Valley Road, West Tower, Suite 650, Dallas, Texas, 75244, with a copy to ADS Alliance Data Systems, Inc., 4590 East Broad Street, Columbus, Ohio, 43213, Attn: Carolyn Melvin ("TENANT").

1. LEASED PREMISES. Landlord has leased to Tenant the land described on EXHIBIT A attached to and made a part of this Memorandum of Lease for all purposes (the "LAND") and the Building, other improvements, and all electrical, plumbing, heating, ventilation, and air conditioning, life.safety lighting and other mechanical systems and equipment located on the Land (the "BUILDING"). The Land and the Building together are referred to as the Premises. Additionally, Tenant has been granted the right to use all easements and appurtenances related to the Premises.

2. UNRECORDED LEASE. This Memorandum of Lease is made upon all of the terms, covenants, and conditions set forth in that certain unrecorded lease by and between Landlord and Tenant, made to be effective as of the same effective date as this Memorandum of Lease (the "UNRECORDED LEASE"). All of the terms, covenants, and conditions of the Unrecorded Lease are made a part of and as though fully set forth in this Memorandum of Lease.

3. COMMENCEMENT DATE/TERM/OPTIONS TO EXTEND. The Unrecorded Lease commences on the effective date of this Memorandum of Lease and continues until July 31, 2007. Tenant has two (2) five (5) year options to extend the term of the Unrecorded Lease.

4. INTERPRETATION. Landlord and Tenant have entered into this Memorandum of Lease in order that third parties may have notice of the existence of the Unrecorded Lease. This Memorandum of Lease is not a summary of the Unrecorded Lease. In the event of a conflict between this Memorandum of Lease and the Unrecorded Lease, the Unrecorded Lease controls.

5. TERMINATION. This Memorandum of Lease automatically terminates upon the expiration or earlier termination of the Unrecorded Lease. At such time as the Unrecorded Lease expires or is terminated, Landlord may record an affidavit stating that the Unrecorded Lease has expired or terminated as of a particular date and the recording of such affidavit will operate to terminate this Memorandum of Lease. Such document must be in the form of an affidavit, must

include tie statement that an individual is swearing to such facts based on his or her own knowledge, and must be notarized with a jurat as well as an acknowledgment.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Memorandum of Lease as of the date first set forth above.

LANDLORD: WATERVIEW PARKWAY, LP., a Texas limited partnership
By: 1996 DFW Office, Inc., a Delaware corporation, its general partner

By: /s/ Thomas O. McNearny

Thomas O. McNearny, III, Executive Vice President

TENANT: ADS ALLIANCE DATA SYSTEMS, INC., a Delaware corporation

By: /s/ James E. Anderson

Name: James E. Anderson

Title: Ex. VP

THE STATE OF TEXAS Section
Section
COUNTY OF DALLAS Section

This instrument was acknowledged before me on July 16th, 1997, by Thomas O. McNearny, Executive Vice President of 1996 DFW Office, Inc., a Delaware corporation, general partner of Waterview Parkway, L.P., a Texas limited partnership, on behalf of said corporation and limited partnership.

/s/ Shirley Fryman
[SEAL] ---
Notary Public, State of Texas

THE STATE OF TEXAS Section
Section
COUNTY OF DALLAS Section

This instrument was acknowledged before me on July 16th 1997, by James E. Anderson Ex V.P. of ADS Alliance Data Systems, Inc., a Delaware corporation, on behalf of said corporation.

/s/ Shirley Fryman
[SEAL] ----------
Notary Public, State of Texas

EXHIBIT A

BEING a 410,021 square feet (9.4128 acres) tract of land situated in the John Clay Survey, Abstract No. 313, Dallas County, Texas, L50 being all of Lot 1, Block A/8735, Dresser Addition, an addition to the City of Dallas according to the plat thereof recorded in Volume 81203, Page 0275, Deed Records, Dallas County, Texas, and being more particularly described as follows:

BEGINNING at a 5/8" iron rod set for corner in the west line of Waterview Road (80' public R.O.W.) at the northeast corner of U.T.D. Synergy Park Phase II, as recorded by plat in Volume 86051, Page 3744, Deed Records, Dallas County, Texas.

THENCE WEST departing the said west line of Waterview Road, a distance of 569.26 feet to a 5/8" iron rod set for corner in the east line of that certain tract of land conveyed to Texas A&M University in Volume 72221, Page 2873, Deed Records, Dallas County, Texas, at the northwest corner of said U.T.D. Synergy Park Phase II;

THENCE N00DEG.12'12"W along the west line of said Texas A&M University tract, a distance of 610.00 feet to a 1/2" iron rod found for corner at the southwest corner of U.T.D. Synergy Park Phase I, as recorded by plat in Volume 85245, Page 4873, Deed Records, Dallas County, Texas.

THENCE EAST departing the east line of said Texas A&M University tract and along the south line of said U.T.D. Synergy Park Phase I, a distance of 700.00 feet to a 3/8" iron rod found for corner in the aforementioned west line of Waterview Road;

THENCE along the said west line of Waterview Road the following:

S00DEG.12'12"E a distance of 223.02 feet to a 5/8" iron rod set for corner at the beginning of a curve to the right which has a central angle of 30DEG.12'12", a radius of 600.00 feet, and a chord which bears S14DEG.53'54"W - 312.64 feet;

Along said curve to the right, an arc distance of 316.29 feet to a 5/8" iron rod set for corner at the end of said curve;

S30DEG.00'00"W a distance of 97.96 feet to the POINT OF BEGINNING and containing 410,021 square feet or 9.4128 acres of land.

PREFERRED STOCK PURCHASE AGREEMENT

among

ALLIANCE DATA SYSTEMS CORPORATION

and

THE SEVERAL PURCHASERS
NAMED IN SCHEDULE I HERETO

Dated as of July 12, 1999

TABLE OF CONTENTS

INDEX TO EXHIBITS AND SCHEDULES

PREFERRED STOCK PURCHASE AGREEMENT (this "AGREEMENT"), dated as of July 12, 1999, among ALLIANCE DATA SERVICES CORPORATION, a Delaware corporation (the "COMPANY"), and the several purchasers named in Schedule I hereto (each hereinafter referred to individually as a "PURCHASER", and collectively, as the "PURCHASERS").

WHEREAS, the Company is party to a Stock Purchase Agreement (the "ACQUISITION AGREEMENT"), dated as of June 8, 1999, among the Company, SPS Payment Systems, Inc., a Delaware corporation (the "Seller"), SPS Commercial Services, Inc., a Delaware corporation and wholly-owned subsidiary of the Seller ("COMMERCIAL SERVICES"), and ADS Network Services, Inc., a Delaware corporation and wholly-owned subsidiary of the Seller (together with Commercial Services, the "SELLER SUBSIDIARIES"), pursuant to which the Company has agreed to acquire (the "ACQUISITION") from the Seller all of the issued and outstanding shares of capital stock of each of the Seller Subsidiaries;

WHEREAS, subject to the terms and conditions set forth herein, in order to finance, in part, the Acquisition, the Company wishes to issue, sell and deliver to the Purchasers on the Closing Date (as defined in Section 1.02) an aggregate 120,000 shares (the "PREFERRED SHARES") of its Series A Cumulative Convertible Preferred Stock, $0.01 par value ("SERIES A PREFERRED STOCK"), which Preferred Shares shall initially be convertible into 80,000,000 shares of Common Stock, par value $.01 per share, of the Company ("COMMON STOCK"), and the Purchasers, severally, wish to purchase the Preferred Shares;

WHEREAS, in connection with the sale of the Preferred Shares pursuant to this Agreement, the Company desires to amend and restate its Certificate of Incorporation by filing a Restated Certificate of Incorporation with the Secretary of State of the State of Delaware substantially in the form of Exhibit A hereto (the "RESTATED CERTIFICATE OF INCORPORATION") in order to (i) authorize the issuance of up to 120,000 shares of Series A Preferred Stock and (ii) increase the number of authorized shares of Common Stock to 600,000,000 shares;

WHEREAS, certain of the Purchasers are party to an Amended and Restated Stockholders Agreement, dated as of August 30, 1996 and amended as of July 24, 1998 and further amended as of August 31, 1998 (as so amended, the "EXISTING STOCKHOLDERS AGREEMENT"), among the Company (which is known in the Existing Stockholders Agreement by its former name, "World Financial Network Holding Corporation"), Limited Commerce Corp., a Delaware corporation, WCAS Capital Partners II, L.P., a Delaware limited partnership, Welsh, Carson, Anderson & Stowe VI, L.P., a Delaware limited partnership, Welsh, Carson, Anderson & Stowe VII, L.P., a Delaware limited partnership, Welsh, Carson, Anderson & Stowe VIII, L.P., a Delaware limited partnership, WCAS Information Partners, L.P., a Delaware limited partnership, and the several other investors signatory thereto; and

WHEREAS, the parties to this Agreement wish to further amend (such amendment, the "STOCKHOLDERS AGREEMENT AMENDMENT") the Existing Stockholders Agreement to set forth certain restrictions upon the transfer of the Preferred Shares, include the Common Stock

issuable upon conversion of the Preferred Shares in such agreement and join each of the Purchasers who are not already party to such agreement as parties thereto (as so amended, the STOCKHOLDERS AGREEMENT").

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

ARTICLE I.

PURCHASE AND SALE OF THE PREFERRED SHARES

SECTION 1.01 ISSUANCE, SALE AND DELIVERY OF THE PREFERRED SHARES.

(a) Subject to the terms and conditions set forth herein, on the Closing Date the Company shall issue, sell and deliver to each Purchaser, and each Purchaser, acting severally and not jointly, shall purchase from the Company, the number of Preferred Shares set forth opposite the name of such Purchaser on Schedule I hereto under the caption "Preferred Shares". On the Closing Date, the Company shall issue certificates in definitive form, registered in the name of each such Purchaser, evidencing the Preferred Shares being purchased by him, her or it hereunder.

(b) As payment in full for the Preferred Shares being purchased by him, her or it hereunder, and against delivery thereof as aforesaid, on the Closing Date, each Purchaser, acting severally and not jointly, shall pay to the Company, by wire transfer of immediately available funds to an account designated by the Company, the amount set forth opposite the name of each such Purchaser on Schedule I hereto under the caption "Purchase Price of Preferred Shares".

SECTION 1.02 CLOSING DATE. The closing of the sale and purchase of the Preferred Shares contemplated by Section 1.01 shall take place at the offices of Reboul, MacMurray, Hewitt, Maynard & Kristol, 45 Rockefeller Plaza, New York, New York 10111, as soon as practicable (but in no event later than October 15, 1999) after the satisfaction or waiver of each of the conditions to the obligations of the parties set forth in Sections 4.01 and 4.02 hereof, or at such other date and time as may be mutually agreed upon among the Purchasers and the Company (such date and time of the closing being herein called the "CLOSING DATE").

ARTICLE II.

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to each Purchaser as follows:

SECTION 2.01 ORGANIZATION, QUALIFICATIONS AND CORPORATE POWER. The Company and each of its Subsidiaries (as hereinafter defined) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, has the

corporate power and authority and all material licenses, permits and authorizations necessary to own, lease and/or operate its properties and assets and to carry on its businesses as now being conducted, and is duly qualified and is in good standing as a foreign corporation, and authorized to do business in all jurisdictions in which the conduct of its business or the ownership or operation of its properties or assets makes such qualification or authorization necessary and in which the failure to be so qualified would have a material adverse effect on the business, properties, assets, liabilities, results of operations, prospects or financial condition of the Company or such Subsidiary. The Company has the corporate power and authority to execute and deliver this Agreement and the Stockholders Agreement Amendment, to perform the transactions contemplated by this Agreement and the Stockholders Agreement, and, upon the filing of the Restated Certificate of Incorporation, to issue, sell and deliver the Preferred Shares and the shares of Common Stock from time to time issuable upon conversion of the Preferred Shares ("CONVERSION SHARES"). For purposes of this Agreement, the term "SUBSIDIARY", when used with respect to the Company, shall mean any corporation or other business entity or association, a majority of whose outstanding securities having the right generally to vote for the election of directors or otherwise direct the actions of such entity or association is at the time owned, directly or indirectly, by the Company and/or one or more other Subsidiaries of the Company.

SECTION 2.02 AUTHORIZATION OF AGREEMENTS, ETC.

(a) Except as described in Schedule 2.02(a) hereto, each of (i) the execution and delivery by the Company of this Agreement and the Stockholders Agreement Amendment and the performance by the Company of its obligations hereunder and under the Stockholders Agreement, (ii) the issuance and sale by the Company of the Preferred Shares and the issuance by the Company of the Conversion Shares upon the conversion of the Preferred Shares and (iii) the filing of the Restated Certificate of Incorporation have been duly authorized by all requisite corporate action and will not (A) violate (x) any provision of law, any order of any court or other agency of government, (y) the Certificate of Incorporation or By-laws of the Company or the Certificate or Articles of Incorporation, By-laws and/or other organizational documents of any Subsidiary, or (z) any provision of any material indenture, note, agreement or other instrument to which the Company or any of its Subsidiaries or any of their respective properties or assets is bound, or (B) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material indenture, note, agreement or other instrument to which the Company or any of its Subsidiaries or any of their respective properties or assets is bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever (a "LIEN") upon any of the properties or assets of the Company or any of its Subsidiaries.

(b) The issuance of the Preferred Shares has been duly authorized by the Company and, when sold and paid for in accordance with this Agreement, the Preferred Shares will be validly issued, fully paid and nonassessable. The Conversion Shares have been duly reserved for issuance upon conversion of the Preferred Shares, and will be validly issued and outstanding, fully paid and nonassessable shares of Common Stock when issued in accordance with this Agreement and the Restated Certificate of Incorporation. The issuance, sale and

delivery of the Preferred Shares to the Purchasers hereunder is not, and the issuance, sale and delivery of the Conversion Shares to the Purchasers upon conversion of the Preferred Shares will not be, subject to any preemptive rights of stockholders of the Company or to any right of first refusal, right of first offer or other similar right (contractual or otherwise) in favor of any person (other than preemptive rights of stockholders party to the Existing Shareholders Agreement, as to which waivers will have been obtained on or prior to the Closing Date).

SECTION 2.03 VALIDITY. This Agreement has been, and the Stockholders Agreement Amendment will be, duly executed and delivered by the Company and this Agreement constitutes, and the Stockholders Agreement will constitute, when executed and delivered by the Company as provided in this Agreement, the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights generally and to general equitable principles.

SECTION 2.04 CAPITAL STOCK; SUBSIDIARIES AND INVESTMENTS.

(a) As of the date hereof, the authorized capital stock of the Company consists of 450,000,000 shares of Common Stock, of which 427,431,940 shares are issued and outstanding, fully paid and non-assessable, and no other shares of capital stock have ever been issued. On the Closing Date, after the filing of the Restated Certificate of Incorporation, the authorized capital stock of the Company will consist of 600,000,000 shares of Common stock and 120,000 shares of Series A Preferred Stock. Schedule 2.04(a) sets forth a complete and accurate list of all of the record owners of capital stock of the Company and also reflects the fully-diluted Common Stock ownership of the Company. None of the outstanding shares of capital stock of the Company were issued in violation of any preemptive rights of stockholder of the Company or any right of first refusal or right of first offer or similar right in favor of any person and, except as contained in the Existing Shareholders Agreement, no such rights exist. The number of shares of Common Stock issuable upon conversion of all outstanding securities of the Company convertible into Common Stock, and the number of shares of Common Stock issuable upon exercise of outstanding warrants and options to purchase Common Stock will not be affected by the transactions contemplated by this Agreement.

(b) Except as set forth on Schedule 2.04(b), neither the Company nor any of its Subsidiaries holds of record or beneficially, or has any right or obligation to acquire, directly or indirectly, (i) any shares of outstanding capital stock or securities convertible into or exchangeable for capital stock of any other corporation or entity or (ii) any participating interest in any partnership, joint venture or other non-corporate business enterprise. The total authorized capital stock and par value of each of the Company's Subsidiaries and the total issued and outstanding shares of capital stock of each of such Subsidiary is set forth on Schedule 2.04(b). All of the issued and outstanding shares of the capital stock of each of the Company's Subsidiaries are duly

and validly issued, fully paid and nonassessable and are owned of record and beneficially by the Company, and except as set forth on Schedule 2.04(b) no such shares are subject to any Liens.

(c) Other than as set forth in Schedule 2.04(c), (i) no subscription, warrant, option, convertible security or other right (contingent or other) to purchase or acquire any shares of any class of capital stock of the Company or any of its Subsidiaries is authorized or outstanding and (ii) there is not any commitment of the Company or any of its Subsidiaries to issue any shares, warrants, options or other such rights or to distribute to holders of any class of such entity's capital stock any evidences of indebtedness or assets. Neither the Company nor any of its Subsidiaries has any obligation (contingent or other) to purchase, redeem or otherwise acquire any shares of its capital stock or any interest therein or to pay any dividend or make any other distribution in respect thereof. To the best of the Company's knowledge, other than as set forth on Schedule 2.04(c), there are no stockholders agreements, registration rights agreements or other agreements (whether or not the Company is a party thereto) relating to the voting or transfer of the Company's securities.

SECTION 2.05 FINANCIAL STATEMENTS; ABSENCE OF UNDISCLOSED LIABILITIES; NO MATERIAL ADVERSE CHANGE.

(a) The Company has delivered to the Purchasers true and complete copies of the audited consolidated balance sheets of the Company as of December 31, 1998 and January 31, 1998 and the related statements of operations, changes in stockholders' equity and cash flows for the eleven months ended December 31, 1998 and the year ended January 31, 1998, each certified by Deloitte & Touche, LLP, the independent public accountants of the Company. Such financial statements and the related notes thereto are in accordance with the books and records of the Company and its Subsidiaries, and present fairly, in all material respects, the consolidated financial position of the Company and its Subsidiaries, as of such dates and the consolidated results of their operations for the respective periods then ended in accordance with generally accepted accounting principles, consistently applied.

(b) Except as set forth in Schedule 2.05(b) hereto, as of the date hereof Closing Date neither the Company nor any of its Subsidiaries has any material obligation or liability (whether accrued, absolute, contingent, unliquidated or otherwise to the Company or any Subsidiary, whether due or to become due and regardless of when asserted) other than: (i) liabilities set forth or reflected on the audited balance sheet as of December 31, 1998 (or the related notes thereto) referred to in (a) above and (ii) liabilities and obligations which have arisen December 31, 1998 in the ordinary course of business and consistent with past practice (none of which is a liability arising from breach of contract, breach of warranty, tort, infringement or lawsuit).

(c) There has been no material adverse change in the business, properties, assets, liabilities, results of operations, prospects or financial condition of the Company and its Subsidiaries, taken as a whole, since December 31, 1998.

SECTION 2.06 GOVERNMENTAL APPROVALS. Other than filings required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the filing of the Restated Certificate of Incorporation with the Secretary of State of Delaware, and subject to the accuracy of the representations and warranties of the Purchasers set forth in Article IV hereof, no registration or filing with, or consent or approval of, or other action by, any federal, state, foreign or other governmental agency or instrumentality is or will be necessary for the valid execution and delivery of this Agreement or the Stockholders Agreement Amendment or the performance of this Agreement or the Stockholders Agreement or the issuance, sale and delivery of the Preferred Shares or the Conversion Shares.

SECTION 2.07 THIRD PARTY APPROVALS; CONSENTS. Except as set forth on Schedule 2.07 hereto, no permit, consent, approval, authorization of, declaration to or filing with, any third party is required in connection with the execution and delivery of this Agreement or the Stockholders Agreement Amendment or the performance of this Agreement or the Stockholders Agreement or the filing of the Restated Certificate of Incorporation or the issuance of the Preferred Shares and/or the Conversion Shares.

SECTION 2.08 LITIGATION, ETC. Except as set forth on Schedule 2.08 hereto, there are no actions, suits, proceedings, orders, investigations or claims pending or, to the best of the Company's knowledge, threatened against or affecting the Company or any of its Subsidiaries, at law or in equity, or before or by any governmental department, commission, board, bureau, agency or instrumentality which (i) if adversely determined, could reasonably be expected to have a material adverse affect on the business, properties, assets, liabilities, results of operations, prospects or condition (financial or other) of the Company and its Subsidiaries, taken as a whole or (ii) which seek to enjoin or prevent the consummation of the transactions contemplated by this Agreement. Neither the Company nor any of its Subsidiaries is subject to any judgment, order or decree of any court or other (foreign or domestic) governmental agency.

SECTION 2.09 COMPLIANCE WITH LAWS. Neither the Company nor any of its Subsidiaries has violated any law or any governmental regulation or requirement which violation would reasonably be expected to have a Material Adverse Effect, and the Company has not received notice of any such violation.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS

Each Purchaser, severally and not jointly, represents and warrants to the Company as follows:

SECTION 3.01 AUTHORIZATION. The execution, delivery and performance by such Purchaser of this Agreement and the Stockholders Agreement Amendment and the purchase and receipt of the Preferred Shares being purchased by such Purchaser, have been duly authorized by

all requisite action on the part of such Purchaser, and will not violate any provision of law, any order of any court or other agency of government applicable to such Purchaser, the governing instrument of such Purchaser, or any provision of any material indenture, agreement or other instrument by which such Purchaser or any of such Purchaser's properties or assets are bound, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such material indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of such Purchaser.

SECTION 3.02 VALIDITY. This Agreement and the Stockholders Agreement Amendment have been duly executed and delivered by such Purchaser and this Agreement and the Stockholders Agreement each constitutes the legal, valid and binding obligation of such Purchaser, enforceable against such Purchaser in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights generally and to general equity principles.

SECTION 3.03 INVESTMENT REPRESENTATIONS. Such Purchaser is acquiring the Preferred Shares being purchased by him, her or it hereunder for his, her or its own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof. Such Purchaser further represents that he, she or it understands that (i) the Preferred Shares have not been registered under the Securities Act of 1933, as amended (the "SECURITIES ACT"), by reason of their issuance in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof, (ii) the Preferred Shares must be held indefinitely unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration, (iii) the Preferred Shares will bear a legend to such effect, and (iv) the Company will make a notation on its transfer books to such effect. Such Purchaser further understands the exemption from registration afforded by Rule 144 under the Securities Act depends on the satisfaction of various conditions and that, if applicable, Rule 144 affords the basis of sales of the Preferred Shares only in limited amounts under certain conditions.

Such Purchaser further represents and warrants to the Company that he, she or it has had full opportunity to have access to and to examine the facilities, personnel and records of the Company, that he, she or it is capable of evaluating independently the prospects of the Company and has made such an evaluation in connection with his, her or its investment in the Preferred Shares being purchased by such Purchaser and had adequate financial means to bear the risk of his, her or its investment in the Company.

ARTICLE IV.

CONDITIONS PRECEDENT

SECTION 4.01 CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE PURCHASERS. The obligations of each Purchaser hereunder are, at his, her or its option, subject to the satisfaction, on or before the Closing Date, of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES TO BE TRUE AND CORRECT. The representations and warranties of the Company contained in this Agreement shall be true and correct in all material respects on the date hereof and on the Closing Date, with the same force and effect as though such representations and warranties had been made on and as of such date, and the Company shall have certified to such effect to the Purchasers in writing.

(b) PERFORMANCE. The Company shall have performed and complied with all agreements and conditions contained herein required to be performed or complied with by it prior to or on the Closing Date, and the Company shall have certified to such effect to the Purchasers in writing.

(c) ALL PROCEEDINGS TO BE SATISFACTORY; WAIVERS AND CONSENTS. All corporate and other proceedings to be taken by the Company, and all waivers and consents to be obtained by the Company in connection with the transactions contemplated hereby (I.E., waivers and consents in respect of all agreements listed on Schedule 2.07), shall have been taken or obtained by the Company and all documents incident thereto shall be reasonably satisfactory in form and substance to the Purchasers and their counsel.

(d) CONSUMMATION OF TRANSACTIONS. On the Closing Date, (i) each of the other Purchasers and the Company shall have consummated the transactions contemplated hereby with respect to such parties and (ii) each of the conditions precedent to the Company's obligations under the Acquisition Agreement shall have been satisfied and not waived (unless waived with the consent of the Purchasers), and the Company shall have certified to such effect to the Purchasers in writing (it being understood and agreed that simultaneously with the closing of the transactions contemplated by this Agreement, the Company shall consummate the Acquisition in accordance with the material terms set forth in the Acquisition Documents (as hereinafter defined).

(e) AMENDMENT AND RESTATEMENT OF THE CERTIFICATE OF INCORPORATION OF THE COMPANY. On or prior to the Closing Date, the Restated Certificate of Incorporation shall have been duly approved by the shareholders and Board of Directors of the Company and duly filed with the Secretary of State of the State of Delaware and the Purchasers and their counsel shall have received evidence of such filing which is reasonably satisfactory to them.

(f) STOCKHOLDERS AGREEMENT AMENDMENT. On the Closing Date, the Company and each of the other parties thereto (other than the Purchasers) shall have executed and delivered the Stockholders Agreement Amendment.

(g) SUPPORTING DOCUMENTS. On or prior to the Closing Date, the Purchasers shall have received copies of the following supporting documents:

(i) (1) copies of the Certificate of Incorporation of the Company and all amendments thereto, certified as of a recent date by the Secretary of State of the State of Delaware and (2) a certificate of said Secretary dated as of a recent date as to the due incorporation and good standing of the Company and listing all documents of the Company on file with said Secretary;

(ii) a certificate of the Secretary of the Company dated the Closing Date and certifying: (1) that attached thereto is a true and complete copy of the Bylaws of the Company as in effect on the date of such certification; (2) that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of the Company authorizing the execution and delivery of this Agreement and the Shareholders Agreement Amendment, the performance of this Agreement and the Shareholders Agreement, the filing of the Restated Certificate of Incorporation, the issuance of the Preferred Shares and the Conversion Shares and the reservation of shares of Common Stock for issuance upon conversion of the Preferred Shares, and that all such resolutions are still in full force and effect and are all the resolutions adopted by the Board of Directors of the Company in connection with the transactions contemplated by this Agreement; (3) that attached thereto is a true and complete copy of resolutions adopted by the shareholders of the Company authorizing the filing of the Restated Certificate of Incorporation and that all such resolutions are still in full force and effect and are all the shareholder resolutions adopted in connection with the transactions contemplated by this Agreement; (4) that, except for the filing of the Restated Certificate of Incorporation, the Certificate of Incorporation of the Buyer has not been amended since the date of the last amendment referred to in the certificate delivered pursuant to clause (i)(2) above; (5) attached thereto is a true and correct copy of the Acquisition Agreement together with all exhibits, annexes, schedules and other material documents executed or delivered in connection with the Acquisition (collectively, the "ACQUISITION DOCUMENTS") and (5) as to the incumbency and specimen signature of each officer of the Company executing this Agreement, the Shareholders Agreement Amendment and/or any certificate or instrument furnished pursuant hereto;

(iii) such additional supporting documents and other information with respect to the operations and affairs of the Company as the Purchasers or their counsel may reasonably request.

All such supporting documents shall be satisfactory in form and substance to the Purchasers and their counsel.

SECTION 4.02 CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE COMPANY. The obligations of the Company hereunder are, at its option, subject to the satisfaction, on or before the Closing Date, of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES TO BE TRUE AND CORRECT. The representations and warranties of each Purchaser contained in this Agreement shall be true and correct in all material respects on the Closing Date, with the same effect as though such representations and warranties had been made on and as of such date.

(b) PERFORMANCE. Each Purchaser shall have performed and complied with all agreements and conditions contained herein required to be performed or complied with by him, her or it prior to or on the Closing Date.

(c) SHAREHOLDER CONSENT. The requisite percentage of shareholders of the Company shall have approved the filing of the Restated Certificate of Incorporation.

ARTICLE V.

MISCELLANEOUS

SECTION 5.01 SURVIVAL OF AGREEMENTS. All covenants, agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement and the issuance of the Preferred Shares pursuant hereto, and all statements contained in any certificate or other instrument delivered by the Company hereunder shall be deemed to constitute representations and warranties made by the Company.

SECTION 5.02 BROKERAGE. Each party hereto shall indemnify and hold harmless the other against and or in respect of any claim for brokerage or other commissions relative to this Agreement or to the transactions contemplated hereby, based in any way on agreements, arrangements or understandings made or claimed to have been made by such party with any third party.

SECTION 5.03 PARTIES IN INTEREST. All covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not.

SECTION 5.04 NOTICES. All notices, requests, consents and other communications hereunder shall be in writing and shall be mailed by first class registered mail, postage prepaid,

if to the Company, to it at:

17655 Waterview Parkway
Dallas, Texas 75252
Attention: General Counsel

if to any Purchaser to him, her or it at:

c/o Welsh, Carson, Anderson & Stowe
320 Park Avenue
Suite 2500
New York, New York 10022-6815

or, in any such case, at such other address or addresses as shall have been furnished in writing by such party to the other parties hereto.

SECTION 5.05 LAW GOVERNING. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

SECTION 5.06 ENTIRE AGREEMENT; MODIFICATIONS. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be modified or amended except in writing.

SECTION 5.07 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[signature pages follow]

IN WITNESS WHEREOF, the Company and the Purchasers have executed this Agreement as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By /s/ Michael Beltz

Name: Michael Beltz
Title: EVP

WELSH, CARSON, ANDERSON
& STOWE VIII, L.P.

By: WCAS VIII Associates, LLC,
its General Partner

By

Name:
Title: Managing Member

WCAS INFORMATION PARTNERS, L.P.

By: WCAS Info Partners,
its General Partner

By

Name:
Title: General Partner

IN WITNESS WHEREOF, the Company and the Purchasers have executed this Agreement as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By

Name:
Title:

WELSH, CARSON, ANDERSON
& STOWE VIII, L.P.

By: WCAS VIII Associates, LLC,
its General Partner

By /s/ Robert A. Minicucci

Name: Robert A. Minicucci
Title: Managing Member

WCAS INFORMATION PARTNERS, L.P.

By: WCAS Info Partners,
its General Partner

By /s/ Thomas E. McInerney

Name: Thomas E. McInerney
Title: General Partner

Patrick J. Welsh
Russell L. Carson
Bruce K. Anderson
Richard H. Stowe
Andrew M. Paul
Thomas E. McInerney
James B. Hoover
Laura M. VanBuren
Robert A. Minicucci
Anthony J. de Nicola
Paul B. Queally
Lawrence B. Sorrel
Priscilla A. Newman
Rudolph E. Rupert
D. Scott Mackesy

By /s/ Laura M. VanBuren

Laura M. VanBuren
Individually and as Attorney-in-Fact

/s/ Kenneth Melkis

Kenneth Melkis

/s/ David F. Bellet

David F. Bellet

/s/ John Almeida

John Almeida

/s/ Sean Traynor

Sean Traynor

/s/ Jonathan M. Rather

Jonathan M. Rather

SCHEDULE I

PURCHASERS / PURCHASE PRICE OF PREFERRED SHARES

PURCHASER	PREFERRED SHARES	PURCHASE PRICE OF PREFERRED SHARES
Welsh, Carson, Anderson & Stowe VIII, L.P.	113,886	$113,886,000
WCAS Information Partners, L.P.	420	$420,000
Patrick J. Welsh	1,182.022	$1,182,022
Russell L. Carson	1,052.312	$1,052,312
Bruce K. Anderson	1,308.696	$1,308,696
Richard H. Stowe	322.658	$322,658
Andrew M. Paul	298.299	$298,299
Thomas E. McInerney	518.824	$518,824
Laura M. VanBuren	20.560	$20,560
James B. Hoover	35.435	$35,435
Robert A. Minicucci	433.283	$433,283
Anthony J. de Nicola	124.932	$124,932
Paul B. Queally	79.080	$79,080
Lawrence B. Sorrel	56.915	$56,915
Priscilla A. Newman	11.383	$11,383
Rudolph E. Rupert	56.915	$56,915
D. Scott Mackesy	14.229	$14,299

Kenneth Melkis	100.000	$100,000
David F. Bellet	28.457	$28,457
Sean Traynor	10.000	$10,000
John Almedia	20.000	$20,000
Jonathan M. Rather	20.000	$20,000
	---	---
Totals:	120,000	$120,000,000

SCHEDULE 2.02(a)

AUTHORIZATION AGREEMENTS

None

SCHEDULE 2.04(a)

ALLIANCE DATA SYSTEMS CORPORATION REVISED 7/12/99 — STOCK LEDGER

SHAREHOLDER	ISSUE DATE	# of SHARES	TOTAL SHARES	% of FULLY DILUTED COMMON SHARES	% OF OWNERSHIP ISSUED SHARES
Limited Commerce Corp	8/29/98	110,000,000			
	8/30/98	21,788,572			
	8/31/98	181,818			
			131,970,390	29.3437842	30.57518214
WCAS VII L.P.	8/29/98	110,115,170			
	8/30/98	(48,828,370 - 21,788,572)= 29,297,022			
	7/24/96	21,889,833	161,302,025	35.88571056	37.73747582
WCAS VIII L.P.	7/24/96	84,454,546	84,454,546	14.33155036	15.07948751
WCAS Information Partners LP	8/29/96 & 8/30/96	622,110			
	7/24/96	364,007	986,117	0.21926437	0.230707373
Patrick J. Welsh	11/15/90	1,000,010			
	8/30/96	-100,000			
	8/30/96	-100,000			
	8/30/96	-100,000			
	8/30/96	183,240			
	7/24/95	862,667	1,745,917	0.388295867	0.405466667
Carol Ann Welsh FBO Eric Welsh U/A dtd 11/26/84	8/30/96	100,000			
			100,000	0.022235127	0.023395538
Carol Ann Welsh FBO Randall Welsh U/A dtd 11/26/84	8/30/96	100,000			
			100,000	0.022235127	0.023395538
Carol Ann Welsh FBO Jennifer Welsh U/A dtd 11/26/84	8/30/96	100,000			
			100,000	0.022235127	0.023395538
Russell L. Carson	8/29/96	849,970			
	8/30/96	140,484			
	7/24/96	830,717	1,821,171	0.40483969	0.426072745
Bruce K. Anderson	8/29/96	1,000,010			
	8/30/96	305,400			
	8/29/97	-45,000			
	7/24/96	953,948	2,214,358	0.49236532	0.518080957
Richard H. Stowe	8/29/96	399,960			
	8/30/96	91,620			
	7/24/96	68,450	560,030	0.124523363	0.131022028
Andrew M. Paul	8/29/96	199,950			
	8/30/96	81,080			
	7/24/96	277,458	538,518	0.119740163	0.125859181
Thomas E. McInerney	8/29/96	399,960			
	8/30/96	91,620			
	7/24/96	432,096	823,678	0.205360534	0.2160XXXXX85
Laura Van Buren	8/29/96	20,020			
	8/30/96	6,108			
	7/24/96	9,108	35,234	0.007834325	0.006243164
James B. Hoover	8/29/96	40,040			
	8/30/96	12,216			
	7/24/96	9,130	61,386	0.013649256	0.014361585
Robert A. Miniccuci	8/29/96	350,020			
	8/30/96	51,080			
	7/24/98	318,367	729,467	0.162197916	0.170662726
Anthony J. de Nicola	8/29/98	124,960			
	8/30/98	24,432			
	7/24/98	63,705	213,097	0.047362388	0.049655189
Welsh Carson Anderson & Stowe VI L.P.	8/29/96	49,999,950			
			49,999,950	11.11755253	11.69775707
WCAS Capital Partners II LP	8/29/96	2,142,857			
		272,727	2,415,584	0.537108177	0.58568882
WCAS Capital Partners II LP	9/15/96	5,900,000			
			5,900,000	1.31187251	1.360338715
Paul B. Qually	8/30/96	21,378			
	7/24/96	106,879	128,257	0.028518107	0.030006415

IRA FBO David F. Ballett OLISC as Custodian IRA Rollover Account	8/30/96	122,160	122,160	0.027162432	0.028579969
David F. Ballett	7/24/96	45,456	45,456	0.010106677	0.010834482
Kristie M. Anderson	8/29/97	15,000	15,000	0.003335269	0.003509331
Daniel B. Anderson	8/29/97	15,000	15,000	0.003335269	0.003509331
Mark B. Anderson	8/29/97	15,000	15,000	0.003335269	0.003509331
Lawrence Sorrel	7/24/96	90,908	90,908	0.020213732	0.021266649
Priscilla Newman	7/24/96	16,162	18,182	0.004042701	0.004253777
Rudolph Rupert	7/24/96	90,909	90,909	0.020213732	0.021268649
D. Scott Mackesy	7/24/96	22,727	22,727	0.008063377	0.005317104
M. Carol Smith	6/25/97	45,000	45,000	0.010005807	0.010527992
Nathan J. Teburn	8/11/97	16,875	16,875	0.003752176	0.003947997
Wayne E. Denton	12/6/97	33,750	33,750	0.007504355	0.007895984
Ralph E. Spurgin	4/8/95	450,000	450,000	0.100058073	0.105279919
Don J. Herron	7/29/96	1,250	1,250	0.000277838	0.000292444
Kathleen S. Burgan	9/20/96	45,000	45,000	0.010005807	0.010527992
The Laurel Canyon Trust, Betty M. Jones, Trustee	9/25/96	56,250	56,250	0.012507259	0.01315000
Jay Looney	4/1/99	2,500	2,500	0.000555878	0.01315999
Patrick J. Sullivan	4/12/99	43,750	43,750	0.009727968	0.010235548
Richard F. McMichael	5/17/99	2,500	2,500	0.000555878	0.010235546
Treasury Shares			0	0	0
TOTAL ISSUED AND OUTSTANDING SHARES			427,431,940		100%
TOTAL UNISSUED SHARES			22,588,080		
TOTAL AUTHORIZED SHARES 450,000,000			450,000,000		
STOCK WARRANTS AND EMPLOYEE STOCK OPTION PLAN:					
JCP Telecom Systems, Inc. Stock Warrants		1,503,759	1,503,759	0.334362728	
ADSC Employee Stock Option Plan - 6,270,000 + 6,730,000 + 6,500,000 = 21,500,000 as of 12/1/98		Exercised & issued shares (-45,000 - 10,875 - 33,750 - 450,000 - 1,250 - 45,000 - 58,250 - 2,500 - 43,750 - 2,500)	20,803,125	4.825801325	
TOTALLY FULLY DILUTED SHARES			449,738,824	100%	
REMAINING UNISSUED UNALLOCATED AUTHORIZED SHARES			261,176		
TOTAL AUTHORIZED SHARES 450,000,000			450,000,000		
			450,000,000		

SCHEDULE 204(b)

All subsidiaries are 100% owned by Alliance Data Systems Corporation. All shares of the U.S. subsidiaries and 65% of the shares of non U.S. subsidiaries have been pledged as collateral pursuant to the credit agreement with J. P. Morgan dated July 24, 1998.

SUBSIDIARY	TOTAL AUTHORIZED CAPITAL STOCK	PAR VALUE	TOTAL ISSUED AND OUTSTANDING SHARES OF CAPITAL STOCK	ALL SHARES OWNED BY
ADS Alliance Data Systems, Inc.	1,000	$ 1.00	10 shares	ADSC
World Financial Network National Bank	1,000,000	$100.00	175,000 shares	ADSC
Harmonic Systems Incorporated	1,000	$ .01	100 shares	ADSC
Harmonic Technology Licensing, Inc.	50,000	$ .01	1,000 shares	Harmonics Systems Incorporated
Loyalty Management Group, Inc.	unlimited	No par	1,000 shares	ADSC
LMG Travel Services Ltd.	unlimited	No par	1 share	Loyalty Management Group, Inc.
Alliance Data Systems (New Zealand) Limited	402,325	$ 1.00	402,325 ordinary shares	ADSC
	4,827,900	$ 1.00	4,827,900 preference shares	ADSC
ADS Reinsurance Ltd.	120,000	$ 1.00	120,000 shares	ADSC

SCHEDULE 2.04(c)

21,500,000 shares have been allocated to the Alliance Data Systems Employee Stock Option Plan

696,875 shares have been issued pursuant to the Alliance Data Systems Employee Stock Option Plan

Options are issued and outstanding to acquire 20,386,375 shares under the Alliance Data Systems Employee Stock Option Plan

Right To Participate In Co Sale Agreement between Welsh Carson Anderson & Stowe VII, L.P., WCAS Capital Partners II, L.P., and JCP Telecom Systems, Inc. dated January 24, 1996

Stock Purchase Warrant to Purchase Common Stock of World Financial Network Holding Corporation issued to JCP Telecom Systems, Inc. dated August 30, 1996 (1,503,759 shares reserved for issuance)

Stockholders Agreement dated as of January 31, 1996 among World Financial Network Holding Corporation, Limited Commerce Corp., Welsh, Carson, Anderson & Stowe VII, L.P. and the several investors named in Annex I hereto

Amended and Restated Stockholders Agreement dated as of August 30, 1996 among World Financial Network Holding Corporation, Limited Commerce Corp., Welsh, Carson, Anderson & Stowe VII, L.P. and the several other WCAS Investors named in Annex I hereto, as amended in the Amendment to Amended and Restated Stockholders Agreement dated July 24, 1998 and the Amendment to Amended and Restated Stockholders Agreement dated as of August 31, 1998

SCHEDULE 2.05(b)

MATERIAL OBLIGATIONS OR LIABILITIES

None

EXHIBIT B

FORM OF STOCKHOLDERS AGREEMENT AMENDMENT

See Tab 3

EXHIBIT A

AMENDED AND RESTATED

STOCKHOLDERS AGREEMENT

dated as of August 30, 1996

among

WORLD FINANCIAL NETWORK HOLDING CORPORATION,

LIMITED COMMERCE CORP.,

WELSH, CARSON, ANDERSON & STOWE VII, L.P.

and

THE SEVERAL OTHER WCAS INVESTORS NAMED IN ANNEX I HERETO

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS

ARTICLE II

RIGHTS AND OBLIGATIONS WITH RESPECT TO TRANSFER

ARTICLE III

REGISTRATION RIGHTS

ARTICLE IV

CORPORATE GOVERNANCE; COVENANTS

AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

AMENDED AND RESTATED STOCKHOLDERS AGREEMENT dated as of August __, 1996 among World Financial Network Holding Corporation (the "Issuer"), Limited Commerce Corp. ("Limited Commerce"), Welsh, Carson, Anderson & Stowe VII, L.P. ("WCAS VII") and the several investors named in Annex I hereto (collectively with WCAS VII, the "WCAS Investors").

WHEREAS, the Issuer, Limited Commerce and WCAS VII are parties to the WFN Stock Purchase Agreement (as defined below) pursuant to which certain WCAS Investors are the holders of an aggregate of 60% of the outstanding Common Stock, par value $.01 per share, of the Issuer, after giving effect to such sale from the Issuer and Limited Commerce;

WHEREAS, the Issuer, Limited Commerce and certain of the WCAS Investors are parties to a Stockholders Agreement, dated as of January 31, 1996 (the "Original Agreement");

WHEREAS, the Issuer and Business Services Holdings, Inc., a Delaware corporation ("BSH"), have entered into an Agreement and Plan of Merger dated as of August __, 1996 pursuant to which BSH has been merged (the "Merger") with and into the Issuer, and shares of BSH Common Stock and BSH Preferred Stock (as defined in said Agreement and Plan of Merger) have been converted into the right to receive WFN Common Stock;

WHEREAS, the Issuer, Limited Commerce and the WCAS Investors have entered into a Securities Purchase Agreement dated as of August __, 1996 (as the same may be amended or modified from time to time, the "1996 Securities Purchase Agreement") whereby (i) the WCAS Investors have agreed to sell, and Limited Commerce has agreed to purchase, shares of Common Stock and Notes (as each such term is defined therein) and (ii) Limited Commerce has agreed to assume certain obligations of certain WCAS Investors under Section 1.04 of the BSH Securities Purchase Agreement (as defined below);

WHEREAS, the parties to the Original Agreement desire to amend and restate the Original Agreement in order to reflect the rights and obligations of the Issuer, Limited Commerce and the WCAS Investors after giving effect to the transactions contemplated by the Merger Agreement and the 1996 Securities Purchase Agreement and to confirm the restrictions contained in the Original Agreement on the sale, assignment, transfer, encumbrance or other disposition of the Common Stock and the provision of certain rights and obligations relating to the Common Stock, all as more particularly set forth herein;

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 DEFINITIONS. (a) The following terms, as used herein, have the following meanings:

"Affiliate", as applied to any Person, means any other Person directly or indirectly controlling, controlled by, or under common control with, such Person. For purposes of this definition, "control" (including, with correlative meaning, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"BSH Securities Purchase Agreement" means the Securities Purchase Agreement dated as of January 24, 1996 among BSH and the several Purchasers named in Schedule I and Schedule II thereto, as the same may be amended or modified from time to time.

"Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized by law to close.

"Commission" means the Securities and Exchange Commission and any successor having similar powers.

"Common Stock" means the shares of common stock, par value $.01 per share, of the Issuer.

"Competitor" means any Person which competes, directly or indirectly, with any operations of Parent or any of its Subsidiaries, as such operations exist as of the date hereof.

"Convertible Securities" means securities convertible into or exercisable for Issuer equity securities.

"Credit Card Processing Agreement" means each Credit Card Processing Agreement in effect from time to time between the Issuer and Limited Commerce or one of its Affiliates which is a party thereto, as the same may be modified or amended from time to time.

"Debt" means, with respect to any Person, at any date, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes

or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee under leases which are capitalized in accordance with generally accepted accounting principles, (v) all Debt of others secured by a Lien on any asset of such Person, whether or not such Debt is assumed by such Person, and (vi) all Debt of others guaranteed by such Person.

"Duly Endorsed" means duly endorsed in blank by the Person or Persons in whose name a stock certificate is registered or accompanied by a duly executed stock assignment separate from the certificate with the signature(s) thereon guaranteed by a commercial bank or trust company or a member of a national securities exchange or of the National Association of Securities Dealers, Inc.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"GAAP" means generally accepted accounting principles.

"Holder" means each Person (other than the Issuer) who shall be a party to this Agreement, whether in connection with the transactions contemplated by WFN Stock Purchase Agreement, the Merger Agreement, the 1996 Securities Purchase Agreement or otherwise, so long as such Person shall "beneficially own" (as such term is defined in Rule 13d-3 under the Exchange Act) any shares of Common Stock.

"Incurrence" means the incurrence, creation, assumption or in any other manner becoming liable with respect to, or responsible for the payment of, any Debt.

"Issuer Board" means the Board of Directors of the Issuer.

"Lien" means, with respect to any property or asset, any mortgage, lien, pledge, charge, security interest, encumbrance or other adverse claim of any kind in respect of such property or asset.

"Merger Agreement" means the Agreement and Plan of Merger dated as of August , 1996 between the Issuer and BSH, as the same may be amended or modified from time to time.

"Parent" means The Limited, Inc., a Delaware corporation.

"Permitted Transferee" means (i) in the case of Limited Commerce, Parent or any Subsidiary of Parent and (ii) in the case of a WCAS Investor listed on Annex I hereto, if such WCAS Investor is an individual, such individual's spouse or lineal descendants, or a trust for the benefit of same.

"Person" means an individual, partnership, corporation, trust, joint stock company, association, joint venture, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Processing Business" means the business of processing private label or bank credit card transactions initiated by consumers primarily for the retail industry (it being understood that a Person shall be deemed to be engaged in the private label or bank credit card processing business if such Person performs any one or more of the following functions: (i) transaction authorization, (ii) data capture, (iii) statement preparation, (iv) credit extension and (v) related customer and merchant services); PROVIDED that a Person outside North America shall not be deemed to be engaged in the Processing Business unless at least 50% of such Person's operations are of the type described in this paragraph.

"Public Offering" means any primary or secondary public offering of equity securities of the Issuer pursuant to an effective registration statement under the Securities Act other than pursuant to a registration statement on Form S-4 or Form S-8 or any successor or similar form.

"Qualified Public Offering" shall mean an underwritten Public Offering of Common Stock of the Issuer in which the aggregate price paid by the public shall be at least $30 million.

"Registrable Securities" means the Common Stock held by Limited Commerce, the WCAS Investors and the respective Transferees of Limited Commerce or any WCAS Investor and any capital stock for which Common Stock is exchanged or into which it is converted; PROVIDED that such securities shall cease to be Registrable Securities when (x) a registration statement relating to such securities shall have been declared effective by the Commission, and such securities shall have been disposed of pursuant to such effective registration statement, or (y) such securities are sold under circumstances in which all of the applicable conditions of Rule 144 (or any similar provisions then in effect) under the Securities Act are met or such shares may be sold pursuant to Rule 144 (k).

"Registration Expenses" means all (i) registration and filing fees, (ii) fees and expenses of compliance with securities

or blue sky laws (including reasonable fees and disbursements of a qualified independent underwriter, if any, counsel in connection therewith and the reasonable fees and disbursements of counsel in connection with blue sky qualifications of the Registrable Securities), (iii) printing expenses, (iv) internal expenses of the Issuer (including, without limitation, all salaries and expenses of officers and employees performing legal or accounting duties), (v) fees and disbursements of counsel for the Issuer, (vi) customary fees and expenses for independent certified public accountants retained by the Issuer (including the expenses of any comfort letters), (vii) fees and expenses of any special experts retained by the Issuer in connection with such registration, (viii) reasonable fees and expenses of (A) one counsel for Limited Commerce and its Permitted Transferees and (B) one counsel for the WCAS Investors and their Permitted Transferees, (ix) fees and expenses of listing the Registrable Securities on a securities exchange or on the NASDAQ National Market System, (x) rating agency fees, (xi) reasonable fees and expenses of counsel for the Underwriter, (xii) reasonable fees and expenses of the Underwriter (excluding discounts or commissions relating to the distribution of the Registrable Securities) and (xiii) out-of-pocket expenses of the Issuer.

"Related Business" means (i) the business of providing one or more processing functions (as set forth in the definition of "Processing Business") for private label or bank credit card transactions initiated by consumers in particular consumer markets other than retail and (ii) the business of providing data base management services primarily for retailers.

"Securities Act" means the Securities Act of 1933, as amended.

"Selling Holder" means Limited Commerce or any Transferees of Limited Commerce or any WCAS Investor or any Transferees of any WCAS Investor who propose to Transfer Registrable Securities pursuant to Article III.

"Subsidiary" means, with respect to any Person, any corporation or other entity of which a majority of the capital stock or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person.

"Third Party" means a prospective purchaser of Common Stock from a Holder in an arm's-length transaction where such Purchaser is not the Issuer or an Affiliate of the Issuer.

"Underwriter" means a securities dealer who purchases any Registrable Securities as a principal in connection with a distribution of such Registrable Securities and not as part of such dealer's market-making activities.

"Voting Securities" means any class or series of capital stock and any bond, debenture or other obligation of the Issuer or WFN having the right to vote generally on matters voted on by the stockholders of the Issuer or WFN, as the case may be.

"WFN" means World Financial Network National Bank, a national banking association and a wholly owned subsidiary of the Issuer.

"WFN Board" means the Board of Directors of WFN.

"WFN Stock Purchase Agreement" means the Stock Purchase Agreement dated as of October 24, 1995 among the Issuer, Limited Commerce and WCAS VII, as the same may be amended or modified from time to time.

(b) Each of the following terms is defined in the Section opposite such term:

Term	Section
Additional Shares	5.1
BSH	Preamble
Charter Documents	4.4
Demand Registrant	3.1
Demand Registration	3.1
Effective Date	5.9
Existing Portfolio Company	4.7
Indemnified Party	3.8
Indemnifying Party	3.8
Issuer	Preamble
Limited Commerce	Preamble
Merger	Preamble
Nominee	4.1
Offer	2.3
Offer Notice	2.3
Offer Price	2.3
Offered Stock	2.3
Offeree Holder	2.3
Offering Holder	2.3
Original Agreement	Preamble
Piggy-Back Registration	3.2
Preemptive Rights Notice	2.6
Registration Request	3.1
Sale Date	2.4

1996 Securities Purchase Agreement	Preamble
Tag-along Notice	2.4
Tag-along Notice Date	2.4
Tag-along Notice Period	2.4
Tag-along Offer	2.4
Tag-along Offer Notice	2.4
Tag-along Offeree	2.4
Tag-along Purchaser	2.4
Tag-along Ratio	2.4
Transfer	2.1
Transferee	2.1
Transferring Party	2.4
WCAS VII	Preamble
WCAS Investors	Preamble

ARTICLE II

RIGHTS AND OBLIGATIONS WITH RESPECT TO TRANSFER

SECTION 2.1 GENERAL RESTRICTIONS. (a) No Holder shall, directly or indirectly, transfer, sell, assign, pledge, hypothecate, encumber or otherwise dispose of any Common Stock to any Person (any such act being referred to as a "Transfer", with the term "Transferee" to mean any transferee in a Transfer)), except (i) in compliance with all applicable federal and state securities laws and (ii) as expressly permitted by this Agreement.

(b) The WCAS Investors shall be permitted to Transfer any or all of their Common Stock after January 31, 1998 (i) in a Public Offering upon exercise of the Registration Rights provided for in Article III, subject to Section 3.2, or (ii) subject to Sections 2.3 and 2.4 and with the consent of Limited Commerce, to a Third Party; provided that any Transferee pursuant to clause (ii) shall have agreed in writing to be bound (through execution of an agreement substantially in the form of Exhibit A hereto) by the terms of this Agreement applicable to Holders.

(c) The WCAS Investors shall be permitted to Transfer any or all of their Common Stock after January 31, 2000, subject to Sections 2.3 and 2.4, to any Person other than a Competitor; provided that any Transferee pursuant to this paragraph shall have agreed in writing to be bound (through execution of an agreement substantially in the form of Exhibit A hereto) by the terms of this Agreement applicable to Holders.

(d) Limited Commerce shall be permitted to Transfer any or all of its Common Stock after January 31, 1998 (i) in a Public Offering upon exercise of the registration rights provided for in Article III, subject to Section 3.2, or (ii) subject to Sections 2.3 and 2.4, and with the consent of WCAS VII, to a Third Party; provided that any Transferee pursuant to clause (ii) shall have agreed in writing to be bound (through execution of an agreement substantially in the form of Exhibit A hereto) by the terms of this Agreement applicable to Holders.

(e) Limited Commerce shall be permitted to Transfer any or all of its Common Stock after January 31, 2000, subject to Sections 2.3 and 2.4, to any Person; provided that any Transferee pursuant to this paragraph shall have agreed in writing to be bound (through execution of an agreement substantially in the form of Exhibit A hereto) by the terms of this Agreement applicable to Holders.

(f) Notwithstanding any other provision of this Agreement to the contrary, any Holder may at any time Transfer any or all shares of Common Stock to one or more of its Permitted Transferees so long as (i) such Permitted Transferee shall have agreed in writing to be bound (through execution of an agreement substantially in the form of Exhibit A hereto) by the terms of this Agreement applicable to Holders and (ii) the Transfer to such Permitted Transferee is not in violation of any applicable federal or state securities laws.

SECTION 2.2 RESTRICTIVE LEGEND. (a) For so long as this Agreement remains in effect, each certificate representing Common Stock owned by any Holder shall include a legend in substantially the following form:

> THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH. THIS SECURITY IS SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, DATED AS OF AUGUST , 1996, A COPY OF WHICH MAY BE OBTAINED FROM WORLD FINANCIAL NETWORK HOLDING CORPORATION.

(b) If any shares of Common Stock shall cease to be Registrable Securities, the Issuer shall, upon the written request of the holder thereof, issue to such holder a new certificate evidencing such shares without the first sentence of the legend required by Section 2.2(a) endorsed thereon. If any shares of Common Stock cease to be subject to any restrictions on Transfer set forth in this Agreement, the Issuer shall, upon the written request of the Holder thereof, issue to such Holder a new

certificate evidencing such shares without the second sentence of the legend required by Section 2.2(a) endorsed thereon.

SECTION 2.3 RIGHTS OF FIRST REFUSAL. (a) No Holder (each an "Offering Holder") will Transfer any Common Stock pursuant to Section 2.1(b) (ii), 2.1(c), 2.1(d) (ii) or 2.1(e) without first giving Limited Commerce (in the case of transfers by any WCAS Investor or any of its Permitted Transferees) or WCAS VII (in the case of any transfer by Limited Commerce or any of its Permitted Transferees) (each an "Offeree Holder") prior notice thereof (an "Offer Notice") and the opportunity (as hereinafter provided) to purchase all but not less than all such Common Stock (the "Offered Stock") at a cash price (the "Offer Price") equal to the sum of the amount of any cash plus the fair market value of any other consideration offered by the prospective purchaser or other transferee pursuant to a bona fide offer to purchase. The Offer Notice shall constitute an offer (the "Offer") by an Offering Holder to sell the Offered Stock to the Offeree Holder at the Offer Price and shall state the identity of the purchaser or the Transferee and the terms of the proposed Transfer.

(b) The Offer may be accepted within 45 days of receipt by the Offeree Holder of the Offer Notice and, if accepted, such acceptance shall constitute the Offeree Holder's binding agreement to purchase the Offered Stock by the later of (i) the date 30 days after such acceptance or (ii) the date by which the prospective purchaser or Transferee would have been obligated to purchase the Offered Stock. If the Offer is not accepted or the Offered Stock is not purchased as contemplated above, the Offering Holder may Transfer the Offered Stock to such prospective purchaser or Transferee at a price not less than the Offer Price and on substantially the same terms as described in the Offer Notice. If the Transfer to such prospective purchaser or Transferee is not consummated as contemplated above within 30 days after the expiration of the 45-day offer period or earlier irrevocable rejection of the Offer or failure to purchase the Offered Stock after acceptance of the Offer, no Transfer may be made by the Offering Holder without again complying with this Section 2.3. Notwithstanding the foregoing, if the purchase and sale of the Offered Stock is subject to any prior regulatory approval, the time periods specified above within which such purchase and sale must be consummated shall be extended until the expiration of five Business Days after all such approvals shall have been received.

(c) If the consideration offered by the prospective purchaser or Transferee includes non-cash consideration, the Offeree Holder and Offering Holder shall negotiate in good faith with a view to agreeing upon the fair market value of such non-

cash consideration. If, despite such good faith negotiations, the Offering Holder and Offeree Holder are unable to agree on such fair market value within 15 days following receipt by the Offeree Holder of the Offer Notice, each of the Offering Holder and the Offeree Holder shall, at its own expense, retain an investment banking firm of national reputation to determine such fair market value. If such two investment banking firms do not make substantially similar determinations and neither determination is acceptable to both the Offering Holder and the Offeree Holder, then such investment banking firms shall, at the equally shared expense of the Offering Holder and the Offeree Holder, retain a third investment banking firm of national reputation to select between the two determinations, which selection shall be binding upon each party. If a determination under this subsection (c) is required, the deadline for acceptance provided for in this Section 2.3 shall be postponed until the fifth Business Day after the date of such determination.

(d) The rights of Limited Commerce and the WCAS Investors under this Section 2.3 are transferable to any Permitted Transferee of Limited Commerce or any WCAS Investor, as the case may be, that executes an agreement substantially in the form of Exhibit A hereto.

SECTION 2.4 TAG-ALONG RIGHTS. (a) Except as provided in Section 2.4(e), if any Holder ("Transferring Party") proposes to sell or otherwise dispose of any of its Common Stock pursuant to Section 2.1(b) (ii), 2.1(c), 2.1(d) (ii) or 2.1(e) to any Third Party (a "Tag-along Purchaser") pursuant to a bona fide offer to purchase (a "Tag-along Offer"), the Transferring Party shall provide written notice (the "Tag-along Offer Notice") of such Tag-along Offer to the Issuer and the Issuer shall promptly provide written notice (the effective date of such notice being the "Tag-along Notice Date") of such Tag-along Offer to such other Holder and its Permitted Transferees (the "Tag-along Offeree"), the Tag-along Ratio (as defined below), the consideration per share of Common Stock and other material terms and conditions of the Tag-along Ratio (as defined below), the consideration per share of Common Stock and other material terms and conditions of the Tag-along Offer and, in the case of a Tag-along Offer in which the consideration payable for Common Stock consists in part or in whole of consideration other than cash, such information relating to such consideration as the Tag-along Offeree may reasonably request as being necessary for such Tag-along Offeree to evaluate such non-cash consideration, it being understood that such request shall not obligate the Transferring Party to deliver any information to such Tag-along Offeree not provided to the Transferring Party by the Tag-along Purchaser.

Each Tag-along Offeree shall have the right, exercisable as set forth below, to accept the Tag-along Offer for up to the number of shares of Common Stock determined pursuant to Section 2.4(b). The consideration per share paid to any Tag-along Offeree shall be not less than the highest price paid per share to the Transferring Party in respect of its Common Stock. Each Tag-along Offeree that desires to accept the Tag-along Offer shall provide the Transferring Party with written revocable notice (a "Tag-along Notice") (specifying, subject to Section 2.4(b), the number of Common Stock which such Tag-along Offeree desires to sell) within 45 days after the Tag-along Notice Date, and shall simultaneously provide a copy of such Tag-along Notice to the Issuer, and the Issuer shall forward a copy of each such Tag-along Notice to the Transferring Party and each other Tag-along Offeree. Such Tag-along Notice may be withdrawn or modified at any time until the expiration of 45 days after the Tag-along Notice Date (the "Tag-along Notice Period"). At the expiration of the Tag-along Notice Period, the most recent Tag-along Notice shall become irrevocable and binding, and shall constitute an irrevocable acceptance of the Tag-along Offer by the Tag-along Offeree for the Common Stock specified therein.

As soon as practicable after the expiration of the Tag-along Notice Period, the Transferring Party shall notify the Issuer and each accepting Tag-along Offeree of the number of shares of Common Stock such Tag-along Offeree is obligated to sell or otherwise dispose of pursuant to the Tag-along Offer, such number to be calculated in accordance with Section 2.4(b). The Transferring Party shall notify the Issuer and each accepting Tag-along Offeree of the proposed date of any sale ("Sale Date") pursuant to this Section 2.4 no less than five days prior to the Sale Date, and each accepting Tag-along Offeree shall deliver to the Transferring Party the Duly Endorsed certificate or certificates representing the Common Stock to be sold or otherwise disposed of pursuant to such offer by such Tag-along Offeree, together with a limited power-of-attorney authorizing the Transferring Party to sell or otherwise dispose of such Common Stock pursuant to the terms of the Tag-along Offer and all other documents required to be executed in connection with such Tag-along Offer, no less than two days prior to the Sale Date.

(b) Each Tag-along Offeree shall have the right to sell, pursuant to any Tag-along Offer, a number of shares of Common Stock less than or equal to the product of the total number of Common Stock offered to be sold by the Transferring Party or offered to be purchased by the Tag-along Purchaser as set forth in such Tag-along Offer multiplied by a fraction (the "Tag-along Ratio"), the numerator of which is the number of Common Stock then held by such Tag-along Offeree and the denominator of which shall be an amount equal to the total number of

shares of Common Stock then held by all Tag-along Offerees exercising rights under this Section 2.4 PLUS the total number of shares of Common Stock then held by the Transferring Party. The number of shares of Common Stock sold by each Tag-along Offeree in a Tag-along Offer shall be equal to the lesser of the number of shares of Common Stock calculated pursuant to the formula set forth in this Section 2.4(b) and the number of shares of Common Stock specified in such Tag-along Offeree's Tag-along Notice in respect of such Tag-along Offer. If at the termination of the Tag-along Notice Period any Tag-along Offeree shall not have accepted the Tag-along Offer, such Tag-along Offeree will be deemed to have waived any and all of its rights under this Section 2.4 with respect to the sale of other disposition of any of its Common Stock pursuant to such Tag-along Offer and no Common Stock held by any such Tag-along Offeree will be included in such Tag-along Offer.

(c) The Transferring Party shall have 45 days from the termination of the Tag-along Notice Period in which to consummate the sale contemplated by the Tag-along Offer to the Tag-along Purchaser at the price and on the terms set forth in the Tag-along Offer Notice; PROVIDED that if the purchase and sale of such Common Stock is subject to any prior regulatory approval, the time period during which such purchase and sale may be consummated shall be extended until the expiration of five Business Days after all such approvals shall have been received. If, at the end of the period set forth in this Section 2.4(c) the Transferring Party has not completed the sale contemplated by the Tag-along Offer Notice, all the restrictions on sale or other disposition contained in this Agreement with respect to Common Stock owned by the Transferring Party shall again be in effect.

(d) Within one Business Day after the consummation of the sale or other disposition of the Common Stock pursuant to the Tag-along Offer, the Transferring Party shall notify the Tag-along Offeree thereof, shall remit to each of the Tag-along Offerees the total sales price specified in the Tag-along Offer Notice of the Common Stock of such Tag-along Offeree sold or otherwise disposed of pursuant thereto, and shall furnish such other evidence of such sale (including the time of completion) and the terms thereof as may be reasonably requested by the Tag-along Offeree.

(e) Notwithstanding anything contained in this Section 2.4, there shall be no liability on the part of a Transferring Party to any Tag-along Offeree if the same of Common Stock pursuant to Section 2.4(c) is not consummated for whatever reason. Whether to effect a sale of Common Stock pursuant to this Section 2.4 by a Transferring Party is in the sole and absolute discretion of the Transferring Party.

(f) Each Tag-along Offeree shall be required to bear its proportionate share of any escrows, holdbacks or adjustments in purchase price under the terms of the purchase agreement relating to such Tag-along Offer; PROVIDED that the amount borne by any Tag-along Offeree shall not exceed the net proceeds received by such Tag-along Offeree for the Common Stock sold by it pursuant to such Tag-along Offer.

SECTION 2.5 IMPROPER TRANSFER. (a) Any attempt to Transfer any Common Stock not in compliance with this Agreement shall be null and void and neither the Issuer nor any transfer agent of the Issuer shall register, or otherwise recognize in the Issuer's stock records, any such improper Transfer.

SECTION 2.6 PREEMPTIVE RIGHTS. If the Issuer shall, other than (i) pursuant to any employee incentive arrangement, (ii) upon conversion of Convertible Securities of the Issuer outstanding on January 31, 1996, (iii) in a Public Offering, (iv) as a dividend on or other distribution in respect of all outstanding shares of Common Stock, (v) pursuant to Sections 1.03 and 1.04 of the BSH Securities Purchase Agreement or (vi) in connection with any merger, acquisition or other business combination, issue any of its equity securities or Convertible Securities, each Holder shall have the right to purchase for cash the number or amount of such equity securities or Convertible Securities on the same terms and at the same price as the issue price of such equity security or Convertible Security so that, after the issuance of all such equity securities or Convertible Securities, such Holder would, in the aggregate, hold the same proportional interest of such equity securities (or, in the case of Convertible Securities, to be outstanding upon conversion or exercise of all such Convertible Securities) as is held by it prior to the issuance of any such additional equity securities or Convertible Securities. Upon consummation of any issuance by the Issuer subject to the provisions of this Section 2.6, the Issuer shall promptly deliver written notice (a "Preemptive Rights Notice") of such issuance to the other Holders. Each Holder's right to purchase securities under this Section 2.6 with respect to any issuance of securities shall terminate 15 days after the delivery of the Preemptive Rights Notice.

SECTION 2.7 TERMINATION. The provisions of Article II shall terminate and be of no further force and effect from and after the date of the consummation of a Qualified Public Offering.

ARTICLE III

REGISTRATION RIGHTS

SECTION 3.1 DEMAND REGISTRATION. (a) REQUEST FOR REGISTRATION. At any time after the consummation of a Public Offering, Limited Commerce, any WCAS Investor or any other Holder to which rights under this Section 3.1 have been transferred or assigned (a "Demand Registrant") may make a written request (the "Registration Request") for registration (a "Demand Registration") under the Securities Act of Registrable Securities having a value (determined in the good faith judgment of Limited Commerce (in the case of a Registration Request by Limited Commerce or any Transferee of Limited Commerce) or WCAS VII (in the case of a Registration Request by any WCAS Investor or any Transferee of any WCAS Investor)) of not less than $10 million (or, if less, all of the Registrable Securities then owned by such Demand Registrant). The Registration Request will specify the number of shares of Registrable Securities proposed to be sold and will also specify the intended method of disposition thereof; PROVIDED that the Issuer shall not be obligated to effect (i) more than two Demand Registrations for the WCAS Investors and their Transferees in the aggregate, (ii) more than two Demand Registrations for Limited Commerce and its Transferees in the aggregate or (iii) a Demand Registration if counsel to the Issuer delivers to the Demand Registrant a written opinion in form and substance satisfactory to the Demand Registrant to the effect that registration under the Securities Act is not necessary in order for the Demand Registrant to sell the Registrable Securities in the manner contemplated by the Demand Registrant and, following such sale, the Transferee (assuming such Transferee is not the Issuer or an affiliate of the Issuer within the meaning of the Securities Act) will be free to resell such Registrable Securities without restriction and without registration under the Securities Act.

(b) EFFECTIVE REGISTRATION. For purposes of Section 3.1(a), a registration of Registrable Securities will not count as a Demand Registration until it has become effective under the Securities Act.

(c) UNDERWRITING. If the Demand Registrant so elects, the offering of Registrable Securities pursuant to a Demand Registration shall be in the form of an underwritten offering. The Board of Directors shall select the book-running managing Underwriter in connection with such offering, and Limited Commerce and the WCAS Investors (taken as a group) may each select one additional investment banking firm to serve as co-managing underwriter in connection with the offering.

(d) BEST EFFORTS OF THE ISSUER. The Issuer will use its best efforts to effect the registration and the sale of Registrable Securities in accordance with the intended method of disposition thereof as quickly as practicable in connection with any Registration Request.

SECTION 3.2 PIGGY-BACK REGISTRATION. If the Issuer proposes to file a registration statement under the Securities Act with respect to an offering of its Registrable Securities (i) for its own account (other than a registration statement on Form S-4 or S-8 (or any substitute form that may be adopted by the Commission)), or (ii) for the account of any holders of its capital stock, then the Issuer shall give written notice of such proposed filing to Limited Commerce, the WCAS Investors and all Transferees of Limited Commerce or any WCAS Investor to which Limited Commerce or such WCAS Investor shall have transferred any of its rights under this Section 3.2 (a "Piggyback Holder") as soon as practicable (but in any event not less than 20 days before the anticipated filing date), and such notice shall offer such Piggyback Holders the opportunity to register any and all shares of Registrable Securities owned by such Piggyback Holders. If such Holders wish to register securities of the same class or series as the Issuer or such holders, such registration shall be on the same terms and conditions as the registration of the Issuer's or such holders' securities (a "Piggy-Back Registration"). No registration effected under this Section 3.2 shall relieve the Issuer of its obligations to effect Demand Registrations to the extent required by Section 3.1 hereof.

SECTION 3.3 REDUCTION OF OFFERING.

(a) If a Demand Registration involves an underwritten Public Offering and the managing Underwriter shall advise the Issuer and the Selling Holders that, in its view, (i) the number of shares of Common Stock requested to be included in such registration (including Common Stock which the Issuer proposes to be included) or (ii) the inclusion of some or all of the shares of Common Stock owned by the Holders, in either case, exceeds the greatest number of shares of Common Stock which can be sold without having an adverse effect on such offering, including the price at which such shares of Common Stock can be sold (the "Maximum Offering Size"), the Issuer will include in such registration, in the priority listed below, up to the Maximum Offering Size:

(i) first, all shares of Common Stock requested to be registered by the Selling Holders (allocated, if necessary for the offering not to exceed the Maximum Offering Size, pro rata among such entities on the basis of the relative

number of shares of Registrable Stock requested to be registered);

(ii) second, all Registrable Stock requested to be included in such registration by any other Holder (allocated, if necessary for the offering not to exceed the Maximum Offering Size, pro rata among such other Holders on the basis of the relative number of shares of Registrable Stock requested to be included in such registration); and

(iii) third, any Common Stock proposed to be registered by the Issuer.

(b) If a registration pursuant to Section 3.2 involves an underwritten Public Offering (other than in the case of an underwritten Public Offering requested by any Demand Registrant in a Demand Registration, in which case the provisions with respect to priority of inclusion in such offering set forth in Section 3.3(a) shall apply) and the managing Underwriter advises the Issuer that, in its view, the number of shares of Common Stock which the Issuer and the selling Holders intend to include in such registration exceeds the Maximum Offering Size, the Issuer will include in such registration, in the following priority, up to the Maximum Offering Size:

(i) first, so much of the Common Stock proposed to be registered by the Issuer as would not cause the offering to exceed the Maximum Offering Size; and

(ii) second, all Registrable Stock requested to be included in such registration statement by any Holder pursuant to Section 3.2 or otherwise (allocated, if necessary for the offering not to exceed the Maximum Offering Size, pro rata among such entities on the basis of the relative number of shares of Registrable Stock requested to be so included).

SECTION 3.4 REGISTRATION PROCEDURES. Whenever the Issuer is required to effect the registration of Registrable Securities pursuant to Section 3.1 or 3.2 hereof, the Issuer will use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof as quickly as practicable, and in connection with any such Registration Request:

(a) The Issuer will as expeditiously as possible prepare and file with the Commission a registration statement on any form for which the Issuer then qualifies or which counsel for the Issuer shall deem appropriate and which form shall be available for the sale of the Registrable Securities to be registered thereunder in accordance

with the intended method of distribution thereof, and use its best efforts to cause such filed registration statement to become and remain effective for a period of not less than 120 days; PROVIDED that in the case of a Demand Registration, if the Issuer shall furnish to any Selling Holder a certificate signed by either its Chairman, Chief Executive Officer or President stating that in his good faith judgment it would materially adversely affect the Issuer or its shareholders for such a registration statement to be filed as expeditiously as possible, the Issuer shall have a period of not more than 120 days within which to file such registration statement measured from the date of receipt of the Registration Request in accordance with Section 3.1.

(b) The Issuer will, if requested, prior to filing a registration statement or prospectus or any amendment or supplement thereto, furnish to any Selling Holder and each Underwriter, if any, drafts of such documents proposed to be filed, and thereafter furnish to the Selling Holders and such Underwriter, if any, such number of copies of such registration statement, each amendment and supplement thereto (in each case including all exhibits thereto and documents incorporated by reference therein), the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as any Selling Holders or such Underwriter may reasonably request in order to facilitate the sale of the Registrable Securities.

(c) After the filing of the registration statement, the Issuer will promptly notify any Selling Holders of any stop order issued or threatened by the Commission and take all reasonable actions required to prevent the entry of such stop order or to remove it if entered.

(d) The Issuer will use its best efforts to (i) register or qualify the Registrable Securities under such other securities or blue sky laws of such jurisdictions in the United States as any Selling Holders reasonably (in light of their intended plan of distribution) request and (ii) cause such Registrable Securities to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Issuer and do any and all other acts and things that may be reasonably necessary or advisable to enable the Selling Holders to consummate the disposition of their Registrable Securities; PROVIDED, that the Issuer will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (d), (ii) subject itself to taxation in any

such jurisdiction other than taxation arising with respect to the registration of securities or (iii) consent to general service of process in any such jurisdiction.

(e) At any time when a prospectus relating to the sale of Registrable Securities is required to be delivered under the Securities Act, the Issuer will immediately notify the Selling Holders of the occurrence of any event requiring the preparation of a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading and promptly make available to the Selling Holders and the Underwriters any such supplement or amendment. The Selling Holders agree that, upon receipt of any notice from the Issuer of the happening of any event of the kind described in the preceding sentence, the Selling Holders will forthwith discontinue the offer and sale of Registrable Securities pursuant to the registration statement covering such Registrable Securities until receipt of the copies of such supplemented or amended prospectus and, if so directed by the Issuer, the Selling Holders will deliver to the Issuer all copies, other than permanent file copies then in the possession of the Selling Holders, of the most recent prospectus covering such Registrable Securities at the time of receipt of such notice. In the event the issuer shall give such notice, the Issuer shall extend the period during which such registration statement shall be maintained effective as provided in Section 3.4(a) hereof by the number of days during the period from and including the date of the giving of such notice to the date when the Issuer shall make available to the Selling Holders such supplemented or amended prospectus.

(f) The Issuer will enter into customary agreements (including an underwriting agreement in customary form) and take such other actions as are reasonably required in order to expedite or facilitate the disposition of such Registrable Securities.

(g) The Issuer will make available for inspection by any Selling Holder and any Underwriter participating in any disposition pursuant to a registration statement being filed by the Issuer pursuant to this Article III any attorney, accountant or other professional retained by any such Shareholder or Underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Issuer's (collectively, the "Records") as shall be reasonably requested by any such Person, and

cause the Issuer's officers, directors and employees to supply all information reasonably requested by any Inspectors in connection with such registration statement.

(h) The Issuer will furnish to the Selling Holders and to each Underwriter, if any, a signed counterpart, addressed to the Selling Holders or such Underwriter, of (i) an opinion or opinions of counsel to the Issuer and (ii) a comfort letter or comfort letters from the Issuer's independent public accountants, each in customary form and covering such matters as are customarily covered by opinions and comfort letters, as the Selling Holders or the managing Underwriter therefor reasonably request.

(i) The Issuer will otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its securityholders, as soon as reasonably practicable, an earnings statement covering a period of 12 months, beginning within three months after the effective date of the registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act.

(j) The Issuer will use its best efforts to cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Issuer are then listed.

The Issuer may require any Selling Holder, and each Selling Holder agrees, to furnish promptly in writing to the Issuer such information regarding such Selling Holder, the plan of distribution of the Registrable Securities and other information as the Issuer may from time to time reasonably request or as may be legally required in connection with such registration.

SECTION 3.5 REGISTRATION EXPENSES. Registration Expenses incurred in connection with any registration made or requested to be made pursuant to this Article III will be borne by the Issuer, whether or not any such registration statement becomes effective.

SECTION 3.6 INDEMNIFICATION BY THE ISSUER. The Issuer agrees to indemnify and hold harmless each Selling Holder, its officers, directors and agents, and each Person, if any, who controls each such Selling Holder within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages, liabilities and expenses caused by any untrue statement or alleged untrue statement of a material fact contained in any registration statement or prospectus relating to the Registrable Securities (as amended

or supplemented if the Issuer shall have furnished any amendments or supplements thereto) or any preliminary prospectus, or caused by any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or expenses are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information furnished in writing to the Issuer by or on behalf of any such Selling Holder expressly for use therein; PROVIDED that with respect to any untrue statement or omission or alleged untrue statement or omission made in any preliminary prospectus, or in any prospectus, as the case may be, the indemnity agreement contained in this paragraph shall not apply to the extent that any such loss, claim, damage, liability or expense results from the fact that a current copy of the prospectus (or, in the case of a prospectus, the prospectus as amended or supplemented) was not sent or given to the Person asserting any such loss, claim, damage, liability or expense at or prior to the written confirmation of the sale of the Registrable Stock concerned to such Person if it is determined that the Issuer has provided such prospectus and it was the responsibility of such Selling Holder to provide such Person with a current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) and such current copy of the prospectus (or such amended or supplemented prospectus, as the case may be) would have cured the defect giving rise to such loss, claim, damage, liability or expense. The Issuer also agrees to indemnify any Underwriters of the Registrable Securities, their officers and directors and each Person who controls such Underwriters on substantially the same basis as that of the indemnification of the Selling Holders provided in this Section 3.6.

SECTION 3.7 INDEMNIFICATION BY SELLING HOLDERS. Each Selling Holder agrees, severally but not jointly, to indemnify and hold harmless the Issuer, its officers, directors and agents and each Person, if any, who controls the Issuer within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act to the same extent as the foregoing indemnity from the Issuer to such Selling Holder, but only with reference to information related to such Selling Holder furnished in writing by or on behalf of such Selling Holder expressly for use in any registration statement or prospectus relating to the Registrable Securities, or any amendment or supplement thereto, or any preliminary prospectus. Each Selling Holder also agrees to indemnify and hold harmless Underwriters of the Registrable Securities, their officers and directors and each Person who controls such Underwriters on substantially the same basis as that of the indemnification of the Issuer provided in this Section 3.7.

SECTION 3.8 CONDUCT OF INDEMNIFICATION PROCEEDINGS. In case any proceeding (including any governmental investigation) shall be instituted involving any Person in respect of which indemnity may be sought pursuant to Section 3.6 or 3.7, such Person (the "Indemnified Party") shall promptly notify the Person against whom such indemnity may be sought (the "Indemnifying Party") in writing and the Indemnifying Party upon request of the Indemnified Party shall retain counsel reasonably satisfactory to the Indemnified Party to represent the Indemnified Party and any others the Indemnifying Party may designate in such proceeding and shall pay the fees and disbursements of such counsel related to the proceeding; PROVIDED that the failure of any Indemnified Party so to notify the Indemnifying Party shall not relieve the Indemnifying Party of its obligations hereunder except to the extent that the Indemnifying Party is materially prejudiced by such failure to notify. In any such proceeding, any Indemnified Party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the Indemnifying Party and the Indemnified Party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the Indemnified Party and the Indemnifying Party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the Indemnifying Party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm of attorneys (in addition to any local counsel) at any time for all such Indemnified Parties, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Indemnified Parties, such firm shall be designated in writing by the Indemnified Parties. The Indemnifying Party shall not be liable for any settlement of any proceeding effected without its consent, but if settled with such consent, or if there be a final judgment for the plaintiff, the Indemnifying Party shall indemnify and hold harmless such Indemnified Parties from and against any loss or liability (to the extent stated above) by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an Indemnified Party shall have requested an Indemnifying Party to reimburse the Indemnified Party for fees and expenses of counsel as contemplated by the third sentence of this paragraph, the Indemnifying Party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 30 business days after receipt by such Indemnifying Party of the aforesaid request and (ii) such Indemnifying Party shall not have reimbursed the Indemnified Party in accordance with such request prior to the date of such settlement, unless the Indemnifying Party has

contested such reimbursement obligation and provides reasonable assurances that such payment can be made upon resolution of such dispute. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending or threatened proceeding in respect of which any Indemnified Party is or could have been a party and indemnity could have been sought hereunder by such Indemnified Party, unless such settlement (x) includes an unconditional release of such Indemnified Party from all liability arising out of such proceeding and (y) provides that such Indemnified Party does not admit any fault or guilt with respect to the subject matter of such proceeding.

SECTION 3.9 CONTRIBUTION. (a) If the indemnification provided for herein is for any reason unavailable to the Indemnified Parties in respect of any losses, claims, damages or liabilities referred to herein, then each such Indemnifying Party, in lieu of indemnifying such Indemnified Party, shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (i) as between the Issuer and the Selling Holders on the one hand and the Underwriters on the other, in such proportion as is appropriate to reflect the relative benefits received by the Issuer and such Selling Holders on the one hand and the Underwriters on the other from the offering of the securities, or if such allocation is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits but also the relative fault of the Issuer and the Selling Holders on the one hand and of the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations and (ii) as between the Issuer on the one hand and any Selling Holder on the other, in such proportion as is appropriate to reflect the relative fault of the Issuer and of such Selling Holder in connection with such statements or omissions, as well as any other relevant equitable considerations. The relative benefits received by the Issuer and the Selling Holders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total proceeds from the offering (net of underwriting discounts and commissions but before deducting expenses) received by the Issuer and such Selling Holders bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the prospectus. The relative fault of the Issuer and the Selling Holders on the one hand and of the Underwriters on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Issuer and any Selling Holder or by the Underwriters. The

relative fault of the Issuer on the one hand and any Selling Holder on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

(b) The Issuer and each Selling Holder agree that it would not be just and equitable if contribution pursuant to this Section 3.9 were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 3.9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission, and no Selling Holder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities of such Selling Holder were offered to the public (less underwriters' discounts and commissions) exceeds the amount of any damages which such Selling Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

SECTION 3.10 PARTICIPATION IN UNDERWRITTEN REGISTRATIONS. No Person may participate in any underwritten registration hereunder unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and these registration rights.

SECTION 3.11 CURRENT AND PERIODIC REPORTS. The Issuer covenants that it will file any reports required to be filed by it under the Securities Act and the Exchange Act. Upon the request of Limited Commerce or the WCAS Investors, the Issuer will deliver to Limited Commerce or the WCAS Investors, a written statement as to whether it has complied with such requirements.

SECTION 3.12 HOLDBACK AGREEMENTS. If and to the extent requested by the Issuer, in the case of a non-underwritten public offering, and if and to the extent requested by the managing Underwriter or Underwriters, in the case of an underwritten public offering, the Holders agree not to effect, except as part of such registration, any public sale or distribution of the issue being registered or a similar security of the Issuer, or any securities convertible into or exchangeable or exercisable for such securities, including a sale pursuant to Rule 144, during the 14 days prior to, and during the 120-day period beginning on, the effective date of such registration statement.

ARTICLE IV

CORPORATE GOVERNANCE; COVENANTS

SECTION 4.1 COMPOSITION OF THE BOARD. (a) The Issuer Board shall consist of five members. WCAS VII shall be entitled, but not required, to designate three members of the Issuer Board, and Limited Commerce shall be entitled, but not required, to designate two members of the Issuer Board. Each Holder entitled to vote for the election of directors to the Board agrees that it will vote all of its Voting Securities or execute consents, as the case may be, and take all other necessary action (including causing the Issuer to call a special meeting of stockholders) in order to ensure that the composition of the Board is as set forth in this Section 4.1(a). Notwithstanding the foregoing, if, pursuant to the terms of the Issuer's 6 1/4% Redeemable Exchangeable Preferred Stock (the "Preferred Stock"), the holders thereof are entitled to elect one member of the Issuer Board, WCAS VII shall be entitled, but not required, to expand the size of the Issuer Board to seven members (including the member elected by the holders of the Preferred Stock) and designate one additional member of the Issuer Board. The term of the additional member of the Issuer Board designated by WCAS VII pursuant to the immediately preceding sentence shall expire simultaneously with the expiration of the term of the member of the Issuer Board designated by the holders of the Preferred Stock, and the Issuer Board shall thereupon consist of five members as contemplated by the first two sentences of this Section 4.1(a); PROVIDED that the right of WCAS VII to enlarge the Issuer Board and to designate one additional member shall be reinstated in accordance with, and

subject to the provisions of this Section 4.1(a), at any subsequent time at which the holders of the Preferred Stock are entitled to elect one member of the Issuer Board.

(b) Each Holder and the Issuer agrees that if, at any time, it is entitled to vote for the removal of directors of the Issuer, it will not vote any of its Voting Securities in favor of the removal of any director who shall have been designated or nominated pursuant to Section 4.1(a) unless such removal shall be for Cause or the Person entitled to designate or nominate such director shall have consented to such removal in writing. Removal for "Cause" shall mean removal of a director because of such director's (a) willful and continued failure to substantially perform his duties with the Issuer in his established position, (b) willful conduct which is significantly injurious to the Issuer, monetarily or otherwise, or (c) conviction for, or a guilty plea to, a felony.

(c) If, as a result of death, disability, retirement, resignation, removal (with or without Cause) or otherwise, there shall exist or occur any vacancy on the Issuer Board:

(i) the Person entitled under Section 4.1(a) to designate or nominate such director whose death, disability, retirement, resignation or removal resulted in such vacancy may designate another individual (the "Nominee") to fill such capacity and serve as a director of the Issuer; and

(ii) each Holder then entitled to vote for the election of the Nominee as a director of the Issuer agrees that it will vote all of its Voting Securities, or execute a written consent, as the case may be, in order to ensure that the Nominee be elected to the Issuer Board.

SECTION 4.2 ACTION BY THE BOARD. A quorum of the Issuer Board shall consist of four directors (or, at any time at which the holders of the Preferred Stock are entitled to elect a member of the Issuer Board, five directors). All actions of the Issuer Board shall require the affirmative vote of at least a majority of the directors at a duly convened meeting of the Issuer Board at which a quorum is present or the unanimous written consent of the Issuer Board; PROVIDED that, in the event there is a vacancy on either such Board of Directors and an individual has been nominated to fill such vacancy, the first order of business shall be to fill such vacancy.

SECTION 4.3 CONSENT OF THE BOARD OF DIRECTORS.

(a) From and after January 31, 1996 through January 31, 1998, the Issuer shall not, and shall not permit any of its Subsidiaries to, take any action regarding any of the following matters without the affirmative vote of at least one member of the Issuer Board designated by Limited Commerce:

(i) appointment or removal of the Chief Executive Officer (or Person with comparable duties) of the Issuer;

(ii) the Incurrence by the Issuer or any Subsidiary of the Issuer of Debt where, after giving effect to such Incurrence, the Issuer would have a consolidated ratio of Debt to equity in excess of 1.5 to 1.0 excluding securitized Debt and Debt issued upon the exchange of Preferred Stock;

(iii) any transaction with any Affiliate of the Issuer or any Subsidiary of the Issuer other than (A) transactions that are at least as favorable to the Issuer or any Subsidiary of the Issuer, as the case may be, as could have been obtained on an arm's-length basis with a Person who is not an Affiliate of the Issuer or any Subsidiary of the Issuer, as the case may be (as determined in the good faith judgment of the Issuer Board) or (B) the transactions contemplated by the Credit Card Processing Agreement;

(iv) entry into any line of business other than the Processing Business or a Related Business;

(v) issuance or sale of any capital stock of the Issuer or any Subsidiary of the Issuer, whether publicly or privately, other than, in the case of Issuer, (A) to or for the benefit of employees of Issuer any Subsidiary of the Issuer pursuant to stock option plans or other employee compensation or benefit arrangements, (B) upon conversion of Convertible Securities of the Issuer outstanding on January 31, 1996, (C) as a dividend on or other distribution in respect of all outstanding shares of Common Stock or (D) except as provided in clause (viii) below, in connection with any merger, acquisition or other business combination;

(vi) the declaration or payment, whether directly or indirectly, of any dividend or any distribution on

its capital stock or to the holders of its capital stock that would impair the capital of the Issuer or any Subsidiary of the Issuer; or

(vii) the purchase or other acquisition (by merger, business combination or otherwise) of assets with a fair market value in excess of $10,000,000, except for any such purchase or acquisition the consideration for which is being funded out of the Remaining Capital Commitments (as defined in Section 4.8) of the WCAS Investors and Limited Commerce.

(b) From and after the date hereof, the Issuer will not, and will not permit any of its Subsidiaries to, take any action regarding any of the following matters without the affirmative vote of at least one member of the Issuer Board designated by Limited Commerce:

(i) any consolidation, combination or merger of the Issuer with or into any other Person, other than any such consolidation, combination or merger if, after the consummation thereof, the WCAS Investors (taken as a group) constitute the largest stockholder of the surviving entity and designees of the WCAS Investors constitute a majority of the Board of Directors (or similar governing body of such surviving entity);

(ii) the sale, assignment, transfer or lease of all or substantially all of the assets of the Issuer;

(iii) the dissolution of the Issuer; or

(iv) the voluntary bankruptcy of the Issuer or any Subsidiary of the Issuer.

(c) Unless earlier terminated in accordance with the terms of this Agreement, the rights granted to Limited Commerce pursuant to Sections 4.1, 4.2 and 4.3 shall terminate at such time as Limited Commerce (i) shall have sold to Persons other than Permitted Transferees at least 50% of the shares of Common Stock owned by it as of the date hereof or (ii) Limited Commerce and its Permitted Transferees (taken as a group) shall own less than 5% of the Common Stock outstanding; provided that the requirement that at least one member of the Issuer Board designated by Limited Commerce vote in favor of any matter referred to in Section 4.3(b)(i) before the Issuer or any of its Subsidiaries may take any action with respect to such matter shall terminate on January 31, 2000.

SECTION 4.4 CHARTER AND BYLAWS. (a) The Issuer's Certificate of Incorporation and Bylaws, each in the form in which it is in effect on the date hereof (the "Charter Documents"), are attached as Exhibits A and B hereto.

(b) The Issuer agrees not to amend, or permit the amendment of, the Charter Documents or the Certificate of Incorporation or Bylaws of any Subsidiary of the Issuer in a way that would be material and adverse to the rights of the Holders hereunder without the written consent of the Holders holding at least 66 2/3% of the Common Stock then outstanding.

SECTION 4.5 INFORMATION. (a) For so long as Limited Commerce and its Permitted Transferees (taken as a group), or the WCAS Investors and their Permitted Transferees (taken as a group) own at least 5% of the Common Stock then outstanding, the Issuer shall deliver to Limited Commerce and/or the WCAS Investors, as the case may be, the following information:

(i) as promptly as practicable but not later than 90 days after the end of the Issuer's fiscal year, audited financial statements for such fiscal year;

(ii) as promptly a practicable but not later than 30 days after the end of each quarter, the Issuer's unaudited financial statements for such month; and

(iii) from time to time such additional information regarding the financial position or business of the Issuer and its Subsidiaries as Limited Commerce or the WCAS Investors may reasonably request.

(b) The Issuer agrees to provide all members of the Issuer Board with unaudited financial statements for each fiscal month of the Issuer within 30 days after the end of such month.

(c) Limited Commerce and the WCAS Investors agree that they will keep all confidential information received by them in strictest confidence and will limit the dissemination of such information to those persons who reasonable require access to such information; PROVIDED that Limited Commerce and the WCAS Investors may disseminate such information without restriction to the extent required to satisfy the safe harbor provided by Rule 144(c) (2) in conjunction with Rule 15c2-11(a) (5) (i)-(xiv) and (xvi) under the Exchange Act. The term "confidential information" does not include (i) any information that is or becomes publicly available through no fault of Limited Commerce and the WCAS Investors, (ii) information that is in or comes into the possession of Limited Commerce and the WCAS Investors on a nonconfidential basis from a person other than the Issuer or any

of its Affiliates and (iii) any information that is required to be disclosed by Limited Commerce and the WCAS Investors under compulsion of law.

SECTION 4.6 NON-SOLICITATION. For so long as Limited Commerce and its Permitted Transferees (taken as a group) own at least 5% of the outstanding Common Stock, none of the WCAS Investor or any Affiliate of any WCAS Investor shall, without the prior written approval of Limited Commerce, directly or indirectly solicit any Person who is an employee of the Issuer or any Affiliate of the Issuer at any time on or after the date of this Agreement to terminate his or her relationship with the Issuer or any Affiliate of the Issuer; PROVIDED that the foregoing shall not apply to persons hired as a result of the use of an independent employment agency (so long as the agency was not directed to solicit such person) or as a result of the use of a general solicitation (such as an advertisement) not specifically directed to employees of the Issuer or any Affiliate of the Issuer; PROVIDED, FURTHER, that the provisions of this Section 4.6 (i) shall not apply to the activities of officers or employees of companies in which any WCAS Investor has invested in the ordinary course of business and (ii) shall not prohibit any WCAS Investor from assisting any such officer or employee in evaluating the qualifications of any employee contacted without the intervention of such WCAS Investor.

SECTION 4.7 PROTECTION OF THE BUSINESS; INVESTMENT OPPORTUNITIES. (a) WCAS VII hereby covenants and agrees that neither WCAS VII nor any Affiliate of WCAS VII shall, directly or indirectly, invest in any Processing Business other than the Issuer; PROVIDED that this Section 4.7(a) shall not (i) apply to investments by WCAS VII or any of its Affiliates in securities of another entity which constitute, in the aggregate, less than 5% of the outstanding shares of such entity entitled to vote generally in the election of directors or similar persons, (ii) apply to any Transferee of WCAS VII where the relevant Transfer is effected in accordance with the terms of this Agreement, (iii) prohibit WCAS VII or any Affiliate of WCAS VII from investing in any Person engaged in the Processing Business where such Processing Business is ancillary to another existing business of such WCAS Investor or any such Affiliate, as the case maybe, and constitutes less than 10% of the total gross revenues of such business and (iv) prohibit WCAS VII or any Affiliates of WCAS VII from investing in any Person engaged in the Processing Business where Limited Commerce has blocked the acquisition of such Processing Business by the Issuer or any Subsidiary of the Issuer in accordance with the exercise of Limited Commerce's rights under Section 4.3(a).

(b) WCAS VII agrees to present to the Issuer Board investment opportunities in the Processing Business or any Related Business that come to the attention of WCAS VII or any Affiliate of WCAS VII for the purpose of allowing the Issuer Board to consider pursuing those opportunities it considers appropriate.

(c) Notwithstanding any provisions of this Section 4.7 to the contrary, the provisions of this Section 4.7(i) shall not restrict the investment activities of any Existing Portfolio Company and (ii) shall not apply to investment opportunities in the healthcare industry. For purposes of the foregoing, an "Existing Portfolio Company" shall mean any Person in which WCAS VII or any other investment fund managed by Welsh, Carson, Anderson & Stowe or any of its Affiliates shall have made an investment on or prior to the date hereof in the ordinary course of such fund's business.

(d) Unless earlier terminated in accordance with the terms hereof, the provisions of this Section 4.7 shall terminate on the earliest to occur of (i) the date on which Limited Commerce and its Permitted Transferees shall own less than 5% of the Common Stock outstanding, (ii) the date on which Limited Commerce shall have sold to Persons other than Permitted Transferees at least 50% of the shares of Common Stock owned by it as of the date hereof and (iii) the fourth anniversary of the Closing Date.

SECTION 4.8 CAPITAL COMMITMENTS. The WCAS Investors and their Permitted Transferees (as a group) and Limited Commerce and its Permitted Transferees (as a group) shall be obligated, upon not less than 15 days' written notice from the Issuer, to contribute an amount in cash equal to its or their Remaining Capital Commitment to fund any acquisition approved by the Issuer Board. For purposes of this Section 4.8, the term "Remaining Capital Commitment" shall mean (i) in the case of the WCAS Investors and their Permitted Transferees (as a group), an amount equal to $75 million MINUS all amounts theretofore contributed to the Issuer pursuant to this Section 4.8 and (ii) in the case of Limited Commerce and its Permitted Transferees, $50 million MINUS all amounts theretofore contributed to the Issuer pursuant to this Section 4.8. It is hereby acknowledged and agreed that, as of the date of this Agreement, the WCAS Investors have heretofore contributed an aggregate $_____ to the Issuer pursuant to this Section 4.8, and Limited Commerce has heretofore contributed an aggregate $_____ to the Issuer pursuant to this Section 4.8. It is further acknowledged and agreed that, for purposes of calculating the Remaining Capital Commitment of any person or entity under this Section 4.8, (i) any amounts actually contributed pursuant to Section 1.04 of the 1996 Securities Purchase Agreement shall be deemed to constitute contribu-

tions pursuant to this Section 4.8 and (ii) until such time as the final amount of any contribution pursuant to such Section 1.04 of the 1996 Securities Purchase Agreement is determined, the maximum amounts that may be required to be contributed by such person or entity pursuant to said Section 1.04 shall be deemed to have heretofore been contributed to the Issuer pursuant to this Section 4.8. Unless earlier terminated in accordance with the terms hereof, the provisions of this Section 4.8 shall terminate on January 31, 1998.

SECTION 4.9 TERMINATION. Unless earlier terminated in accordance with the terms hereof, the provisions of Article IV shall terminate and be of no further force or effect upon the consummation of a Qualified Public Offering.

ARTICLE V

MISCELLANEOUS

SECTION 5.1 HEADINGS. The headings in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any provisions hereof.

SECTION 5.2 NO INCONSISTENT AGREEMENTS. The Issuer is not a party to and will not hereafter enter into any agreement with respect to its securities which is inconsistent with, or otherwise grant rights superior to, the rights granted to Limited Commerce under this Agreement. Each of the Issuer, Limited Commerce and the WCAS Investors represents that it is not and agrees that it will not become a party to any other agreement relating to the voting of Voting Securities.

SECTION 5.3 ENTIRE AGREEMENT; AMENDMENTS; NO WAIVERS. (a) This Amended and Restated Stockholders Agreement contains the entire agreement among the parties hereto with respect to the subject matter hereof and supersedes (i) the Original Agreement, (ii) the Registration Rights Agreement dated as of January 24, 1996 among BSH, the WCAS Investors party thereto and JCP Telecom Systems, Inc. and (iii) all other prior written agreements and negotiations and oral understandings, if any, with respect to such subject matter. This Agreement may be amended but only in a writing signed by the Issuer, the WCAS Investors and Limited Commerce. Any provision hereof may be waived but only in a writing signed by the party against which such waiver is sought to be enforced.

(b) No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude

any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 5.4 NOTICES. Any notice, request, instruction or other document to be given hereunder by any party hereto to another party hereto shall be in writing (including telecopier or similar writing) and shall be given to such party at its address, or telecopier number set forth on its signature page or, in the case of a Transfer, to the address, or telecopier number of the party executing the written agreement pursuant to Sections 2.1 hereof, or to such other address as the party to whom notice is to be given may provide in a written notice to the party giving such notice, a copy of which written notice shall be on file with the Secretary of the Issuer. Each such notice, request or other communication shall be effective (i) if given by telecopy, which such telecopy is transmitted to the telex or telecopy number specified in its signature page and the appropriate answerback or confirmation, as the case may be, is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section 5.4.

SECTION 5.5 APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of law principles.

SECTION 5.6 SEVERABILITY. The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

SECTION 5.7 SUCCESSORS, ASSIGNS, TRANSFEREES. (a) The provisions of this Agreement shall be binding upon and accrue to the benefit of the parties hereto and their respective heirs, successors and permitted assigns. Neither this Agreement nor any provision hereof shall be construed so as to confer any right or benefit upon any Person other than the parties to this Agreement and their respective successors and permitted assigns.

(b) This Agreement shall not be assignable or otherwise transferable by any party hereto, except that any Person acquiring shares of Common Stock who is required by the terms of this Agreement to become a party hereto shall execute and deliver

to the Issuer an agreement to be bound (substantially in the form of Exhibit A) by this Agreement and shall thenceforth be a "Holder", and any Holder who ceases to beneficially own any Shares shall cease to be bound by the terms hereof (other than Sections 3.6, 3.7, 3.8 and 3.9 and the confidentiality obligations set forth in Section 4.4.

SECTION 5.8 COUNTERPARTS; EFFECTIVENESS. This Agreement may be executed 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. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other parties hereto and the closings under both the 1996 Securities Purchase Agreement and the Merger Agreement shall have occurred (the "Effective Date").

SECTION 5.9 FEES AND EXPENSES. Except as otherwise set forth in the WFN Stock Purchase Agreement, the 1996 Securities Purchase Agreement and the Merger Agreement, all fees and expenses incurred by any party hereto in connection with the preparation of this Agreement and the transactions contemplated hereby and all matters related thereto shall be borne by the party incurring such fees or expenses.

SECTION 5.10 RECAPITALIZATION, ETC. If any capital stock or other securities are issued in respect of, or in exchange or substitution for, any Common Stock by reason of any reorganization, recapitalization, reclassification, merger, consolidation, spin-off, partial or complete liquidation, stock dividend, split-up, sale of assets, distribution to stockholders or combination of the Common Stock or any other change in capital structure of the Issuer, appropriate adjustments shall be made with respect to the relevant provisions of this Agreement so as to fairly and equitably preserve, as far as practicable, the original rights and obligations of the parties hereto under this Agreement.

SECTION 5.11 REMEDIES. The parties hereby acknowledge that money damages would not be adequate compensation for the damages that a party would suffer by reason of a failure of any other party to perform any of the obligations under this Agreement. Therefore, each party hereto agrees that specific performance is the only appropriate remedy under this Agreement and hereby waives the claim or defense that any other party has an adequate remedy at law.

SECTION 5.12. JURISDICTION. Any suit, action or proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, any of the Transaction Documents may be brought against any of the parties in the

United States District Court for the Southern District of New York or any state court sitting in The City of New York, Borough of Manhattan, and each of the parties hereby consents to the exclusive jurisdiction of such court (and of the appropriate appellate courts) in any such suit, action or proceeding and waives any obligation to venue laid therein. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the State of New York. Without limiting the foregoing, the parties agree that service of process upon such party at the address referred to in Section 5.4, together with written notice of such service of such party, shall be deemed effective service of process upon such party.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

WORLD FINANCIAL NETWORK HOLDING CORPORATION

By /s/ Ralph E. Spurgin

Title:

LIMITED COMMERCE CORP.

By

Title:

WELSH, CARSON, ANDERSON & STOWE VII, L.P.
By: WCAS VII Partners, L.P.,
General Partner

By

Title: General Partner

WELSH, CARSON, ANDERSON & STOWE VI, L.P.
By: WCAS VI Partners, L.P.,
General Partner

By

Title: General Partner

WCAS INFORMATION PARTNERS, L.P.
By: WCAS INFO Partners,
General Partner

By

Title: General Partner

WCAS CAPITAL PARTNERS II, L.P.
By: WCAS CP II Partners,
General Partner

By

Title: General Partner

WCA MANAGEMENT CORPORATION

By

Title:

Patrick J. Welsh

Russell L. Carson

Bruce K. Anderson

Richard H. Stowe

Andrew M. Paul

Thomas E. McInerney

Laura VanBuren

James B. Hoover

Robert A. Minicucci

Anthony J. deNicola

David Bellet

WELSH, CARSON, ANDERSON & STOWE VI, L.P.

WCAS CAPITAL PARTNERS II, L.P.

WCAS INFORMATION PARTNERS, L.P.

WCA MANAGEMENT CORPORATION

Patrick J. Welsh

Russell L. Carson

Bruce K. Anderson

Richard H. Stowe

Andrew M. Paul

Thomas E. McInerney

Laura M. VanBuren

James B. Hoover

Robert E. Minicucci

Anthony J. deNicola

David Bellet

EXHIBIT A

FORM OF AGREEMENT TO BE BOUND

[DATE]

To the Parties to the
Stockholders Agreement
dated as of _____ __, 1996

Dear Sirs:

Reference is made to the Amended and Restated Stockholders Agreement dated as of _____ __, 1996 (the "Stockholders Agreement"), by and among WFN Holdings, Inc. (the "Issuer"), Limited Commerce, Inc. ("Limited Commerce"), Welsh, Carson, Anderson & Stowe VII, L.P. ("WCAS VII") and the several investors named in Annex I of the Stockholders Agreement (collectively with WCAS VII, the "WCAS Investors"). Capitalized terms not defined herein have the meanings assigned to them in the Stockholders Agreement.

In consideration of the covenants and agreements contained in the Stockholders Agreement and the transfer of the common stock, par value $.01 per share, of the Issuer (the "Common Stock") to the undersigned by [Transferor], the undersigned hereby confirms and agrees to be bound by all of the provisions thereof.

[The undersigned acknowledges that it is a condition to an effective pledge of the Common Stock under the Stockholders Agreement that the pledgee agree, and the undersigned hereby confirms and agrees, that upon foreclosure of such pledge, the undersigned will take the Common Stock subject to all of the restrictions applicable to the transferor under the Stockholders Agreement.] *

- ----------
* Include in the case of a pledge.

AMENDMENT TO AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

AMENDMENT, dated July 24, 1998, to AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, dated as of August 30, 1996 (the "Original Agreement"), among Alliance Data Systems Corporation (known in the Original Agreement as World Financial Network Holding Corporation) (the "Issuer"), Limited Commerce Corp. ("Limited Commerce"), Welsh, Carson, Anderson & Stowe VII, L.P. ("WCAS VII"), Welsh, Carson, Anderson & Stowe VIII, L.P. ("WCAS VIII") and the several investors named on Annex I hereto (collectively with WCAS VII and WCAS VIII, the "WCAS Investors"), certain of whom were also parties to the Original Agreement (sometimes referred to herein collectively with WCAS VII as the "Original WCAS Investors")

WHEREAS, the Original Agreement was entered into by the Issuer, Limited Commerce and the Original WCAS Investors except for WCAS VIII (the "Original Investors");

WHEREAS, the Issuer, WCAS VII, WCAS VIII and the remaining WCAS Investors have entered into a Common Stock Purchase Agreement dated as of the date hereof (the "Purchase Agreement"), whereby the WCAS Investors have agreed to purchase an aggregate 90,909,091 shares of Common Stock (the "Shares"), par value $.01 per share, of the Issuer;

WHEREAS, the Issuer and the Original Investors desire to amend the Original Agreement to include the Shares in such agreement;

WHEREAS, each of WCAS VII and WCAS VIII, pursuant to their respective partnership agreements, has agreed to use its reasonable best efforts to conduct its affairs and activities in such a manner so that it will qualify as a "venture capital operating company" within the meaning of the United States Department of Labor's "plan asset" regulations (29 C.F.R Section 2510.3-101) and the rules and regulations of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and in connection with said qualification, each of WCAS VII and WCAS VIII desires to obtain directly such management rights (which may be exercised by WCAS VII or WCAS VIII, as the case may be, solely for its own benefit and own account) as are sufficient to permit each of WCAS VII and WCAS VIII to qualify as a "venture capital operating company" with respect to its investment in the Issuer; and

WHEREAS, the parties hereto desire to provide such management rights to WCAS VII and WCAS VIII;

NOW THEREFORE, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Original Agreement.

SECTION 2. THE SHARES. The Shares to be purchased by WCAS VII and WCAS VIII pursuant to the Stock Purchase Agreement shall for all purposes be deemed "Common Stock" and "Registrable Securities" under the Original Agreement.

SECTION 3. AMENDMENT OF SECTION 4.1 OF THE ORIGINAL AGREEMENT. Section 4.1 of the Original Agreement is hereby amended in its entirety to read as follows:

"SECTION 4.1 COMPOSITION OF THE BOARD. (a) The Issuer Board shall consist of five members. WCAS VII shall be entitled, but not required, to designate two members of the Issuer Board, WCAS VIII shall be entitled, but not required, to designate one member of the Issuer Board, and Limited Commerce shall be entitled, but not required, to designate two members of the Issuer Board. The right to designate a member or members of the Issuer Board shall belong solely to, and shall be exercised exclusively by, the respective Holder to whom such right has been granted herein for its own benefit and account. Each Holder entitled to vote for the election of directors to the Board agrees that it will vote all of its Voting Securities or execute consents, as the case may be, and take all other necessary action (including causing the Issuer to call a special meeting of stockholders) in order to ensure that the composition of the Board is as set forth in this Section 4.1(a). Notwithstanding the foregoing, if, pursuant to the terms of the Issuer's 6 1/4% Redeemable Exchangeable Preferred Stock (the "Preferred Stock"), the holders thereof are entitled to elect one member of the Issuer Board, WCAS VII shall be entitled, but not required, to expand the size of the Issuer Board to seven members (including the member elected by the holders of the Preferred Stock) and designate one additional member of the Issuer Board. The term of the additional member of the Issuer Board designated by WCAS VII pursuant to the immediately preceding sentence shall expire simultaneously with the expiration of the

term of the member of the Issuer Board designated by the holders of the Preferred Stock, and the Issuer Board shall thereupon consist of five members as contemplated by the first two sentences of this Section 4.1(a); PROVIDED that the right of WCAS VII to enlarge the Issuer Board and to designate one additional member shall be reinstated in accordance with, and subject to the provisions of this Section 4.1(a), at any subsequent time at which the holders of the Preferred Stock are entitled to elect one member of the Issuer Board.

"(b) Each director designated pursuant to Section 4.1(a) shall have the right to serve as a member of any and all committees of the Issuer Board. The appointment and removal of a designated director shall be by written notice from the designating stockholder to the Issuer, and shall take effect upon the delivery of written notice thereof at the Issuer's principal office or at any meeting of the Issuer Board.

"(c) Each of WCAS VII and WCAS VIII shall have the right to appoint a representative to attend as an observer (i) each and every meeting of the Issuer Board and each subsidiary thereof and (ii) each and every meeting of any committee of any such board. The appointment and removal of such representatives shall be by written notice from WCAS VII or WCAS VIII, as the case may be, to the Issuer and shall take effect upon the delivery of written notice thereof to the Issuer at its principal office or at any meeting of the Issuer Board.

"(d) In addition to the rights et forth in Section 4.5 hereto, each of WCAS VII and WCAS VIII shall have the right to receive, within a reasonable time after its written request therefor, any information relating to the Issuer or any subsidiary thereof as WCAS VII or WCAS VIII in its respective sole discretion reasonably deems appropriate, including without limitation: (i) financial information and statements, including balance sheets and profit and loss and cash flow statements of the Issuer and its subsidiaries; (ii) on an annual basis or, if so requested, more frequently, budgets and cash flow forecasts and projections of the Issuer and its subsidiaries; and (iii) such additional financial or other information as WCAS VII or WCAS VIII may reasonably request. Each of WCAS VII and WCAS VIII shall be entitled, at all reasonable times, to have

access to the premises, books and records of the Issuer and its subsidiaries.

"(e) Each of WCAS VII and WCAS VIII shall have the right to meet on a regular basis with the management personnel of the Issuer and its subsidiaries from time to time and upon reasonable notice for the purpose of consulting with, rendering advice, recommendations and assistance to, and influencing, the management of such companies or obtaining information regarding them or their operations, activities and prospects, and expressing its views thereon.

"(f) If United States ERISA counsel for either WCAS VII or WCAS VIII reasonably concludes that the rights granted to WCAS VII or WCAS VIII, as the case may be, in this agreement should be altered in order to preserve the qualification of WCAS VII or WCAS VIII as a "venture capital operating company," or otherwise to ensure that the assets of WCAS VII or WCAS VIII are not considered "plan assets" for purposes of ERISA, the Issuer agrees (and each other party hereto likewise agrees) to amend this agreement to effect any such alteration, PROVIDED that no such alteration would have a material adverse effect on the business operations or prospects of the Issuer and its subsidiaries taken as a whole.

"(g) The Issuer shall use all reasonable efforts to take such further action as may be necessary or advisable in order to give full effect to the rights being granted hereunder to WCAS VII and WCAS VIII.

"(h) Each Holder and the Issuer agrees that if, at any time, it is entitled to vote for the removal of directors of the Issuer, it will not vote any of its Voting Securities in favor of the removal of any director who shall have been designated or nominated pursuant to Section 4.1(a) unless such removal shall be for Cause or the Person entitled to designate or nominate such director shall have consented to such removal in writing. Removal for "Cause" shall mean removal of a director because of such director's (a) willful and continued failure to substantially perform his or her duties with the Issuer in his or her established position, (b) willful conduct which is significantly injurious to the Issuer, monetarily or

otherwise, or (c) conviction for, or a guilty plea to, a felony.

"(i) If, as a result of death, disability, retirement, resignation, removal (with or without Cause) or otherwise, there shall exist or occur any vacancy on the Issuer Board:

(i) the Person entitled under Section 4.1(a) to designate or nominate such director whose death, disability, retirement, resignation or removal resulted in such vacancy may designate another individual (the "Nominee") to fill such capacity and serve as a director of the Issuer; and

(ii) each Holder then entitled to vote for the election of the Nominee as a director of the Issuer agrees that it will vote all of its Voting Securities, or execute a written consent, as the case may be, in order to ensure that the Nominee be elected to the Issuer Board."

SECTION 4. APPLICABLE LAW. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of law principles.

SECTION 5. ORIGINAL AGREEMENT. Except as amended or modified pursuant to this Amendment, the terms of the Original Agreement shall remain in full force and effect.

SECTION 6. SEVERABILITY. The invalidity or unenforceability of any provisions of this Amendment in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Amendment in such jurisdiction or the validity, legality or enforceability of this Amendment, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

SECTION 7. COUNTERPARTS; EFFECTIVENESS. This Amendment may be executed in any number of counterparts, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By /s/ Robert A. Minicucci

Title:

WELSH, CARSON, ANDERSON & STOWE VIII, L.P.
By: WCAS VIII Partners, L.P.,
General Partner

By /s/ Anthony J. deNicola

Title: General Partner

WELSH, CARSON, ANDERSON & STOWE VII, L.P.
By: WCAS VII Partners, L.P.,
General Partner

By /s/ Anthony J. deNicola

Title: General Partner

WELSH, CARSON, ANDERSON & STOWE VI, L.P.
By: WCAS VI Partners, L.P.,
General Partner

By /s/ Anthony J. deNicola

Title: General Partner

WCAS INFORMATION PARTNERS, L.P.
By: WCAS INFO Partners,
General Partner

By /s/ [Illegible]

Title: General Partner

WCAS CAPITAL PARTNERS II, L.P.
By: WCAS CP II Partners,
General Partner

BY /s/ Anthony J. deNicola

Title: General Partner

/s/ Patrick J. Welsh

Patrick J. Welsh

/s/ Russell L. Carson

Russell L. Carson

/s/ Bruce K. Anderson

Bruce K. Anderson

/s/ Richard H. Stowe

Richard H. Stowe

/s/ Andrew M. Paul

Andrew M. Paul

/s/ Thomas E. McInerney

Thomas E. McInerney

/s/ Laura VanBuren

Laura VanBuren

/s/ James B. Hoover

James B. Hoover

/s/ Robert A. Minicucci

Robert A. Minicucci

/s/ Anthony J. deNicola

Anthony J. deNicola

/s/ David Bellet

David Bellet

/s/ Paul B. Queally

Paul B. Queally

LIMITED COMMERCE CORP.

By

Title:

/s/ Lawrence Sorrel

Lawrence Sorrel

/s/ Priscilla Newman

Priscilla Newman

/s/ Rudolph Rupert

Rudolph Rupert

/s/ D. Scott Mackesy

D. Scott Mackesy

WAIVER AND CONSENT

The undersigned, parties to that certain Amended and Restated Stockholders Agreement, dated as of August 30, 1996 (the "Agreement"), among Alliance Data Systems Corporation, then known as World Financial Network Holding Corporation (the "Company"), Limited Commerce Corp. ("Limited"), Welsh, Carson, Anderson & Stowe VII, L.P. ("WCAS VII") and the Several Other WCAS Investors Named in Annex I Thereto, do hereby waive certain rights granted to them in Section 2.6 of the Agreement as such rights relate to the transactions contemplated by that certain Securities Purchase Agreement for the purchase of (i) an aggregate of 5,900,000 shares of the Company's Common Stock and (ii) the Company's 10% Subordinated Note in the principal amount of $52,000,000 by WCAS Capital Partners III, L.P.

Dated: September , 1998

LIMITED COMMERCE CORP.

By: /s/ [ILLEGIBLE]

Title:

AMENDMENT TO AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

AMENDMENT TO AMENDED AND RESTATED STOCKHOLDERS AGREEMENT dated as of August 31, 1998 (the "Amendment"), amending the Amended and Restated Stockholders Agreement dated as of August 30, 1996, as amended (as so amended, the "Original Agreement"), among Alliance Data Systems Corporation (known in the Original Agreement as World Financial Network Holding Corporation) (the "Issuer"), Limited Commerce Corp. ("Limited Commerce"), WCAS Capital Partners II, L.P. ("WCAS CP II"), Welsh, Carson, Anderson & Stowe VII, L.P. ("WCAS VII"), and the several other investors named as parties thereto (collectively with Limited Commerce, WCAS CP II and WCAS VII, the "Investors"), certain of whom were also parties to the Original Agreement.

WHEREAS, the Issuer, Limited Commerce, WCAS CP II and WCAS VII have entered into an Amendment to Securities Purchase Agreement dated as of the date hereof (the "Amendment to Securities Agreement") pursuant to which, among other things, the Issuer has agreed to issue and deliver to WCAS CP II and Limited Commerce an aggregate 454,545 shares of Common Stock (the "Common Shares"), par value $.01 per share, of the Issuer in consideration of the agreement by WCAS CP II and Limited Commerce to change the maturity of the 10% Subordinated Notes due January 24, 2002 of the Company held by WCAS CP II and Limited Commerce Corp. from January 24, 2002 to October 25, 2005; and

WHEREAS, the Issuer and the Investors desire to amend the Original Agreement to include the Common Shares in such agreement;

NOW THEREFORE, the parties hereto agree as follows:

SECTION 1. AMENDMENT TO ORIGINAL AGREEMENT. The Common Shares to be acquired by WCAS CP II and Limited Commerce pursuant to the Amendment to Securities Agreement shall for all purposes be deemed "Common Stock" and "Registrable Securities" under the Original Agreement.

SECTION 2. CONSENT. Each of the Investors hereby consents to the issuance of the Common Shares to WCAS CP II and Limited Commerce and hereby waives any preemptive right or other right it may have to purchase, participate in or otherwise acquire any such shares of Common Stock.

SECTION 3. APPLICABLE LAW. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of law principles.

SECTION 4. ORIGINAL AGREEMENT. Except as amended or modified pursuant to this Amendment, the terms of the Original Agreement shall remain in full force and effect.

SECTION 5. SEVERABILITY. The invalidity or unenforceability of any provisions of this Amendment in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Amendment in such jurisdiction or the validity, legality or enforceability of this Amendment, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

SECTION 6. COUNTERPARTS: EFFECTIVENESS. This Amendment may be executed in any number of counterparts, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By /s/ [ILLEGIBLE]

LIMITED COMMERCE CORP.

By /s/ [ILLEGIBLE]

WELSH, CARSON, ANDERSON & STOWE VIII, L.P.
By WCAS VIII Associates LLC,
General Partner

By /s/ Laura VanBuren

General Partner

WELSH, CARSON, ANDERSON & STOWE VII, L.P.
By WCAS VII Partners, L.P.,
General Partner

By /s/ Laura VanBuren

General Partner

WELSH, CARSON, ANDERSON & STOWE VI, L.P.
By WCAS VI Partners, L.P.,
General Partner

By /s/ Laura VanBuren

General Partner

WCAS CAPITAL PARTNERS II, L.P.
By WCAS CP II Partners, General Partner

By /s/ Laura VanBuren

General Partner

WCAS INFORMATION PARTNERS, L.P.
By: WCAS INFO Partners, General Partner

By /s/ Laura VanBuren

General Partner
Attorney-in-Fact

PATRICK J. WELSH
RUSSELL L. CARSON
BRUCE K. ANDERSON
RICHARD H. STOWE
ANDREW M. PAUL
THOMAS E. MCINERNEY
JAMES B. HOOVER

By /s/ Laura VanBuren

Laura VanBuren, Attorney-in-Fact

/s/ Laura VanBuren

Laura VanBuren

/s/ Robert A. Minicucci

Robert A. Minicucci

/s/ Anthony J. deNicola

Anthony J. deNicola

/s/ David Bellet

David Bellet

/s/ Paul B. Queally

Paul B. Queally

/s/ Lawrence Sorrel

Lawrence Sorrel

/s/ Priscilla Newman

Priscilla Newman

/s/ Rudolph Rupert

Rudolph Rupert

/s/ D. Scott Mackesy

D. Scott Mackesy

AMENDMENT TO AMENDED AND
RESTATED STOCKHOLDERS AGREEMENT

AMENDMENT TO AMENDED AND RESTATED STOCKHOLDERS AGREEMENT dated as of JULY 12, 1999 (this "Amendment"), amending the Amended and Restated Stockholders Agreement, dated as of August 30, 1996 and amended as of July 24, 1998 and further amended as of August 31, 1998 (as so amended, the "Original Agreement"), among Alliance Data Systems Corporation (known in the Original Agreement as World Financial Network Holding Corporation), a Delaware corporation (the "Issuer"), Limited Commerce Corp., a Delaware corporation, WCAS Capital Partners II, L.P., a Delaware limited partnership, Welsh, Carson, Anderson & Stowe VI, L.P., a Delaware limited partnership, Welsh, Carson, Anderson & Stowe VII, L.P., a Delaware limited partnership, Welsh, Carson, Anderson & Stowe VIII, L.P., a Delaware limited partnership ("WCAS VIII"), WCAS Information Partners, L.P., a Delaware limited partnership ("WCAS IP"), and the several other investors party thereto (collectively, the "Investors").

WHEREAS, the Issuer, WCAS VIII, WCAS IP and the other purchasers named on Schedule I thereto (together with WCAS VIII and WCAS IP, the "Purchasers") have entered into a Preferred Stock Purchase Agreement, dated as of July 12, 1999, pursuant to which, among other things, the Issuer has agreed to issue and deliver to the Purchasers an aggregate 120,000 shares of its Series A Cumulative Convertible Preferred Stock, par value $.01 per share (the "Preferred Shares"), which are initially convertible into shares of Common Stock, par value $.01 per share, of the Issuer ("Common Stock); and

WHEREAS, the Issuer and the Investors desire to amend the Original Agreement to set forth certain restrictions upon the transfer of the Preferred Shares, include the shares of Common Stock from time to time issuable upon conversion of the Preferred Shares in such agreement and join each of the Purchasers who are not already party to such agreement as parties thereto.

NOW THEREFORE, the parties hereto agree as follows:

SECTION 1. AMENDMENTS TO ORIGINAL AGREEMENT. (a) All shares of Common Stock from time to time issued upon conversion of the Preferred Shares shall for all purposes be deemed "Common Stock" and "Registrable Securities" under the Original Agreement.

(b) The definition of Permitted Transferee contained in the Original Agreement is hereby amended to include on Annex I thereof each of the Purchasers (to the extent not already

included on said Annex).

SECTION 2. CONSENTS. Each of the Investors hereby consents to (i) the issuance of the Preferred Shares (and the shares of Common Stock issuable upon conversion thereof) and hereby waives any preemptive right or other right it may have to purchase, participate in or otherwise acquire any such shares and (ii) the amendment and restatement of the Certificate of Incorporation of the Issuer in the form attached hereto as Annex A.

SECTION 3. RESTRICTIONS ON TRANSFER. (a) Each Purchaser signatory hereto agrees to be bound, with respect to the transfer of his, her or its Preferred Shares, by the transfer restrictions set forth in Sections 2.1(a), 2.1(b)(ii), 2.1(c)(ii), 2.1(f), 2.3, 2.5 and 2.7 of the Original Agreement (in each case substituting the words "Series A Cumulative Convertible Preferred Stock of the Issuer" for references to "Common Stock" appearing in said sections).

(b) For so long as the Preferred Shares continue to be subject to the transfer restrictions set forth in (a) above, each certificate evidencing Preferred Shares shall include a legend substantially in the following form:

> "THE SHARES REPRESENTED BY THIS SECURITY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS AND MAY NOT BE OFFERED OR SOLD EXCEPT IN COMPLIANCE THEREWITH. THE SHARES REPRESENTED BY THIS SECURITY ARE SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER AS SET FORTH IN THE AMENDMENT, DATED AS OF JULY 12, 1999, TO THE AMENDED AND RESTATED STOCKHOLDERS AGREEMENT DATED AS OF AUGUST 30, 1996, A COPY OF WHICH MAY BE OBTAINED FROM ALLIANCE DATA SYSTEMS CORPORATION."

SECTION 4. APPLICABLE LAW. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of law principles.

SECTION 5. ORIGINAL AGREEMENT. Except as amended or modified pursuant to this Amendment, the terms of the Original Agreement shall remain in full force and effect.

SECTION 6. SEVERABILITY. The invalidity or unenforceability of any provisions of this Amendment in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Amendment in such jurisdiction or the validity, legality or enforceability of this Amendment, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

SECTION 7. COUNTERPARTS; EFFECTIVENESS. This Amendment may be executed 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.

[signature pages follow]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By [Illegible]

LIMITED COMMERCE CORP.

By [Illegible]

WELSH, CARSON, ANDERSON & STOWE VIII, L.P.
By WCAS VIII Associates LLC,
General Partner

By /s/ Robert A. Minicucci

Managing Member

WELSH, CARSON, ANDERSON & STOWE VII, L.P.
By WCAS VII Partners, L.P., General Partner

By /s/ Robert A. Minicucci

General Partner

WELSH, CARSON, ANDERSON & STOWE VI, L.P.
By WCAS VI Partners, L.P., General Partner

By /s/ Robert A. Minicucci

General Partner

WCAS CAPITAL PARTNERS III, L.P.
By WCAS CP III Associates, L.L.C.,
General Partner

By /s/ Robert A. Minicucci

General Partner

WCAS CAPITAL PARTNERS III, L.P.
By WCAS CP II Associates, L.L.C.,
General Partner

By /s/ Robert A. Minicucci

General Partner

WCAS INFORMATION PARTNERS, L.P.
By: WCAS INFO Partners,
General Partner

By /s/ Thomas E. McInerney

General Partner

SECURITIES PURCHASE AGREEMENT

among

BUSINESS SERVICES HOLDINGS, INC.

and

THE SEVERAL PURCHASERS NAMED
IN SCHEDULE I AND SCHEDULE II HERETO

Dated as of January 24, 1996

- ---

TABLE OF CONTENTS

INDEX TO EXHIBITS AND SCHEDULES

SECURITIES PURCHASE AGREEMENT, dated as of January 24, 1996, among BUSINESS SERVICES HOLDINGS, INC., a Delaware corporation (the "Company"), the several purchasers named in Schedule I hereto (such purchasers being sometimes hereinafter called individually a "Schedule I Purchaser" and collectively the "Schedule I Purchasers") and the purchaser named in Schedule II hereto (such purchaser being sometimes hereinafter called the "Schedule II Purchaser" and, collectively, with the Schedule I Purchasers, the "Purchasers")

WHEREAS pursuant to an Acquisition Agreement (the "Acquisition Agreement") dated as of January 12, 1996 between the Company and JCP Telecom Systems, Inc., a Delaware corporation ("Seller"), the Company has agreed to buy, and Seller has agreed to sell to the Company, on the terms and subject to the conditions set forth therein, all the issued and outstanding capital stock of J.C. Penney Business Services, Inc., a Delaware corporation, consisting of 10 shares of Common Stock, $1.00 par value; and

WHEREAS in order to finance the transactions contemplated by the Acquisition Agreement, the Company wishes (i) to issue and sell on the First Closing Date (as hereinafter defined) (x) to the Schedule I Purchasers, severally, an aggregate 24,999,000 shares of Common Stock, $.01 par value ("Common Stock"), of the Company and an aggregate 250,000 shares of Preferred Stock, $1.00 par value ("Preferred Stock"), of the Company, and (y) to the Schedule II Purchaser, an aggregate 3,571,429 shares of Common Stock and $50,000,000 aggregate principal amount of the Company's 10% Subordinated Notes Due January 24, 2002, and (ii) to issue and sell to the Schedule I Purchasers, severally, on one or more Subsequent Closing bates (as hereinafter defined), subject to the terms and conditions bet forth in Sections 1.03 and 1.04 hereof, up to an aggregate 23,270,000 shares of Common Stock and up to an aggregate 232,700 shares of Preferred Stock; and

WHEREAS the Purchasers, severally, wish to purchase said Note and shares of Common Stock and Preferred Stock being purchased by them hereunder, all on the terms and subject to the conditions hereinafter set forth;

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

I.

PURCHASE AND SALE OF SECURITIES

SECTION 1.01 ISSUANCE, SALE AND DELIVERY OF THE INITIAL COMMON SHARES AND THE INITIAL PREFERRED SHARES AND EXECUTION, SALE AND DELIVERY OF THE NOTE.

(a) Subject to the terms and conditions set forth herein, on the First Closing Date (i) the Company shall issue, sell and deliver to each Schedule I Purchaser, and each Schedule I Purchaser shall purchase from the Company, (x) the number of shares of Common Stock set forth opposite the name of such Schedule I Purchaser on Schedule I hereto under the caption "Common Shares" (such shares of Common Stock, collectively with the shares of Common Stock referred to in paragraph (b) below, being hereinafter sometimes referred to as the "Initial Common Shares"), and (y) the number of shares of Preferred Stock set forth opposite the name of such Schedule I Purchaser on said Schedule I under the caption "Preferred Shares" (the "initial Preferred Shares" and, collectively with the Initial Common Shares, being hereinafter sometimes referred to as the "Initial Shares"). The Company shall issue certificates in definitive form, registered in the name of each Schedule I Purchaser, evidencing the Initial Common Shares and the Initial Preferred Shares being purchased by such Schedule I Purchasers hereunder.

(b) Subject to the terms and conditions set forth herein, on the First Closing Date (i) the Company shall issue, sell and deliver to the Schedule II Purchaser, and the Schedule II Purchaser shall purchase from the Company, the number of shares of Common Stock set forth opposite the name of such Schedule II Purchaser on Schedule II hereto under the caption "Common Shares", and (ii) the Company shall execute, sell and deliver to the Schedule II Purchaser, and the Schedule Il Purchaser shall purchase from the Company, a 10% senior Subordinated Note Due January 24, 2002 of the Company, substantially in the form of Exhibit A hereto, dated the First Closing Date, in principal amount equal to the amount set forth opposite the name of such Schedule II Purchaser on said Schedule II under the caption "Principal Amount of Subordinated Note" (such note, and any note or notes issued in exchange or substitution therefor, being hereinafter called the "Note"). The Company shall issue a certificate or Certificates in definitive form, registered in the name of the Schedule II Purchaser, evidencing the Initial Common Shares being purchased by it hereunder.

(c) As payment in full for the Initial Shares and the Note being purchased by each Purchaser hereunder, and against delivery thereof as aforesaid, on the First Closing Date each

Purchaser shall pay to the Company, by wire transfer of immediately available funds to an account designated by the Company, the amounts set forth opposite the name of such Purchaser (i) on Schedule I hereto under the captions "Purchase Price of Common Shares" and "Purchase Price of Preferred Shares", respectively, and (ii) on Schedule II hereto under the captions "Purchase Price of Common Shares" and "Purchase Price of Subordinated Note", respectively.

SECTION 1.02 ADDITIONAL AGREEMENT. On the First Closing Date, simultaneously with the execution and delivery of the Initial shares and the issuance and delivery of the Note hereunder, the Company and each Purchaser will execute and deliver a Registration Rights Agreement in the form of Exhibit B hereto (the "Registration Rights Agreement")

SECTION 1.03 OBLIGATION TO PURCHASE ADDITIONAL SHARES.

(a) GENERAL. In addition to the Initial Shares and the Note to be issued and sold to the Purchasers hereunder, the Company covenants and agrees to issue, sell and deliver to the Schedule I Purchasers, subject to the terms and conditions set forth herein, up to an aggregate 23,270,000 shares; of Common Stock and up to an aggregate 232,700 shares of Preferred Stock (the "Additional Preferred Shares", and, collectively with the Additional Common Shares, the "Additional Shares").

(b) OBLIGATION TO PURCHASE ADDITIONAL SHARES. In the event that (i) an Additional Amount (as defined in the Acquisition Agreement) is required to be paid to Seller pursuant to Section 1.04 of the Acquisition Agreement and (ii) the Board of Directors of the Company shall determine that amounts in excess of funding available from other financing sources will be required to enable the Company to pay such Additional Amount and satisfy its other capital requirements, then the Company shall, not less than fifteen (15) days prior to the date upon which the Additional Payment is required to be paid, (A) notify the Purchasers that the Company is exercising its right pursuant to this Section 1.03 to require the Purchasers to purchase Additional Shares and (B) take all action necessary to increase the number of shares of Common Stock and Preferred Stock authorized to be issued under the Certificate of Incorporation of the Company as may be required to permit the issuance and sale of such Additional Shares. Such notice (the "Put Notice") shall be in writing and shall specify the number of Additional Shares that the Company proposes to issue to the Schedule I Purchasers (which shall be allocated among such Purchasers in proportion to the number of Initial Shares purchased by such Purchasers on the First Closing Date), and (y) the Subsequent Closing Date for the purchase and sale of such Additional Shares which date shall be not less than 10 nor more than 15 days after the date of the Put

Notice to which it relates. Any such Put Notice shall be effective upon delivery thereof.

(c) TERMINATION OF PUT RIGHTS. On June 30, 1998 (the "Termination Date"), any Additional Shares, if any, not yet issued, sold or delivered hereunder shall no longer be subject to any of the provisions of this Section 1.03, and the right to require the Purchasers to purchase such Additional Shares as described herein shall expire and terminate.

SECTION 1.04 PURCHASE AND SALE OF THE ADDITIONAL SHARES. (a) In the event that the Company shall have delivered a Put Notice pursuant to Section 1.03(b) above, then, subject to the terms and conditions set forth herein, on the Subsequent Closing Date specified in such Put Notice, the Company shall issue and sell to the Purchasers, and the Purchasers shall purchase from the Company, the Additional Shares specified in the Put Notice at the same purchase price paid by such Purchasers for the shares of Common Stock and Preferred Stock purchased by them on the First Closing Date.

(b) As payment in full for the Additional Shares purchased by each Purchaser hereunder, and against delivery thereof as aforesaid, on each Subsequent Closing Date each Purchaser shall pay to the Company, by wire transfer of immediately available funds to an account designated by the Company, the aggregate purchase price for the Additional Shares being purchased by such Purchaser as set forth in the relevant Put Notice.

II.

THE FIRST CLOSING; SUBSEQUENT CLOSINGS

SECTION 2.01 FIRST CLOSING DATE. The closing of the sale and purchase of the Initial Shares and the Note shall take place at the offices of Reboul, MacMurray, Hewitt, Maynard & Kristol, 45 Rockefeller Plaza, New York, New York 10111, at 10 a.m., New York time, on January 24, 1996, or at such other date and time as may be mutually agreed upon among the Purchasers and the Company (such date and time of the closing being herein called the "First Closing Date").

SECTION 2.02 SUBSEQUENT CLOSING DATES. Each closing of the sale and purchase of Additional Shares shall take place at the offices of Reboul, MacMurray, Hewitt, Maynard & Kristol, 45 Rockefeller Plaza, New York, New York 10111, at 10 a.m., New York time, on such date (which shall not be a day on which banking institutions in the State of New York are authorized or required to close) as shall be specified in the relevant Put Notice or at

such other date and time as may be mutually agreed upon among the Purchasers and the Company (each such date and time of the closing being herein called a "Subsequent Closing Date").

III.

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to each Purchaser as follows:

SECTION 3.01 ORGANIZATION, QUALIFICATIONS AND CORPORATE POWER. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and is duly licensed or qualified in each jurisdiction in which the nature of its business or the ownership of its properties makes such licensing or qualification necessary. The Company has the corporate power and authority to own and hold its properties, to carry on its business as currently conducted, to execute, deliver and perform this Agreement, the Note and the Registration Rights Agreement and to issue and deliver the Shares. Each Purchaser has been furnished with true and complete copies of the Company's Certificate of Incorporation and By-laws, reflecting all amendments thereto as of the First Closing Date.

SECTION 3.02 AUTHORIZATION OF AGREEMENTS, ETC.

(a) The execution and delivery by the Company of this Agreement, the Note and the Registration Rights Agreement, the performance by the Company of its respective obligations hereunder and thereunder, the sale of the Note and the issuance and sale by the Company of the Shares have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, the Certificate or Incorporation or By-laws or the Company, or any provision of any indenture, agreement or other instrument to which the Company or any of its properties or assets is bound, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company.

(b) The Shares have been duly authorized by the Company and, when sold and paid for in accordance with this Agreement, will be validly issued, fully paid and nonassessable shares of Common Stock and Preferred Stock, respectively, The issuance, sale and delivery of the Shares to the Purchasers

hereunder is not subject to any preemptive rights of stockholders of the Company or to any right of first refusal or other similar right in favor of any person.

SECTION 3.03 VALIDITY. This Agreement his been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights generally and to general equity principles. The Note and the Registration Rights Agreement, when executed and delivered by the Company as provided in this Agreement, will constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws from time to time in effect affecting the enforcement of creditors' rights generally and to general equity principles.

SECTION 3.04 AUTHORIZED CAPITAL STOCK.

(a) The authorized capital stock of the Company consists of 34,000,000 shares of Common Stock, $.01 par value, and 250,000 shares of Preferred Stock, $1 par value. As of the date hereof, 1,000 shares of Common Stock (the "Organization Shares") have been issued to Welsh, Carson, Anderson & Stowe VII, L.P. in connection with the organization of the Company for an aggregate purchase price of $1,000, and no other shares of Common Stock and no shares of Preferred Stock have ever been issued. As of the Closing, 28,571,429 shares of Common Stock and 250,000 shares of Preferred Stock shall be issued and outstanding.

(b) Except (i) as provided in this Agreement and the Acquisition Agreement and (ii) with respect to employee stock options to be granted by the Board of Directors of the Company from time to time after the date hereof, (i) no subscription, warrant, option, convertible security or other right (contingent or other) to purchase or acquire any shares of any class of capital stock of the Company is authorized or outstanding and (ii) there is not any commitment of the Company to issue any shares, warrants, options or other such rights or to distribute to holders of any class of the Company's capital stock, any evidences of indebtedness or assets. Except as provided in this Agreement and the Acquisition Agreement, the Company has no obligation (contingent or other) to purchase, redeem or otherwise acquire any shares of its capital stock or any interest therein or to pay any dividend or make any other distribution in respect thereof.

SECTION 3.05 GOVERNMENTAL APPROVALS. Subject to the accuracy of the representations and warranties of the Purchasers set forth in Article IV hereof, no registration or filing with, or consent or approval of, or other action by, any Federal, state or other governmental agency or instrumentality is or will be necessary for the valid execution, delivery and performance of this Agreement, the Note and the Registration Rights Agreement, the sale of the Note or the issuance, sale and delivery of the Shares (other than notice filings required under Federal and state securities laws, which will be timely made).

SECTION 3.06 OFFERING OF THE NOTE AND THE SHARES. Neither the Company nor any person authorized or employed by the Company as agent, broker, dealer or otherwise in connection with the offering or sale of the Note, the Shares or any similar securities of the Company has offered any such securities for sale to, or solicited any offers to buy any such securities from, or otherwise approached or negotiated with respect thereto with, any person or persons, under circumstances that involved the use of any form of general advertising or solicitation as such terms are defined in Regulation D of the Securities Act of 1933, as amended (the "Securities Act"); and assuming the accuracy of the representations and warranties of the Purchasers set forth in Article IV hereof, neither the Company nor any person acting on the Company's behalf has taken or will take any action (including, without limitation, any offer, issuance or sale of any securities of the Company under circumstances which might require the integration of such transactions with the sale of the Note and the Shares under the Securities Act or the rules and regulations of the Securities and Exchange Commission (the "Commission") thereunder) which might subject the offering, issuance or sale of the Note and the Shares to the Purchasers to the registration provisions of the Securities Act.

SECTION 3.07 CORPORATE TRANSACTIONS. The Company was incorporated on September 27, 1995, and has not conducted any business or otherwise entered into any transactions other than (i) the organization of the Company, including the issuance of the Organization Shares, the adoption of By-laws and the election of directors and officers, (ii) the authorization, execution and delivery of the Acquisition Agreement and the agreements described therein and the authorization of the transactions contemplated thereby and (iii) the authorization of this Agreement, the Note, the Registration Rights Agreement and the transactions contemplated hereby and thereby.

SECTION 3.08 EVENTS SUBSEQUENT TO DATE OF INCORPORATION. Other than in connection with the issuance of the Organization Shares, the Company has not (i) issued any stock, bonds or other corporate securities, (ii) borrowed any amount or incurred any liabilities (absolute or contingent),

(iii) discharged or satisfied any lien or incurred or paid any obligation or liability (absolute or contingent), other than expenses incidental to the Company's formation, (iv) declared or made any payment or distribution to stockholders or purchased or redeemed any shares of its capital stock or other securities or (v) conducted any business of a material nature.

Between the date hereof and the First Closing Date, the Company will not do any of the things listed in clauses (i) through (v) above.

SECTION 3.09 ACCURACY OF REPRESENTATIONS AND WARRANTIES IN THE ACQUISITION AGREEMENT. The representations and warranties of the Company contained in Article V of the Acquisition Agreement are true and correct as of the date hereof and will be true and correct as of the First Closing Date.

SECTION 3.10 REGULATIONS G AND X. The Company is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (as defined, from time to time, in Regulation G promulgated by the Board of Governors of the Federal Reserve System), and no part of the proceeds from the Note or the Shares or other financing in connection with the transactions contemplated by the Acquisition Agreement will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock in violation of Regulations G and X.

IV.

REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS

Each Purchaser, severally and not jointly, represents and warrants to the Company as follows:

SECTION 4.01 AUTHORIZATION. The execution, delivery and performance by such Purchaser of this Agreement and the Registration Rights Agreement and the purchase and receipt by such Purchaser of the Note and the Shares being purchased by such Purchaser hereunder, as the case may be, have been duly authorized by all requisite action on the part of such Purchaser, and will not violate any provision of law, any order of any court or other agency of government applicable to such Purchaser, the governing instrument of such Purchaser, or any provision of any indenture, agreement or other instrument by which such Purchaser or any of such Purchaser's properties or assets are bound, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any

nature whatsoever upon any of the properties or assets of such Purchaser.

SECTION 4.02 VALIDITY. This Agreement has been duly executed and delivered by such Purchaser and constitutes the legal, valid and binding obligation of such Purchaser, enforceable against such Purchaser in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights generally and to general equity principles. The Registration Rights Agreement, when executed and delivered in accordance with this Agreement, will constitute the legal, valid and binding obligation of such Purchaser, enforceable in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights generally and to general equity principles.

SECTION 4.03 INVESTMENT REPRESENTATIONS.

(a) Such Purchaser is acquiring the Shares and the Note (collectively the "Securities"), being purchased by it hereunder for its own account, for investment, and not with a view toward the resale or distribution thereof in violation of applicable law.

(b) Such purchaser understands that he, she or it must bear the economic risk of his, her or its investment for an indefinite period of time because the Securities are not registered under the Securities Act or any applicable state securities laws, and may not be resold unless subsequently registered under the Securities Act and such other laws or unless an exemption from such registration is available. Such Purchaser also understands that, except as provided in the Registration Rights Agreement, it is not contemplated that any registration will be made under the Securities Act or that the Company will take steps which will make the provisions of Rule 144 under the Securities Act available to permit resale of the Securities. Such Purchaser will not pledge, transfer, convey or otherwise dispose of any of the Securities, except (i) in connection with a distribution to its partners, if such Purchaser is a partnership or (ii) in a transaction that is the subject of either (x) an effective registration statement under the Securities Act and any applicable state securities laws, or (y) an opinion of counsel to the effect that such registration is not required (which opinion and counsel shall be reasonably satisfactory to the Company, it being agreed that Reboul, MacMurray, Hewitt, Maynard & Kristol shall be satisfactory, and may be relied on by the Company in making such determination), it being intended that the agreements with respect to the Common Shares contained in this sentence

shall be construed consistently with the provisions relating to the same subject matter contained in the Registration Rights Agreement.

(c) Such Purchaser is able to fend for himself, herself and itself in the transactions contemplated by this Agreement and that he, she or it has the ability to bear the economic risks of his, her or its, investment in the Securities for an indefinite period of time. Such Purchaser has had the opportunity to ask questions of, and receive answers from, officers of the Company with respect to the business and financial condition of the Company and the terms and conditions of the offering of the Securities and to obtain additional information necessary to verify such information or can acquire it without unreasonable effort or expense.

(d) Such Purchaser has such knowledge and experience in financial and business matters that he, she or it is capable of evaluating the merits and risks of his, her or its investment in the Securities, Such Purchaser is an "accredited investor" as such term is defined in Rule 501 of Regulation D of the Commission under the Securities Act with respect to its purchase of the Securities, and that if such Purchaser is a partnership, it has not been formed solely for the purpose of purchasing the Securities it is purchasing hereunder.

V.

CONDITIONS PRECEDENT

SECTION 5.01 CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE PURCHASERS. The obligations of each Purchaser hereunder are, at its option, subject to the satisfaction, on or before the First Closing Date, of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES TO BE TRUE AND CORRECT. The representations and warranties of the Company contained in this Agreement shall be true and correct in all material respects on the First Closing Date, with the same force and effect as though such representations and warranties had been made on and as of such date, and the Company shall have certified to such effect to the Purchasers in writing.

(b) PERFORMANCE. The Company shall have performed and complied with all agreements and conditions contained herein required to be performed or complied with by it prior to or on the First Closing Date, and the Company shall have certified to such effect to the Purchasers in writing.

(c) ALL PROCEEDINGS TO BE SATISFACTORY. All corporate and other proceedings to be taken by the Company and all waivers and consents to be obtained by the Company in connection with the transactions contemplated hereby shall have been taken or obtained by the Company and all documents incident thereto shall be satisfactory in form and substance to the Purchasers and their counsel.

(d) ACQUISITION AGREEMENT, The transactions contemplated by the Acquisition Agreement shall have been consummated on or prior to the First Closing Date in accordance with the Acquisition Agreement as originally executed, without any material amendments or waivers.

(e) CONSUMMATION OF TRANSACTIONS. On the First Closing Date, each of the other Purchasers and the Company shall have consummated the transactions contemplated hereby with respect to such parties.

(f) REGISTRATION RIGHTS AGREEMENT. On the First Closing Date, the Company shall have executed and delivered the Registration Rights Agreement.

(g) SUPPORTING DOCUMENTS. On or prior to the First Closing Date, the Purchasers and their counsel shall have received copies of the following supporting documents:

(i) (1) copies of the Certificate of Incorporation of the Company, and all amendments thereto, certified as of a recent date by the Secretary of State of the State of Delaware, (2) a certificate of said Secretary dated as of a recent date as to the due incorporation and good standing of the Company and listing all documents of the Company on file with said Secretary and (3) a telegram or telex from said Secretary as of the close of business on the next business day preceding the First Closing Date as to the continued due incorporation and good standing of the Company and to the effect that no amendment to its Certificate of Incorporation has been filed since the date of the certificate referred to in clause (2) above;

(ii) a certificate of the Secretary or an Assistant Secretary of the Company dated the First Closing Date and certifying (1) that attached thereto is a true and complete copy of the By-laws of the Company as in effect on the date of such certification; (2) that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of the Company authorizing the execution, delivery and performance of this Agreement, the Registration Rights Agreement, and the Note, the sale of the Note and the issuance, sale and delivery of the Shares, and that all such

resolutions are still in full force and effect and are all the resolutions adopted in connection with the transactions contemplated by this Agreement and the Registration Rights Agreement; (3) that the Certificate of Incorporation of the Company has not been amended since the date of the last amendment referred to in the certificate delivered pursuant to clause (i) (2) above; and (4) as to the incumbency and specimen signature of each officer of the Company executing this Agreement, the Registration Rights Agreement and the Note, the stock certificates representing the Shares and any certificate or instrument furnished pursuant hereto, and a certification by another officer of the Company as to the incumbency and signature of the officer signing the certificate referred to in this paragraph (ii); and

(iii) such additional supporting documents and other information with respect to the operations and affairs of the Company as the Purchasers or their counsel may reasonably request.

All such documents shall be satisfactory in form and substance to the Purchasers and their counsel.

SECTION 5.02 CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE COMPANY. The obligations of the Company hereunder are, at its option, subject to the satisfaction, on or before the First Closing Date, of the following Conditions:

(a) REPRESENTATIONS AND WARRANTIES TO BE TRUE AND CORRECT. The representations and warranties of each Purchaser contained in this Agreement shall be true and correct in all material respects on the First Closing Date, with the same effect as though such representations and warranties had been made on and as of such date.

(b) PERFORMANCE. Each Purchaser shall have performed and complied with all agreements and conditions contained herein required to be performed or complied with by it prior to or on the First Closing Date,

(c) ALL PROCEEDINGS TO BE SATISFACTORY. All proceedings to be taken by any Purchaser and all waivers and consents to be obtained by any Purchaser in connection with the transactions contemplated hereby shall have been taken or obtained by such Purchaser and all documents incident thereto shall be satisfactory in form and substance to the Company and its counsel.

(d) ACQUISITION AGREEMENT. The transactions contemplated by the Acquisition Agreement shall have been

consummated on or prior to the First Closing Date in accordance with the Acquisition Agreement.

SECTION 5.03 CONDITIONS TO THE OBLIGATIONS OF THE PURCHASERS WITH RESPECT TO EACH SUBSEQUENT CLOSING:. The obligations of each Purchaser to purchase and pay for the Additional Shares to be purchased by such Purchaser on each Subsequent Closing Date hereunder are, at its option, subject to the satisfaction, on or before such Subsequent Closing Date, of the following conditions:

(a) CONSUMMATION OF FIRST CLOSING. On the First Closing Date the Purchasers shall have purchased and paid for the Initial Shares and the Note.

(b) PUT NOTICE. A Put Notice given pursuant to Section 1.03(b) above shall have become effective pursuant to said Section.

VI.

MISCELLANEOUS

SECTION 6.01 EXPENSES, ETC. (a) Each party hereto will pay its own expenses in connection with the transactions contemplated by this Agreement, whether or not such transactions shall be consummated; PROVIDED, HOWEVER, that the Company shall pay the reasonable fees and disbursements of its counsel, Reboul, MacMurray, Hewitt, Maynard & Kristol and each Purchaser's counsel. Each party hereto will indemnify and hold harmless the others against and in respect of any claim for brokerage or other commissions relative to this Agreement or to the transactions contemplated hereby, made as a result of any agreements, arrangements or understandings made or claimed to have been made by such party with any third party.

(b) The Company covenants and agrees that, in the event that any Purchaser is required to make any filing under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, in connection with any transaction to which the Company is a party, the Company will pay the reasonable fees and expenses of such Purchaser's counsel in preparing such filing, together with all filing fees.

SECTION 6.02 SURVIVAL OF AGREEMENTS. All covenants, agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement and the issuance, sale and delivery of the Securities pursuant hereto and all statements contained in any certificate or other instrument

delivered by the Company hereunder shall be deemed to constitute representations and warranties made by the Company.

SECTION 6.03 PARTIES IN INTEREST. All covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not, except for transferees in a Public Sale. For the purposes of this Agreement, "Public Sale" means any sale of Shares to the public pursuant to an offering registered under the Securities Act or to the public pursuant to the provisions of Rule 144 (or any successor or similar rule) adopted under the Securities Act.

SECTION 6.04 NOTICES, Any notice or other communications required or permitted hereunder shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by first class certified mail, postage prepaid, or by telecopy addressed to such party at the address or telecopy number set forth below or such other address or telecopy number as may hereafter be designated in writing by the addressee to the addressor listing all parties:

if to the Company, to:

Business Services Holdings, Inc.
5001 Spring Valley Road
Dallas, Texas 75244

with a copy to:

Reboul, MacMurray, Hewitt, Maynard & Kristol
45 Rockefeller Plaza
New York, New York 10111
Telecopy Number: (212) 841-5725
Attention: Robert A. Schwed, Esq.

if to any Purchaser, to the address of such Purchaser appearing on Schedule I or Schedule II hereto, as the case may be;

or, in any case, at such other address or addresses as shall have been furnished in writing by such party to the other parties hereto. All such notices, requests, consents and other communications shall be deemed to have been received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of mailing, on the fifth business day following the date of such mailing and (c) in the case of telecopy, when received.

SECTION 6.05 ENTIRE AGREEMENT; MODIFICATIONS. This Agreement constitutes the entire agreement of the parties with

respect to the subject matter hereof and may not be amended or modified nor any provisions waived except in a writing signed by the Company and holders owning an aggregate of not less than 66-2/3% of the outstanding principal amount of each Note and not less than 66-2/3% of the outstanding shares of Common Stock issued hereunder and not previously transferred in a Public Sale.

SECTION 6.06 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 6.07 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the Company and the Purchasers have executed this Agreement as of the day and year first above written.

BUSINESS SERVICES HOLDINGS, INC.

By /s/ Anthony J. deNicola

Title: President

WELSH, CARSON, ANDERSON & STOWE VII, L.P.
By WCAS VII Partners, L.P.,
General Partner

By /s/ Anthony J. deNicola

General Partner

WCAS INFORMATION PARTNERS, L.P.
By WCAS INFO Partners,
General Partner

By /s/ Patrick J. Welsh

General Partner

WCAS CAPITAL PARTNERS II, L.P.
By WCAS CP II Partners,
General Partner

By /s/ Anthony J. deNicola

General Partner

/s/ Patrick J. Welsh

Patrick J. Welsh

/s/ Russell L. Carson

Russell L. Carson

/s/ Bruce K. Anderson

Bruce K. Anderson

/s/ Richard H. Stowe

Richard H. Stowe

/s/ Andrew M. Paul

Andrew M. Paul

/s/ Thomas E. McInerney

Thomas E. McInerney

/s/ Laura VanBuren

Laura VanBuren

/s/ James B, Hoover

James B, Hoover

/s/ Robert A. Minicucci

Robert A. Minicucci

/s/ Anthony J. deNicola

Anthony J. deNicola

/s/ David Bellet

David Bellet

WCA MANAGEMENT CORPORATION

By Russell L. Carson

SCHEDULE I

Name and Address of Purchaser	Number of Common Shares	Price of Common Shares	Number of Preferred Shares	Price of Preferred Shares	TOTAL PURCHASE PRICE
Welsh, Carson, Anderson & Stowe VII, L.P	23,981,500	$ 23,981,500	239,825	$ 23,982,500	$ 47,964,000
WCAS Information Partners, L.P.	100,000	$ 100,000	1,000	$ 100,000	$ 200,000
WCA Management Corporation	17,500	$ 17,500	175	$ 17,500	$ 35,000
Patrick J. Welsh	150,000	$ 150,000	1,500	$ 150,000	$ 300,000
Russell L. Carson	115,000	$ 115,000	1,150	$ 115,000	$ 230,000
Bruce K. Anderson	250,000	$ 250,000	2,500	$ 250,000	$ 500,000
Richard B. Stowe	75,000	$ 75,000	750	$ 75,000	$ 150,000
Andrew M. Paul	50,000	$ 50,000	500	$ 50,000	$ 100,000
Thomas E. McInerney	75,000	$ 75,000	750	$ 75,000	$ 150,000
Laura VanBuren	5,000	$ 5,000	50	$ 5,000	$ 10,000
James B. Hoover	10,000	$ 10,000	100	$ 10,000	$ 20,000
Robert Minicucci	50,000	$ 50,000	500	$ 50,000	$ 100,000
Anthony J. deNicola	20,000	$ 20,000	200	$ 20,000	$ 40,000
David Bellet (DLJSC as Custodian for the IRA FBO David F. Bellet) c/o Welsh, Carson, Anderson & Stowe One World Financial Center New York, NY 10281	100,000	$ 100,000	1,000	$ 100,000	$ 200,000
TOTAL:	24,999,000	$ 24,999,000	250,000	$ 25,000,000	$ 49,999,000

SCHEDULE II

Name and Address of Purchaser	Principal Amount of Subordinated Note	Purchase Price of Subordinated Note	Common Shares	Purchase Price of Common Shares
WCAS Capital Partners II, L.P. One World Financial Center New York, NY 10281	$ 50,000,000	$ 46,428,571	3,571,429	$ 3,571,429

AMENDMENT TO SECURITIES PURCHASE AGREEMENT

AMENDMENT TO SECURITIES PURCHASE AGREEMENT, dated as of August 31, 1998 (the "Amendment"), among ALLIANCE DATA SYSTEMS CORPORATION (the "Company"), a Delaware corporation and the surviving corporation of a merger with Business Services Holdings, Inc., a Delaware corporation ("BSH"), WCAS CAPITAL PARTNERS II, L.P., a Delaware limited partnership ("WCAS CP II"), WELSH, CARSON, ANDERSON & STOWE VII, L.P., a Delaware limited partnership ("WCAS VII"), and LIMITED COMMERCE CORP., a Delaware corporation ("Limited Commerce"), amending the Securities Purchase Agreement dated as of January 24, 1996 (the "Original Agreement") among BSH, WCAS CP II, WCAS VII, Limited Commerce and the other several purchasers named in Schedule I thereto. Capitalized terms used herein and not otherwise defined shall have the respective meanings ascribed to them in the Original Agreement as amended by this Amendment.

WHEREAS, pursuant to the terms of the Original Agreement, BSH sold to WCAS CP II an aggregate $50,000,000 principal amount of the 10% Subordinated Notes Due January 24, 2002 of BSH substantially in the form attached to the Original Agreement as Exhibit A (the "Original Notes"); and

WHEREAS, pursuant to an Agreement and Plan of Merger dated as of August 30, 1996 BSH was merged with and into the Company, and all of the debts, liabilities and duties of BSH, including, without limitation, the indebtedness evidenced by the Original Notes and the obligations of BSH under the Original Agreement, attached to the Company; and

WHEREAS pursuant to a Securities Purchase Agreement dated as of August 30, 1996 among the Company, Limited Commerce, WCAS CP II, WCAS VII and the other securityholders named in Schedule I thereto, Limited Commerce purchased from WCAS CP 11 $20,000,000 principal amount of the Original Notes; and

WHEREAS the Company and Loyalty Management Group Canada Inc. entered into a Credit Agreement dated as of July 24, 1998 (such agreement, as supplemented, amended, restated and/or otherwise modified from time to time, being hereinafter referred to as the "Credit Agreement") with Morgan Guaranty Trust Company of New York, as Administrative Agent (the "Agent"), and the Banks and Guarantors named as parties thereto (as defined in the Credit Agreement), pursuant to which certain loans and financial accommodations are being extended to the Company and the borrowers named in the Credit Agreement; and

WHEREAS in connection with the execution and delivery of the Credit Agreement, the Agent and the Banks have requested that the Company, WCAS CP II and Limited

Commerce agree to amend the Original Notes to change the maturity of the Original Notes from January 24, 2002 to October 25, 2005; and

WHEREAS in consideration of WCAS CP II and Limited Commerce agreeing to extend the maturity of the Original Notes as aforesaid, the Company is willing to issue and deliver to WCAS CP II and Limited Commerce an aggregate 454,545 shares (the "Common Shares") of Common Stock $.01 par value ("Common Stock"), of the Company; and

WHEREAS WCAS CP II and Limited Commerce are willing to extend the maturity of the Original Notes from January 24, 2002 to October 25, 2005 on the terms and subject to the conditions set forth herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby covenant and agree as follows:

SECTION 1. AMENDMENT AND RESTATEMENT OF ORIGINAL NOTE. (a) The Securities Purchase Agreement and the Original Notes are hereby amended to change the maturity date of the Original Notes from January 24, 2002 to October 25, 2005 and, in connection with such change, the form of the Original Note as set forth as Exhibit A to the Original Agreement is hereby amended and restated in its entirety to read as set forth in Exhibit A attached hereto (as so amended and restated, the "Notes").

(b) The Company shall execute and deliver to each of WCAS CP II and Limited Commerce, in exchange and substitution for the Original Note held by such party, and against receipt thereof, a new Note in the form set forth in Exhibit A attached hereto in the same principal amount and dated as of the date of original issue of the Original Note held by such party. Original Notes received by the Company in exchange for the new Notes as aforesaid shall be canceled.

SECTION 2. ISSUANCE OF SHARES OF COMMON STOCK; AMENDMENT OF STOCKHOLDERS AGREEMENT. (a) In consideration of the agreement by WCAS CP II and Limited Commerce to extend the maturity of the Original Notes as aforesaid, the Company shall issue and deliver to each of WCAS CP II and Limited Commerce the number of shares of Common Stock set forth opposite its name below:

NOTEHOLDER	NO. OF COMMON SHARES
WCAS CP II	272,727
Limited Commerce	181,818
Total:	454,545

(b) In connection with the execution and delivery of this Amendment and the Notes and the issuance of the Common Shares as described above, the Company and the parties to the Amended and Restated Stockholders Agreement, dated as of August 30, 1996, as amended (the "Stockholders Agreement"), among the Company, Limited Commerce and the other

stockholders named as parties thereto shall enter into an Amendment to Amended and Restated Stockholders Agreement in the form attached hereto as Exhibit B (the "Stockholders Agreement Amendment"), amending the Stockholders Agreement to provide that the Common Shares being issued to WCAS CP II and Limited Commerce under this Amendment be treated as "Common Stock" and "Registrable Securities" under the Stockholders Agreement.

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. (a) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and is duly licensed or qualified in each jurisdiction in which the nature of its business or the ownership of its properties makes such licensing or qualification necessary. The Company has the corporate power and authority to own and hold its properties, to carry on its business as currently conducted, to execute, deliver and perform this Amendment, the Notes and the Stockholders Agreement Amendment and to issue and deliver the Common Shares.

(b) The execution and delivery by the Company of this Amendment, the Notes and the Stockholders Agreement Amendment, the performance by the Company of its respective obligations hereunder and thereunder, the execution and delivery of the Notes and the issuance and sale by the Company of the Common Shares have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, the Certificate of Incorporation, as amended, or By-laws of the Company, or any provision of any indenture, agreement or other instrument to which the Company or any of its properties or assets is bound, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company.

(c) The Common Shares have been duly authorized by the Company and, when issued and sold in accordance with this Amendment, will be validly issued, fully paid and nonassessable shares of Common Stock free and clear of all liens, claims, charges or encumbrances created by the Company. Except as provided in the Stockholders Agreement (which rights as to the Common Shares to be issued hereunder have been effectively waived prior to or on the date hereof), the issuance, sale and delivery of the Common Shares to WCAS CP II and Limited Commerce hereunder is not subject to any preemptive rights of stockholders of the Company or to any right of first refusal or other similar right in favor of any person.

(d) This Amendment, the Notes and the Stockholders Agreement Amendment have been duly executed and delivered by the Company and constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights generally and to general equity principles.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF WCAS CP II AND LIMITED COMMERCE. (a) Each of WCAS CP II and Limited Commerce severally and not jointly,

represents and warrants to the Company that it is acquiring the Common Shares being acquired by it hereunder for its own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof. Each of WCAS CP II and Limited Commerce further represents that it understands that (i) the Common Shares have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), by reason of their issuance in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof, (ii) the Common Shares must be held indefinitely unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration, (iii) the Common Shares will bear a legend to such effect, and (iv) the Company will make a notation on its transfer books to such effect. Each of WCAS CP II and Limited Commerce further understands the exemption from registration afforded by Rule 144 under the Securities Act depends on the satisfaction of various conditions and that, if applicable, Rule 144 affords the basis of sales of the Common Shares only in limited amounts under certain conditions.

(b) Each of WCAS CP II and Limited Commerce further represents and warrants to the Company that it has had full opportunity to have access to and to examine the facilities, personnel and records of the Company, that it is capable of evaluating independently the prospects of the Company and has made such an evaluation in connection with its investment in the Common Shares being purchased by it and had adequate financial means to bear the risk of its investment in the Company.

SECTION 5. EFFECT OF AMENDMENT. Except as expressly provided in this Amendment, nothing herein shall affect or be deemed to affect any provisions of the Original Agreement, and except only to the extent that they may be varied hereby, all of the terms of the Original Agreement shall remain unchanged and in full force and effect.

SECTION 6. LAW GOVERNING. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 7. ENTIRE AGREEMENT. This Amendment, the Original Agreement (as amended by this Amendment), the Notes, the Stockholders Agreement, the Stockholders Agreement Amendment, and the documents and agreements described therein, constitute the entire agreement of the parties with respect to the subject matter hereof and may not be modified or amended except in the manner provided in Section 6.05 of the Original Agreement.

SECTION 8. COUNTERPARTS. This Amendment may be executed in two or more counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

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

ALLIANCE DATA SYSTEMS CORPORATION

By

WELSH, CARSON, ANDERSON & STOWE VII, L.P.
By WCAS VII Partners, L.P., General Partner

By

General Partner

WCAS CAPITAL PARTNERS II, L.P.
By WCAS CP II Partners, General Partner

By

General Partner

LIMITED COMMERCE CORP.

By

EXHIBIT A

THIS NOTE IS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") AS DEFINED BY SECTION 1273(a)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE FOLLOWING INFORMATION IS PROVIDED PURSUANT TO THE INFORMATION REPORTING REQUIREMENTS SET FORTH IN PROPOSED TREASURY REGULATION 1.1275-3.

THE ISSUE PRICE OF THIS DEBT INSTRUMENT IS $
THE AMOUNT OF OID ON THIS DEBT INSTRUMENT IS $
THE ISSUE DATE OF THIS DEBT INSTRUMENT IS JANUARY 24, 1996
THE YIELD TO MATURITY OF THIS DEBT INSTRUMENT IS %

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS IT HAS BEEN REGISTERED UNDER THAT ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

ALLIANCE DATA SYSTEMS CORPORATION

10% Subordinated Note
Due October 25, 2005

Registered
R-
$

New York, New York
January 24, 1996

ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation (hereinafter called the "Company"), for value received, hereby promises to pay to , or registered assigns, the principal sum of AND NO/100 Dollars ($), on October 25, 2005, and to pay interest (computed on the basis of a 360-day year consisting of twelve 30-day months) from the date hereof on the unpaid principal amount hereof at the rate of 10% per annum, payable semi-annually in arrears on the first day of July and January of each year (each said day being an "Interest Payment Date"), commencing on July 1, 1996, until the principal amount hereof shall have become due and payable, whether at maturity or by acceleration or otherwise, and thereafter

at the rate of 12% per annum on any overdue principal amount and (to the extent permitted by applicable law) on any overdue interest until paid.

All payments of principal and interest on this Note shall be in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts.

For purposes of this Note, "Business Day" shall mean any day other than a Saturday, Sunday or a legal holiday under the laws of the State of New York.

1. NOTES. This Note is one of a duly authorized issue of Subordinated Notes (herein called the "Notes") made or to be made by the Company in the aggregate principal amount of $50,000,000, maturing on October 25, 2005 and bearing interest payable at the same rate and on the same dates as the interest on the principal amount of this Note.

2. TRANSFER, ETC. OF NOTES. The Company shall keep at its office or agency maintained as provided in paragraph (a) of Section 10 a register in which the Company shall provide for the registration of Notes and for the registration of transfer and exchange of Notes. The holder of this Note may, at its option, and either in person or by duly authorized attorney, surrender the same for registration of transfer or exchange at the office or agency of the Company maintained as provided in paragraph (a) of Section 10, and, without expense to such holder (except for taxes or governmental charges imposed in connection therewith), receive in exchange therefor a Note or Notes each in such denomination or denominations as such holder may request, dated as of the date to which interest has been paid on the Note or Notes so surrendered for transfer or exchange, for the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered for transfer or exchange, and registered in the name of such person or persons as may be designated by such holder. Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or shall be accompanied by a written instrument of transfer, satisfactory in form to the Company, duly executed by the holder of such Note or his attorney duly authorized in writing. Every Note so made and delivered in exchange for this Note shall in all other respects be in the same form and have the same terms as this Note. No transfer or exchange of any Note shall be valid unless made in the foregoing manner at such office or agency.

3. LOSS, THEFT, DESTRUCTION OR MUTILATION OF NOTE. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of any such loss, theft or destruction, upon receipt of an affidavit of loss and indemnity from the holder hereof reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Note, the Company will make and deliver, in lieu of this Note, a new Note of like tenor and unpaid principal amount and dated as of the date to which interest has been paid on this Note.

4. PERSONS DEEMED OWNERS; HOLDERS. The Company may deem and treat the person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note shall be overdue. With respect to any Note at any time outstanding, the term "holder", as used herein, shall be deemed to mean the person in whose name such Note is registered as aforesaid at such time.

5. PREPAYMENTS.

(a) OPTIONAL PREPAYMENT. Upon notice given as provided in Section 6 the Company may, at its option, prepay the Notes, as a whole at any time or in part from time to time, in amounts which shall be integral multiples of $100,000, at the unpaid principal amount thereof so to be prepaid, together with interest accrued thereon to the date fixed for such prepayment. All prepayments shall be applied to installments of principal hereof in inverse order of maturity.

(b) [INTENTIONALLY OMITTED]

(c) MANDATORY PREPAYMENT UPON PUBLIC OFFERING. If at any time while any of the Notes shall be outstanding the Company shall consummate a public offering of equity securities of the Company pursuant to an effective registration statement under the Securities Act, then upon the consummation of each such offering the Company shall apply to prepayment of the Notes, without penalty or premium (up to the amount required to prepay all the Notes including accrued interest thereon) an amount that, including principal to be prepaid and accrued interest thereon, is equal to the sum of (x) one-sixth of the proceeds of such offering to the Corporation (net of underwriting discounts and commissions), plus (y) the amount (if any) by which one-sixth of such net proceeds exceeds the amount (if any) which shall have been applied to redemption of the Company's Preferred Stock, $1 par value, pursuant to the Certificate of Incorporation of the Company by reason of the consummation of such offering, it being intended that up to an aggregate one-third of such proceeds shall be available to prepay the Notes and redeem such Preferred Stock.

6. NOTICE OF PREPAYMENT AND OTHER NOTICES. The Company shall give written notice of any prepayment of this Note or any portion hereof pursuant to Section 5 not less than 10 nor more than 60 days prior to the date fixed for such prepayment. Such notice of prepayment and all other notices to be given to any holder of this Note shall be given by registered or certified mail to the person in whose name this Note is registered at its address designated on the register maintained by the Company on the date of mailing such notice of prepayment or other notice. Upon notice of prepayment being given as aforesaid, the Company covenants and agrees that it will prepay, on the date therein fixed for prepayment, this Note or the portion hereof, as the case may be, so called for prepayment, at the principal amount thereof so

called for prepayment together with interest accrued thereon to the date fixed for such prepayment.

7. ALLOCATION OF PREPAYMENT. In the event of any prepayment, purchase, redemption or retirement of less than all of the outstanding Notes, the Company will allocate the principal amount so to be prepaid, purchased, redeemed or retired (but only in units of $100,000) to each Note in proportion, as nearly as may be, to the aggregate principal amount of all Notes then outstanding.

8. INTEREST AFTER DATE FIXED FOR PREPAYMENT. If this Note or a portion hereof is called for prepayment as herein provided, this Note or such portion shall cease to bear interest on and after the date fixed for such prepayment unless, upon presentation for the purpose, the Company shall fail to pay this Note or such portion, as the case may be, in which event this Note or such portion, as the case may be, and, so far as may be lawful, any overdue installment of interest, shall bear interest on and after the date fixed for such prepayment and until paid at the rate PER ANNUM provided herein for overdue principal.

9. SURRENDER OF NOTES; NOTATION THEREON. Upon any prepayment of a portion of the principal amount of this Note, the holder hereof, at its option, may require the Company to execute and deliver at the expense of the Company (except for taxes or governmental charges imposed in connection therewith), upon surrender of this Note, a new Note registered in the name of such person or persons as may be designated by such holder for the principal amount of this Note then remaining unpaid, dated as of the date to which interest has been paid on the principal amount of this Note then remaining unpaid, or may present this Note to the Company for notation hereon of the payment of the portion of the principal amount of this Note so prepaid.

10. COVENANTS. The Company covenants and agrees that, so long as any Note shall be outstanding:

(a) MAINTENANCE OF OFFICE. The Company will maintain an office or agency in such place in the United States of America as the Company may designate in writing to the registered holder hereof; where the Notes may be presented for registration of transfer and for exchange as herein provided, where notices and demands to or upon the Company in respect of the Notes may be served and where, at the option of the holders thereof, the Notes may be presented for payment.

(b) PAYMENT OF TAXES. The Company will promptly pay and discharge or cause to be paid and discharged, before the same shall become in default, all lawful taxes and assessments imposed upon the Company or any subsidiary or upon the income and profits of the Company or any subsidiary, or upon any property, real, personal or mixed, belonging to the Company or any subsidiary, or upon any part thereof by the United States or any State thereof; as well as all lawful claims for labor, materials and supplies which, if

unpaid, would become a lien or charge upon such property or any part thereof; PROVIDED, HOWEVER, that neither the Company nor any subsidiary shall be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as both (x) the Company has set aside adequate reserves for such tax, assessment, charge, levy or claim and (y)(i) the Company or a subsidiary shall be contesting the validity thereof in good faith by appropriate proceedings or (ii) the Company shall, in its good faith judgment, deem the validity thereof to be questionable and the party to whom such tax, assessment, charge, levy or claim is allegedly owed shall not have made written demand for the payment thereof

(c) CORPORATE EXISTENCE. The Company will do or cause to be done all things necessary and lawful to preserve and keep in full force and effect its corporate existence, rights and franchises and the corporate existence, rights and franchises of each of its subsidiaries; PROVIDED, HOWEVER, that nothing in this paragraph (c) shall prevent the abandonment or termination of any rights or franchises of the Company, or the liquidation or dissolution of, or a sale, transfer or disposition (whether through merger, consolidation, sale or otherwise) of all or any substantial part of the property and assets of, any subsidiary or the abandonment or termination of the corporate existence, rights and franchises of any subsidiary if such abandonment, termination, liquidation, dissolution, sale, transfer or disposition is, in the good faith business judgment of the Company, in the best interests of the Company and is not disadvantageous in any material respect to the holders of the Notes.

(d) MAINTENANCE OF PROPERTY. The Company will at all times maintain and keep, or cause to be maintained and kept, in good repair, working order and condition all significant properties of the Company and its subsidiaries used in the conduct of the business of the Company and its subsidiaries, and will from time to time make or cause to be made all needful and proper repairs, renewals, replacements, betterments and improvements thereto, so that the business carried on in connection therewith may be properly and advantageously conducted at all times; PROVIDED, HOWEVER, that nothing in this paragraph (d) shall require (i) the making of any repair or renewal or (ii) the continuance of the operation and maintenance of any property or (iii) the retention of any assets if such action (or inaction) is, in the good faith business judgment of the Company, in the best interests of the Company (and the best interests of any subsidiary concerned or affected thereby) and is not disadvantageous in any material respect to the holders of the Notes.

(e) INSURANCE. The Company will, and will cause each of its subsidiaries to, (i) keep adequately insured, by financially sound and reputable insurers, all property of a character usually insured by corporations engaged in the same or a similar business similarly situated against loss or damage of the kinds customarily insured against by such corporations and (ii) carry, with financially sound and reputable insurers, such other insurance (including, without limitation, liability insurance) in such amounts as are available at

reasonable expense and to the extent believed necessary in the good faith business judgment of the Company.

(f) KEEPING OF BOOKS. The Company will at all times keep, and cause each of its subsidiaries to keep, proper books of record and account in which proper entries will be made of its transactions in accordance with generally accepted accounting principles consistently applied.

(g) TRANSACTIONS WITH AFFILIATES. The Company will enter into any transaction with any director, officer, stockholder, employee or affiliate of the Company only upon fair and reasonable terms.

(h) NOTICE OF DEFAULT. If any one or more events which constitute, or which with notice or lapse of time or both would constitute, an Event of Default under Section 13 shall occur, or if the holder of any Note shall demand payment or take any other action permitted upon the occurrence of any such Event of Default, the Company shall, immediately after it becomes aware that any such event has occurred or that such demand has been made or that any such action has been taken, give notice to all holders of the Notes, specifying the nature of such event or of such demand or action, as the case may be; PROVIDED, HOWEVER, that if such event, in the good faith judgment of the Company, will be cured within ten days after the Company has knowledge that such event would, with or without notice or lapse of time or both, constitute such an Event of Default, no such notice need be given if such Event of Default shall be cured within such ten-day period.

11. MODIFICATION BY HOLDERS; WAIVER. The Company may, with the written consent of the holders of not less than 66 2/3% in principal amount of the Notes then outstanding, modify the terms and provisions of the Notes or the rights of the holders of the Notes or the obligations of the Company thereunder, and the observance by the Company of any term or provision of the Notes may be waived with the written consent of the holders of not less than 66 2/3% in principal amount of the Notes then outstanding; PROVIDED, HOWEVER, that no such modification or waiver shall:

(a) change the maturity of any Note or reduce the principal amount thereof or reduce the rate or extend the time of payment of interest thereon without the consent of the holder of each Note so affected; or

(b) give any Note any preference over any other Note;

(c) reduce the percentage of Notes, the consent of the holders of which is required for any such modification; or

(d) amend the provisions of Section 16 hereof without the consent of the holders of Senior Indebtedness (as hereinafter defined).

Any such modification or waiver shall apply equally to all the holders of the Notes and shall be binding upon them, upon each future holder of any Note and upon the Company, whether or not such Note shall have been marked to indicate such modification or waiver, but any Note issued thereafter shall bear a notation referring to any such modification or waiver. Promptly after obtaining the written consent of the holders as herein provided, the Company shall transmit a copy of such modification or waiver to all the holders of the Notes at the time outstanding.

12. EVENTS OF DEFAULT. If any one or more of the following events, herein called Events of Default, shall occur, for any reason whatsoever, and whether such occurrence shall, on the part of the Company or any subsidiary, be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of a court of competent jurisdiction or any order, rule or regulation of any administrative or other governmental authority and such Event of Default shall be continuing:

(a) default shall be made in the payment of the principal of any Note when and as the same shall become due and payable, whether at maturity or at a date fixed for prepayment or by acceleration or otherwise; or

(b) default shall be made in the payment of any installment of interest on any Note according to its terms when and as the same shall become due and payable and such default shall continue for a period of five days; or

(c) default shall be made in the due observance or performance of any other covenant, condition or agreement on the part of the Company to be observed or performed pursuant to the terms hereof or of the Securities Purchase Agreement dated as of January 24, 1996 among the Company and the several Purchasers named therein (the "Purchase Agreement"), and such default shall continue for 30 days after written notice thereof, specifying such default and requesting that the same be remedied, shall have been given to the Company by the holder or holders of at least 25% of the principal amount of the Notes then outstanding (the Company to give forthwith to all other holders of Notes at the time outstanding written notice of the receipt of such notice specifying the default referred to therein); or

(d) any representation or warranty made by the Company in the Purchase Agreement shall prove to have been false or incorrect in any material respect on the date on or as of which made; or

(e) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Company or any subsidiary in an involuntary case under the

federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar laws, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or any subsidiary or for any substantial part of any of their property, or ordering the winding-up or liquidation of any of their affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(f) the commencement by the Company or any subsidiary of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar laws, or the consent by any of them to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or any subsidiary or for any substantial part of their property, or the making by any of them of any assignment for the benefit of creditors, or the failure of the Company or any subsidiary generally to pay its debts as such debts become due; or

(g) default as defined in any instrument evidencing or under which the Company or any subsidiary has outstanding at the time any indebtedness for money borrowed in excess of $50,000 in aggregate principal amount shall occur and as a result thereof the maturity of any such indebtedness shall have been accelerated so that the same shall have become due and payable prior to the date on which the same would otherwise have become due and payable and such acceleration shall not have been rescinded or annulled within 30 days; or

(h) final judgment for the payment of money in excess of $50,000 shall be rendered against the Company or a subsidiary and the same shall remain undischarged for a period of 30 days during which execution shall not be effectively stayed;

then, the holder or holders of a least 25% in aggregate principal amount of the Notes at the time outstanding may, at its or their option, by notice to the Company, declare all the Notes to be, and all the Notes shall thereupon be and become, forthwith due and payable together with interest accrued thereon without presentment, demand, protest or further notice of any kind, all of which are expressly waived to the extent permitted by law.

At any time after any declaration of acceleration as to all of the Notes has been made as provided in this Section 12, the holders of at least 66 2/3% in principal amount of the Notes then outstanding may, by notice to the Company, rescind such declaration and its consequences, if (i) the Company has paid all overdue installments of interest on the Notes and all principal that has become due otherwise than by such declaration of acceleration and (ii) all other defaults and Events of Default (other than nonpayments of principal and interest that have become due solely by reason of acceleration) shall have been remedied or cured or shall have been waived pursuant to this paragraph, PROVIDED, HOWEVER, that no such rescission shall extend to or affect any subsequent default or Event of Default or impair any right consequent thereon.

13. SUITS FOR ENFORCEMENT. In case any one or more of the Events of Default specified in Section 12 of this Note shall occur and be continuing, the holder of this Note may proceed to protect and enforce its rights by suit in equity, action at law and/or by other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Note or in aid of the exercise of any power granted in this Note, or may proceed to enforce the payment of this Note or to enforce any other legal or equitable right of the holder of this Note.

In case of any default under any Note, the Company will pay to the holder thereof such amounts as shall be sufficient to cover the costs and expenses of such holder due to said default, including, without limitation, collection costs and reasonable attorneys' fees, to the extent actually incurred.

14. REMEDIES CUMULATIVE. No remedy herein conferred upon the holder of this Note is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

15. REMEDIES NOT WAIVED. No course of dealing between the Company and the holders of this Note or any delay on the part of the holder hereof in exercising any rights hereunder shall operate as a waiver of any right of any holder of this Note.

16. SUBORDINATION. (a) SUBORDINATION. Anything in this Note to the contrary notwithstanding, the obligation of the Company to pay the principal of and interest on, this Note, and to discharge all its other obligations hereunder, shall be subordinate and junior in right of payment to the extent set forth in the following paragraphs (A), (B) and (C), inclusive, to (i) all obligations of the Company to banks or other financial institutions for borrowed money, and (ii) all obligations of the Company to banks or other financial institutions under guarantees by the Company of obligations of wholly owned subsidiaries of the Company to banks or other financial institutions for borrowed money, in each case, whether such obligations are outstanding at the date of this Note or created or incurred after the date of this Note but prior to the maturity of this Note. The obligations of the Company to which this Note is subordinate and junior in right of payment are sometimes herein referred to as "Senior Indebtedness".

(A) In the event of any insolvency, bankruptcy, liquidation, reorganization or other similar proceedings, or any receivership proceedings in connection therewith, relative to the Company or its creditors or its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Company, whether or not involving insolvency or bankruptcy proceedings, then all Senior Indebtedness shall first be paid in full, before any payment on account of principal or interest is made upon this Note.

(B) In any of the proceedings referred to in paragraph (A) above, any payment or distribution of any kind or character, whether in cash, property, stock or obligations which may be payable or deliverable in respect of this Note shall be paid or delivered directly to the holders of Senior Indebtedness for application in payment thereof; unless and until all Senior Indebtedness shall have been paid in full.

(C) In the event the Company shall default under any Senior Indebtedness obligation held by any bank or other financial institution, which default shall continue without cure or waiver, and the effect of such default is to accelerate the maturity of such obligation or the holder thereof shall cause such obligation to become due prior to the stated maturity thereof or the Company shall not pay such obligation at maturity, the Company will not make, directly or indirectly, to the holder of this Note any payment of any kind of or on account of all or any part of this Note, and the holder of this Note will not accept from the Company any payment of any kind of or on account of all or any part of this Note, unless and until all such Senior Indebtedness shall have been paid in full; and if; with respect to any such default, the holder of such Senior Indebtedness obligation shall have made a demand for payment and commenced an action, suit or other proceeding against the Company, then the holder of this Note may not take, demand, receive, sue for, accelerate or commence any remedial proceedings with respect to any amount payable under this Note during the pendency of such action, suit or other proceeding. Notwithstanding the provisions of the immediately preceding sentence, if any such default shall have continued for 180 days or more, the Company may make and the holder of this Note may accept from the Company all past due and current payments of any kind of or on account of this Note, and such holder may demand, receive, retain, sue for or otherwise seek enforcement or collection of all amounts payable on account of principal of or interest on this Note.

Upon request of any holder of Senior Indebtedness, the holder of this Note will affirm its obligations under this Section 16.

(b) SUBROGATION. Subject to the payment in full of all Senior Indebtedness as aforesaid, the holder of this Note shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of any kind or character, whether in cash, property, stock or obligations, which may be payable or deliverable to the holders of Senior Indebtedness, until the principal of, and interest on, this Note shall be paid in full, and, as between the Company, its creditors other than the holders of Senior Indebtedness, and the holder of this Note, no such payment or distribution made to the holders of Senior Indebtedness by virtue of this Section 16 which otherwise would have been made to the holder of this Note shall be deemed a payment by the Company on account of the Senior Indebtedness, it being understood that the provisions of this Section 16 are and are intended solely for the purposes of defining the relative rights of the holder of this Note,

on the one hand, and the holder of the Senior Indebtedness, on the other hand. Subject to the rights, if any, under this Section 16 of holders of Senior Indebtedness to receive cash, property, stock or obligations otherwise payable or deliverable to the holder of this Note, nothing herein shall either impair, as between the Company and the holder of this Note, the obligation of the Company, which is unconditional and absolute, to pay to the holder hereof the principal hereof and interest hereon in accordance with its terms and the provisions of this Note or prevent the holder of this Note from exercising all remedies otherwise permitted by applicable law or upon default hereunder.

17. COVENANTS BIND SUCCESSORS AND ASSIGNS. All the covenants, stipulations, promises and agreements in this Note contained by or on behalf of the Company shall bind its successors and assigns, whether so expressed or not.

18. GOVERNING LAW. THIS NOTE SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

19. HEADINGS. The headings of the Sections and paragraphs of this Note are inserted for convenience only and do not constitute a part of this Note.

IN WITNESS WHEREOF, ALLIANCE DATA SYSTEMS CORPORATION has caused this Note to be signed in its corporate name by one of its officers thereunto duly authorized and to be dated as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By_____

EXHIBIT B

AMENDMENT TO AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

AMENDMENT TO AMENDED AND RESTATED STOCKHOLDERS AGREEMENT dated as of August 31, 1998 (the "Amendment"), amending the Amended and Restated Stockholders Agreement dated as of August 30, 1996, as amended (as so amended, the "Original Agreement"), among Alliance Data Systems Corporation (known in the Original Agreement as World Financial Network Holding Corporation) (the "Issuer"), Limited Commerce Corp. ("Limited Commerce"), WCAS Capital Partners II, L.P. ("WCAS CP II"), Welsh, Carson, Anderson & Stowe VII, L.P. ("WCAS VII"), and the several other investors named as parties thereto (collectively with Limited Commerce, WCAS CP II and WCAS VII, the "Investors"), certain of whom were also parties to the Original Agreement.

WHEREAS, the Issuer, Limited Commerce, WCAS CP II and WCAS VII have entered into an Amendment to Securities Purchase Agreement dated as of the date hereof (the "Amendment to Securities Agreement") pursuant to which, among other things, the Issuer has agreed to issue and deliver to WCAS CP II and Limited Commerce an aggregate 454,545 shares of Common Stock (the "Common Shares"), par value $.01 per share, of the Issuer in consideration of the agreement by WCAS CP II and Limited Commerce to change the maturity of the 10% Subordinated Notes due January 24, 2002 of the Company held by WCAS CP II and Limited Commerce Corp. from January 24, 2002 to October 25, 2005; and

WHEREAS, the Issuer and the Investors desire to amend the Original Agreement to include the Common Shares in such agreement;

NOW THEREFORE, the parties hereto agree as follows:

SECTION 1. AMENDMENT TO ORIGINAL AGREEMENT. The Common Shares to be acquired by WCAS CP II and Limited Commerce pursuant to the Amendment to Securities Agreement shall for all purposes be deemed "Common Stock" and "Registrable Securities" under the Original Agreement.

SECTION 2. CONSENT. Each of the Investors hereby consents to the issuance of the Common Shares to WCAS CP II and Limited Commerce and hereby waives any preemptive right or other right it may have to purchase, participate in or otherwise acquire any such shares of Common Stock.

SECTION 3. APPLICABLE LAW. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of law principles.

SECTION 4. ORIGINAL AGREEMENT. Except as amended or modified pursuant to this Amendment, the terms of the Original Agreement shall remain in full force and effect.

SECTION 5. SEVERABILITY. The invalidity or unenforceability of any provisions of this Amendment in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Amendment in such jurisdiction or the validity, legality or enforceability of this Amendment, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

SECTION 6. COUNTERPARTS: EFFECTIVENESS. This Amendment may be executed in any number of counterparts, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By_____

LIMITED COMMERCE CORP.

By_____

WELSH, CARSON, ANDERSON & STOWE VIII, L.P.
By WCAS VIII Associates LLC, General Partner

By_____
General Partner

WELSH, CARSON, ANDERSON & STOWE VII, L.P.
By WCAS VII Partners, L.P., General Partner

By_____
General Partner

WELSH, CARSON, ANDERSON & STOWE VI L.P.
By WCAS VI Partners, L.P., General Partner

By_____
General Partner

WCAS CAPITAL PARTNERS II, L.P.
By WCAS CP II Partners, General Partner

By_____
General Partner

WCAS INFORMATION PARTNERS, L.P.
By: WCAS INFO Partners, General Partner

By_____
General Partner

PATRICK J. WELSH
RUSSELL L. CARSON
BRUCE K. ANDERSON
RICHARD H. STOWE
ANDREW M. PAUL
THOMAS E. MCINERNEY
JAMES B. HOOVER

By_____
Laura VanBuren, Attorney-in-Fact

_____
Laura VanBuren

_____
Robert A. Minicucci

Anthony J. deNicola

David Bellet

Paul B. Queally

Lawrence Sorrel

Priscilla Newman

Rudolph Rupert

D. Scott Mackesy

Exhibit 10.26

- ---
- ---

COMMON STOCK PURCHASE AGREEMENT

Among

ALLIANCE DATA SYSTEMS CORPORATION

and

WELSH, CARSON, ANDERSON & STOWE VII, L.P.,

WELSH, CARSON, ANDERSON & STOWE VIII, L.P.

and

THE PERSONS NAMED ON SCHEDULE I HERETO

Dated as of July 24, 1998

- ---
- ---

COMMON STOCK PURCHASE AGREEMENT, dated as of July 24, 1998, by and among ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation (the "Company"), WELSH, CARSON, ANDERSON & STOWE VII, L.P., a Delaware limited partnership ("WCAS VII"), WELSH, CARSON, ANDERSON & STOWE VIII, L.P., a Delaware limited partnership ("WCAS VIII" and together with WCAS VII, "WCAS") and the persons named on Schedule I hereto (collectively with WCAS, the "Purchasers").

The Company proposes, as set forth in this Agreement, to issue and deliver to the Purchasers severally, an aggregate 90,909,091 shares (the "Shares") of Common Stock, $.01 par value ("Common Stock"), of the Company.

Accordingly, in consideration of the premises and the mutual covenants herein contained, the parties hereby agree as follows:

I.

THE SHARES

SECTION 1.01 ISSUANCE, SALE AND DELIVERY OF THE SHARES. (a) The Company shall issue, sell and deliver to each of the Purchasers, and each Purchaser shall purchase from the Company, the number of Shares set forth opposite the name of such Purchaser on Schedule I hereto under the heading "Shares Purchased."

(b) As payment in full for the Shares being purchased by each of the Purchasers and against delivery thereof as aforesaid, on the Closing Date (as hereinafter defined) each Purchaser shall transfer to the account of the Company by wire transfer of immediately available funds the amount set forth opposite the name of such Purchaser on Schedule I hereto under the heading "Aggregate Payment."

SECTION 1.02 CLOSING DATE. The closing of the issuance, sale and delivery of the Shares in accordance herewith shall take place at the offices of Reboul, MacMurray, Hewitt, Maynard & Kristol, 45 Rockefeller Plaza, New York, New York, on July 24, 1998, or at such other date and time as may be mutually agreed upon between the Purchasers and the Company (such date and time of closing being hereinafter called the "Closing Date").

II.

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to each Purchaser as follows:

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to conduct its business as currently conducted and as proposed to be conducted, to execute, deliver and perform this Agreement and the Amendment to Amended and Restated Stockholders Agreement in the form attached hereto as Exhibit B (the "Stockholders Agreement Amendment") and to issue and deliver the Shares.

(b) Except as set forth on Schedule II(b) hereto and on Schedule 3.01(b) of the Agreement and Plan of Merger, dated as of August 30, 1996, between Business Services Holdings, Inc. and the Company, then known as World Financial Network Holding Company ("WFN"), the Company does not own of record or beneficially, directly or indirectly, (i) any shares of outstanding capital stock or securities convertible into capital stock of any other corporation or (ii) any participating interest in any partnership, joint venture or other noncorporate business enterprise.

(c) The execution and delivery by the Company of this Agreement and the Stockholders Agreement Amendment, the performance by the Company of its obligations hereunder and thereunder and the issuance and delivery of the Shares have been duly authorized by all requisite corporate action and will not violate any provision of law, any order of any court or other agency of government, the Certificate of Incorporation, as amended by the Certificate of Amendment to the Certificate of Incorporation in the form attached hereto as Exhibit A (the "Charter Amendment"), or By-laws of the Company, or any provision of any indenture, agreement or other assets is bound or affected, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company.

(d) Upon the filing with the Secretary of State of the State of Delaware of the Charter Amendment, the Shares will be duly authorized by the Company and, when issued and delivered in accordance with this Agreement, will be validly issued, fully paid and nonassessable shares of capital stock of the Company and will be free and clear of all liens, claims, charges or encumbrances created by the Company. Except as provided in the Amended and Restated Stockholders Agreement, dated as of August 30, 1996, among WFN, Limited Commerce Corp., WCAS VII and the Several Other WCAS Investors Named in Annex I Thereto (which rights as to the Shares to be issued hereunder have been effectively waived prior to or on the date hereof), the issuance and delivery of the Shares are not subject to any preemptive rights of stockholders of the Company or to any right of first refusal or other similar right in favor of any person.

(e) No approval, authorization, consent or order or action of or filing with any court, administrative agency or other governmental authority is required for the execution and delivery by the Company of this Agreement or the Stockholders Agreement Amendment or the issuance and delivery of the Shares.

(f) Each of this Agreement and the Stockholders Agreement Amendment has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable in accordance with its respective terms.

(g) The authorized capital stock of the Company consists of 350,000,000 shares of Common Stock, of which 330,017,054 shares of Common Stock are issued and outstanding as of the date hereof, and no other shares have ever been issued. After the filing of a Charter Amendment, the authorized capital stock of the Company will consist of 450,000,000 shares of Common Stock and immediately after consummation of the transactions contemplated hereby 420,926,145 shares of Common Stock will be issued and outstanding. Except as expressly provided in this Agreement, the Company's Stock Option Plan (the "Plan")and that certain Agreement for the Purchase of All the Shares of Loyalty Management Group Canada Inc., dated June 26, 1998 (the "Loyalty Management Agreement"), and except for the warrants to purchase up to 1,503,759 shares of Common Stock held by JCP Telecom Systems, Inc., (i) no subscription, warrant, option, convertible security or other right (contingent or other) to purchase or acquire any shares of any class of capital stock of the Company is authorized or outstanding, (ii) there is not any commitment of the Company to issue any shares, warrants, options or other such rights or to distribute to holders of any class of its capital stock any evidences of indebtedness or assets and (iii) the Company has no obligation (contingent or otherwise) to purchase, redeem or-otherwise acquire any shares of its capital stock or any interest therein or to pay any dividend or make any other distribution in respect thereof. No more than 15,000,000 shares of Common Stock are reserved for issuance under the Plan. As of the date hereof, no shares of Common Stock are held as treasury shares of the Company.

III.

REPRESENTATIONS AND WARRANTIES OF THE PURCHASERS

Each Purchaser severally and not jointly, represents and warrants to the Company that such Purchaser is acquiring the Shares being purchased by it hereunder for its own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof. Each Purchaser further represents that it understands that (i) the Shares have not been

registered under the Securities Act of 1933, as amended (the "Securities Act"), by reason of their issuance in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof, (ii) the Shares must be held indefinitely unless a subsequent disposition thereof is registered under the Securities Act or is exempt from such registration, (iii) the Shares will bear a legend to such effect, and (iv) the Company will make a notation on its transfer books to such effect. Each Purchaser further understands the exemption from registration afforded by Rule 144 under the Securities Act depends on the satisfaction of various conditions and that, if applicable, Rule 144 affords the basis of sales of the Shares only in limited amounts under certain conditions.

Each Purchaser further represents and warrants to the Company that it has had full opportunity to have access to and to examine the facilities, personnel and records of the Company, that it is capable of evaluating independently the prospects of the Company and has made such an #valuation in connection with its investment in the Shares being purchased by such Purchaser and had adequate financial means to bear the risk of its investment in the Company.

IV.

CONDITIONS TO THE OBLIGATIONS OF THE PURCHASERS

The obligation of each Purchaser to purchase the Shares being acquired by it hereunder on the Closing Date is, at the option of such Purchaser, subject to the satisfaction, on or before such date, of the following conditions:

(a) The representations and warranties contained in Article II hereof shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date, and the Company shall have certified to such effect to the Purchasers in writing.

(b) The Company shall have performed and complied with all agreements and conditions contained herein required to be performed or complied with by it prior to or at the Closing Date, and the Company shall have certified to such effect to the Purchasers in writing.

(c) The Charter Amendment shall have been accepted for filing and filed by the Secretary of State of the State of Delaware.

(e) The Stockholders Agreement Amendment shall have been fully executed.

V.

MISCELLANEOUS

SECTION 5.01 SURVIVAL OF AGREEMENTS. All covenants, agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement and the issuance of the Shares pursuant hereto, and all statements contained in any certificate or other instrument delivered by the Company hereunder shall be deemed to constitute representations and warranties made by the Company.

SECTION 5.02 BROKERAGE. Each party hereto shall indemnify and hold harmless the other against and or in respect of any claim for brokerage or other commissions relative to this Agreement or to the transactions contemplated hereby, based in any way on agreements, arrangements or understandings made or claimed to have been made by such party with any third party.

SECTION 5.03 PARTIES IN INTEREST. All covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit) of the respective successors and assigns of the parties hereto whether so expressed or not.

SECTION 5.04 NOTICES. All notices, requests, consents and other communications hereunder shall be in writing and shall be mailed by first class registered mail, postage prepaid,

if to the Company, to it at:

5001 Valley Road
Suite 650, West Tower
Dallas, Texas 75244-3910
Attention: General Counsel

if to any Purchaser to it at:

c/o Welsh, Carson, Anderson & Stowe
320 Park Avenue
Suite 2500
New York, New York 10022-6815

or, in any such case, at such other address or addresses as shall have been furnished in writing by such party to the other parties hereto.

SECTION 5.05 LAW GOVERNING. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

SECTION 5.06 ENTIRE AGREEMENT; MODIFICATIONS. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be modified or amended except in writing.

SECTION 5.07 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

THIS PAGE INTENTIONALLY LEFT BLANK

IN WITNESS WHEREOF, the Company and the Purchasers have executed this Agreement as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By [ILLEGIBLE]

WELSH, CARSON, ANDERSON & STOWE VII, L.P.
By WCAS VII Partners, General Partner

By /s/ Anthony J. deNicola

Anthony J. deNicola
General Partner

WELSH, CARSON, ANDERSON & STOWE VIII, L.P.
By WCAS VIII Partners, General Partner

By /s/ Anthony J. deNicola

Anthony J. deNicola
General Partner

/s/ Patrick J. Welsh

Patrick J. Welsh

/s/ Russell L. Carson

Russell L. Carson

/s/ Bruce K. Anderson

Bruce K. Anderson

/s/ Richard H. Stowe

Richard H. Stowe

/s/ Andrew M. Paul

Andrew M. Paul

/s/ Thomas E. McInerney

Thomas E. McInerney

/s/ Laura VanBuren

Laura VanBuren

/s/ James B. Hoover

James B. Hoover

/s/ Robert A. Minicucci

Robert A. Minicucci

/s/ Anthony J. deNicola

Anthony J. deNicola

/s/ David Bellet

David Bellet

/s/ Paul B. Queally

Paul B. Queally

Lawrence Sorrel

Priscilla Newman

Rudolph Rupert

D. Scott Mackesy

WCAS INFORMATION PARTNERS, L.P.
By: WCAS INFO Partners,
General Partner

By /s/ Laura VanBuren

Laura VanBuren
Title: General Partner
Attorney in Fact

/s/ Lawrence Sorrel

Lawrence Sorrel

/s/ Priscilla Newman

Priscilla Newman

/s/ Rudolph Rupert

Rudolph Rupert

/s/ D. Scott Mackesy

D. Scott Mackesy

SCHEDULE I

PURCHASERS

Name	Shares Purchased	Aggregate Payment ($)
Welsh, Carson, Anderson & Stowe VIII, L.P.	64,454,546	70,900,000
Welsh, Carson, Anderson & Stowe VII, L.P.	21,889,833	24,078,816
WCAS Information Partners, L.P.	364,007	400,408
Patrick J. Welsh	862,667	948,934
Russell L. Carson	830,717	913,789
Bruce K. Anderson	953,948	1,049,343
Richard H. Stowe	68,450	75,295
Andrew M. Paul	277,458	305,204
Thomas E. McInerney	432,096	475,306
Laura VanBuren	9,106	10,016
James B. Hoover	9,130	10,043
Robert A. Minicucci	318,367	350,204
Anthony J. deNicola	63,705	70,075
David Bellet	45,455	50,000
Paul B. Queally	106,879	117,567
Lawrence Sorrel	90,909	100,000
Priscilla Newman	18,182	20,000
Rudolph Rupert	90,909	100,000
D. Scott Mackesy	22,727	25,000
Total:	90,909,091	100,000,000

SCHEDULE II(b)

ADDITIONAL SUBSIDIARIES

Alliance Data Systems (NZ) Limited

Financial Automation Limited Inc.

Financial Automation Marketing Limited Inc.

EXHIBIT 10.27

- ---
- ---

SECURITIES PURCHASE AGREEMENT

between

ALLIANCE DATA SYSTEMS CORPORATION

and

WCAS CAPITAL PARTNERS III, L.P.

Dated as of September 15, 1998

- ---
- ---

TABLE OF CONTENTS

INDEX TO EXHIBITS AND SCHEDULES

SECURITIES PURCHASE AGREEMENT, dated as of September 15, 1998, between ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation (the "Company"), and WCAS CAPITAL PARTNERS III, L.P., a Delaware limited partnership (the "Purchaser").

WHEREAS pursuant to an Agreement and Plan of Merger (the "Merger Agreement") dated as of August 14, 1998 between the Company, HSI Acquisition Corp., a Minnesota corporation and a wholly-owned subsidiary of the Company ("Merger Subsidiary"), and Harmonic Systems Incorporated, a Minnesota corporation ("Harmonic"), Merger Subsidiary will merge with and into Harmonic and Harmonic will become a wholly-owned subsidiary of the Company; and

WHEREAS in order to finance the transactions contemplated by the Merger Agreement, the Company wishes to issue and sell on the Closing Date (as hereinafter defined) to the Purchaser (i) an aggregate of 5,900,000 shares (collectively, the "Shares") of Common Stock, $.01 par value ("Common Stock"), of the Company, and (ii) the Company's 10% Subordinated Note Due September 15, 2008 in the principal amount of $52,000,000; and

WHEREAS the Purchaser wishes to purchase the Shares and said Note, all on the terms and subject to the conditions hereinafter set forth;

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

I.

PURCHASE AND SALE OF SECURITIES

SECTION 1.01 ISSUANCE SALE AND DELIVERY OF THE SECURITIES.

(a) Subject to the terms and conditions set forth herein, on the Closing Date the Company shall issue, sell and deliver to the Purchaser, and the Purchaser shall purchase from the Company, (i) the Shares and (ii) a 10% Subordinated Note Due September 15, 2008 of the Company, substantially in the form of Exhibit A hereto, dated the Closing Date, in the principal amount of $52,000,000 (such note, and any note or notes issued in exchange or substitution therefor, being hereinafter called the "Note"). The Company shall issue a certificate or certificates in definitive form, registered in the name of the Purchaser, evidencing the Shares. The Shares and the Note are sometimes collectively referred to herein as the "Securities".

(b) As payment in full for the Securities, and against delivery thereof as aforesaid, on the Closing Date the Purchaser shall pay to the Company, by wire transfer of immediately available funds to an account designated by the Company, the sum of $52,000,000.

II.

THE CLOSING

SECTION 2.01 CLOSING DATE. The closing of the sale and purchase of the Securities shall take place at the offices of Reboul, MacMurray, Hewitt, Maynard & Kristol, 45 Rockefeller Plaza, New York, New York 10111, at 10 a.m., New York time, on September 15, 1998, or at such other date and time as may be mutually agreed upon by the Purchaser and the Company (such date and time of the closing being herein called the "Closing Date").

III.

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Purchaser as follows:

SECTION 3.01 ORGANIZATION, QUALIFICATIONS AND CORPORATE POWER. The Company is a corporation duly incorporated validly existing and in good standing under the laws of the State of Delaware and is duly licensed or qualified to transact business as a foreign corporation and is in good standing in each jurisdiction in which the nature of its business or the ownership of its properties makes such licensing or qualification necessary, except where the failure to be so licensed or qualified would not have a material adverse effect on the business, assets, operations or condition (financial or other) of the Company (a "Material Adverse Effect"). The Company has the corporate power and authority to own and hold its properties, to carry on its business as currently conducted, to execute, deliver and perform this Agreement, the Note and the Amendment to Amended and Restated Stockholders Agreement in the form attached hereto as Exhibit B (the "Stockholders Agreement Amendment") and to issue and deliver the Shares. The Purchaser has been furnished with true and complete copies of the Company's Certificate of Incorporation and By-laws, reflecting all amendments thereto through the date hereof.

SECTION 3.02 AUTHORIZATION OF AGREEMENTS, ETC.

(a) The execution and delivery by the Company of this Agreement, the Note and the Stockholders Agreement Amendment, the
'

performance by the Company of its respective obligations hereunder and thereunder and the issuance, sale and delivery by the Company of the Shares have been duly authorized by all requisite corporate action and not (i) violate any provision of law applicable to the Company, any order of any court or other agency of government, the Certificate of Incorporation or By-laws of the Company, or any provision of any indenture, agreement or other instrument to which the Company or any of its properties or assets is bound, (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or (iii) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company that, in any such case, would have a Material Adverse Effect.

(b) The Shares will, when issued and paid for in accordance with this Agreement, be validly issued, fully paid and nonassessable shares of Common Stock. The issuance, sale and delivery of the Shares to the Purchaser hereunder is not subject to any preemptive rights of stockholders of the Company or to any right of first refusal or other similar right in favor of any person.

SECTION 3.03 VALIDITY. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights generally and to general equity principles. The Note and the Stockholders Agreement Amendment, when executed and delivered by the Company as provided in this Agreement, will constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights generally and to general equity principles.

SECTION 3.04 AUTHORIZED CAPITAL STOCK.

(a) The authorized capital stock of the Company consists of 450 million shares of Common Stock, $.01 par value, of which an aggregate of 421,929,815 shares are validly issued and outstanding, fully paid and nonassessable.

(b) Except as contemplated by this Agreement and with respect to employee stock options outstanding as of the date hereof or to be granted by the Board of Directors of the Company

from time to time after the date hereof, (i) no subscription, warrant, option, convertible security or other right (contingent or other) to purchase or acquire any shares of any class of capital stock of the Company is authorized or outstanding and (ii) there is no commitment of the Company to issue any shares, warrants, options or other such rights or to distribute to holders of any class of the Company's capital stock, any evidences of indebtedness or assets and (iii) the Company has no obligation (contingent or other) to purchase, redeem or otherwise acquire any shares of its capital stock or any interest therein or to pay any dividend or make any other distribution in respect thereof.

SECTION 3.05 GOVERNMENTAL APPROVALS. No registration or filling with, or consent or approval of, or other action by, any federal, state or other governmental agency or instrumentality is or will be necessary for the valid execution, delivery and performance of this Agreement, the Note and the Stockholders Agreement Amendment, or the issuance, sale and delivery of the Shares.

SECTION 3.06 OFFERING OF THE SECURITIES. Neither the Company nor any person authorized or employed by the Company as agent, broker, dealer or otherwise in connection with the offering or sale of the Securities or any similar securities of the Company has offered any such securities for sale to, or solicited any offers to buy any such securities from, or otherwise approached or negotiated with respect thereto with, any person or persons, under circumstances that involved the use of any form of general advertising or solicitation as such terms are defined in Regulation D of the Securities Act of 1933, as amended (the "Securities Act"); and neither the Company nor any person acting on the Company's behalf has taken or will take any action (including, without limitation, any offer, issuance or sale of any securities of the Company under circumstances which might require the integration of such transactions with the sale of the Securities under the Securities Act or the rules and regulations of the Securities and Exchange Commission (the "Commission") thereunder) which might subject the offering, issuance or sale of the Note and/or the Shares to the Purchaser to the registration provisions of the Securities Act.

SECTION 3.07 ACCURACY OF REPRESENTATIONS AND WARRANTIES IN THE MERGER AGREEMENT. The representations and warranties of the Company contained in Article 4 of the Merger Agreement are true and correct as of the date hereof and will be true and correct as of the Closing Date in all material respects. To the best knowledge of the Company, the representations and warranties of Harmonic contained in Article 3 of the Merger Agreement are true and correct as of the date hereof and will be true and correct as of the Closing Date in all materials respects.

SECTION 3.08 FINANCIAL STATEMENTS. The audited financial statements of the Company at and for the year ended January 31, 19998 and the unaudited financial statements for the quarterly period ended May 2, 1998, copies of which have been delivered to the Purchaser, fairly present the consolidated financial position of the Company as of such dates and the consolidated income, cash flows and stockholders' equity for the periods covered thereby.

SECTION 3.09 REGULATIONS G AND X. The Company is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (as defined, from time to time, in Regulation G promulgated by the Board of Governors of the Federal Reserve System), and no part of the proceeds from the Note or the Shares or other financing in connection with the transactions contemplated by the Merger Agreement will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock in violation of Regulations G and X.

IV.
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Company as follows:

SECTION 4.01 AUTHORIZATION. The execution, delivery and performance by the Purchaser of this Agreement and the Stockholders Agreement Amendment and the purchase and receipt by the Purchaser of the Securities have been duly authorized by all requisite action on the part of the Purchaser, and will not violate any provision of law, any order of any court or other agency of government applicable to the Purchaser, the governing instrument of the Purchaser, or any provision of any indenture, agreement or other instrument by which the Purchaser or any of the Purchaser's properties or assets are bound, or conflict with result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Purchaser, that in any case, would have a material adverse effect on the business, assets, operations or condition (financial or other) of the Purchaser.

SECTION 4.02 VALIDITY. This Agreement has been duly executed and delivered by the Purchaser and constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency,

reorganization, moratorium and similar laws from time to time in effect affecting the enforcement of creditors' rights generally and to general equity principles.

SECTION 4.03 INVESTMENT REPRESENTATIONS.

(a) The Purchaser is acquiring the Securities for its own account, for investment, and not with a view toward the resale or distribution thereof in violation of applicable law.

(b) The Purchaser understands that (i) neither the Note nor the Shares have been registered under the Securities Act by reason of their issuance in a transaction exempt from the registration requirements of the Securities Act pursuant to Section 4(2) thereof, (ii) the Securities must be held indefinitely unless and subsequent disposition thereof is registered under the Securities Act or is exempt from such registration, (iii) the Note and the Shares will bear a legend to such effect and (iv) the Company will make notations on its transfer books to such effect.

(c) The Purchaser is able to fend for itself in the transactions contemplated by this Agreement and that it has the ability to bear the economic risks of its investment in the Securities for an indefinite period of time. The Purchaser has had the opportunity to ask questions of, and receive answers from, officers of the Company with respect to the business and financial condition of the Company and the terms and conditions of the offering of the Securities and to obtain additional information necessary to verify such information or can acquire it without unreasonable effort or expense.

(d) The Purchaser has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its investment in the Securities. The Purchaser is an "accredited investor" as such term is defined in Rule 501 of Regulation D of the Commission under the Securities Act with respect to its purchase of the Securities, and that the Purchaser has not been formed solely for the purpose of purchasing the Securities.

(e) The Purchaser understands that the exemption from registration afforded by Rule 144 under the Securities Act depends on the satisfaction of various conditions and that, if applicable. Rule 144 affords the basis of sales of the Securities in limited amounts under certain circumstances.

V.

CONDITIONS PRECEDENT

SECTION 5.01 CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE PURCHASER. The obligations of the Purchaser hereunder are, at its option, subject to the satisfaction, on or before the Closing Date, of the following conditions:

(a) REPRESENTATION AND WARRANTIES TO BE TRUE AND CORRECT. The representations and warranties of the Company contained in this Agreement shall be true and correct in all material respects on the Closing Date, with the same force and effect as though such representations and warranties had been made on and as of such date.

(b) PERFORMANCE. The Company shall have performed and complied with all agreements and conditions contained herein required to be performed or complied with by it prior to or on the Closing Date.

(c) ALL PROCEEDINGS TO BE SATISFACTORY. All corporate and other proceedings to be taken by the Company and all waivers and consents to be obtained by the Company in connection with the transactions contemplated hereby shall have been taken or obtained by the Company and all documents incident thereto shall be satisfactory in form and substance to the Purchaser and its counsel.

(d) MERGER AGREEMENTS. The transactions contemplated by the Merger Agreement shall have been consummated on or prior to the Closing Date in accordance with the Merger Agreement as originally executed, without any material amendments or waivers.

(e) STOCKHOLDERS AGREEMENT AMENDMENT. On the Closing Date, the Stockholders Agreement Amendment shall have been fully executed.

SECTION 5.02 CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE COMPANY. The obligations of the Company hereunder are, at its option, subject to the satisfaction, on or before the Closing Date, of the following conditions:

(a) REPRESENTATIONS AND WARRANTIES TO BE TRUE AND CORRECT. The representations and warranties of the Purchaser contained in this Agreement shall be true and correct in all material respects on the Closing Date, with the same effect as though such representations and warranties had been made on and as of such date.

(b) PERFORMANCE. The Purchaser shall have performed and complied with all agreements and conditions contained herein required to be performed or complied with by it prior to or on the Closing Date.

(c) ALL PROCEEDINGS TO BE SATISFACTORY. All proceedings to be taken by the Purchaser and all waivers and consents to be obtained by the Purchaser in connection with the transactions contemplated hereby shall have been taken or obtained by the Purchaser and all documents incident thereto shall be satisfactory in form and substance to the Company and its counsel.

(d) MERGER AGREEMENT. The transactions contemplated by the Merger Agreement shall have been consummated on or prior to the Closing Date in accordance with the Merger Agreement.

VI.

MISCELLANEOUS

SECTION 6.01 EXPENSES, ETC. Each party hereto will pay its own expenses in connection with the transactions contemplated by this Agreement, whether or not such transactions shall be consummated; PROVIDED, HOWEVER, that the Company shall pay the reasonable fees and disbursements of Reboul, MacMurray, Hewitt, Maynard & Kristol, the Purchaser's counsel. Each party hereto will indemnify and hold harmless the other against and in respect of any claim for brokerage or other commissions relative to this Agreement or to the transactions contemplated hereby, made as a result of any agreements, arrangements or understanding made or claimed to have been made by such party with any third party.

SECTION 6.02 SURVIVAL OF AGREEMENTS. All covenants, agreements, representations and warranties made herein shall survive the execution and delivery of this Agreement and the issuance, sale and delivery of the Securities pursuant hereto and all statements contained in any certificate or other instrument delivered by the Company hereunder shall be deemed to constitute representations and warranties made by the Company.

SECTION 6.03 PARTIES IN INTEREST. All covenants and agreements contained in this Agreement by or on behalf of either of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not, except for transferees in a Public Sale. For the purposes of this Agreement, "Public Sale" means any sale of Shares to the public pursuant to an offering registered under the Securities Act or to the public pursuant to the provisions of

Rule 144 (or any successor or similar rule) adopted under the Securities Act.

SECTION 6.04 NOTICES. Any notice or other communications required or permitted hereunder shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by first class certified mail, postage pre-paid, or by telecopy addressed to such party at the address or telecopy number set forth below or such other address or telecopy number as may hereafter be designated in writing by the addressee to the addressor listing all parties:

if to the Company, to:

Alliance Data Systems Corporation
5001 Spring Valley Road, Suite 650W
Dallas, Texas 75244
Attention: General Counsel and Chief Financial Officer
Telecopy Number: (972) 960-5330

if to the Purchaser, to it at:

c/o Welsh, Carson, Anderson & Stowe
320 Park Avenue
Suite 2500
New York, New York 10022
Attention: Anthony J. deNicola
Telecopy Number: (212) 945-2016

with a copy to:

Reboul, MacMurray, Hewitt, Maynard & Kristol
45 Rockefeller Plaza
New York, New York 10111
Attention: Robert A. Schwed, Esq.
Telecopy Number: (212) 841-5725

or, in any case, at such other address or addresses as shall have been furnished in writing by such party to the other party hereto. All such notices, requests, consents and other communications shall be deemed to have been received (a) in the case of personal delivery, on the date of such delivery, (b) in the case of mailing, on the fifth business day following the date of such mailing and (c) in the case of telecopy, when received.

SECTION 6.05 ENTIRE AGREEMENT; MODIFICATIONS. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and may not be amended or modified nor any provisions waived except in a writing signed by the Company and holders owning an aggregate of not less than 66-

2/3% of the outstanding principal amount of the outstanding notes and not less than 66-2/3% of the outstanding shares of Common Stock issued hereunder and not previously transferred in a Public Sale.

SECTION 6.06 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 6.07 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, the Company and the Purchaser have executed this Agreement as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By /s/ Edward K. Mims

Title: EVP & CFO

WCAS CAPITAL PARTNERS III, L.P.
By WCAS CP III Partners,
General Partner

By /s/ Laura Van Buren

General Partner

EXHIBIT A

THIS NOTE IS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OLD") AS DEFINED BY SECTION 1273(a)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE FOLLOWING INFORMATION IS PROVIDED PURSUANT TO THE INFORMATION REPORTING REQUIREMENTS SET FORTH IN PROPOSED TREASURY REGULATION 1.1275-3.

THE ISSUE PRICE OF THIS DEBT INSTRUMENT IS $45,510,000.
THE AMOUNT OF OID ON THIS DEBT INSTRUMENT IS $6,490,000.
THE ISSUE DATE OF THIS DEBT INSTRUMENT IS SEPTEMBER 15, 1998.
THE YIELD TO MATURITY OF THIS DEBT INSTRUMENT IS 14.46%

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS IT HAS BEEN REGISTERED UNDER THAT ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

ALLIANCE DATA SYSTEMS CORPORATION

10% Subordinated Note
Due September 15, 2008

Registered
R-001
$52,000,000

New York, New York
September 15, 1998

ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation (hereinafter called the "Company"), -for value received, hereby promises to pay to WCAS CAPITAL PARTNERS III, L.P., a Delaware limited partnership, or registered assigns, the principal sum of FIFTY-TWO MILLION AND NO/100 Dollars ($52,000,000), in two equal installments on September 15, 2007 and September 15, 2008, and to pay interest (computed on the basis of a 360-day year consisting of twelve 30-day months) from the date hereof on the unpaid principal amount hereof at the rate of 10% per annum, payable semi-annually in arrears on the fifteenth day of March and September of each year (each said day being an "Interest Payment Date"), commencing on March 15,1999, until the principal amount hereof shall have become due and payable, whether at maturity or by acceleration or otherwise, and thereafter at the rate of 12% per annum on any overdue principal amount and (to the extent permitted by applicable law) on any overdue interest until paid.

All payments of principal and interest on this Note shall be in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts.

For purposes of this Note, "Business Day" shall mean any day other than a Saturday, Sunday or a legal holiday under the laws of the state of New York.

1. NOTES. This Note is one of a duly authorized issue of Subordinated Notes (herein called the "Notes") made or to be made by the Company in the aggregate principal amount of $52,000,000, maturing on September 15, 2008 and bearing interest payable at the same rate and on the same dates as the interest on the principal amount of this Note.

2. TRANSFER, ETC. OF NOTES. The Company shall keep at its office or agency maintained as provided in paragraph (a) of Section 11 a register in which the Company shall provide for the registration of Notes and for the registration of transfer and exchange of Notes. The holder of this Note may, at its option, and either in person or by duly authorized attorney, surrender the same for registration of transfer or exchange at the office or agency of the Company maintained as provided in paragraph (a) of Section 11, and, without expense to such holder (except for taxes or governmental charges imposed in connection therewith), receive in exchange therefor a Note or Notes each in such denomination or denominations as such holder may request, dated as of the date to which interest has been paid on the Note or Notes so surrendered for transfer or exchange, for the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered for transfer or exchange, and registered in the name of such person or persons as may be designated by such holder. Every Note presented or surrendered for registration of transfer of exchange shall be duly endorsed, or shall be accompanied by a written instrument of transfer, satisfactory in form to the Company, duly executed by the holder of such Note or his attorney duly authorized in writing. Every Note so made and delivered in exchange for this Note shall in all other respects be in the same form and have the same terms as this Note. No transfer or exchange of any Note shall be valid unless made in the foregoing manner at such office or agency.

3. LOSS, THEFT, DESTRUCTION OR MUTILATION OF NOTE. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of any such loss, theft or destruction, upon receipt of an affidavit of loss and indemnity from the holder hereof reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Note, the Company will make and deliver, in lieu of this Note, a new Note of like

tenor and unpaid principal amount and dated as of the date to which interest has been paid on this Note.

4. PERSONS DEEMED OWNERS; HOLDERS. The Company may deem and treat the person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note shall be overdue. With respect to any Note at any time outstanding, the term "holder", as used herein, shall be deemed to mean the person in whose name such Note is registered as aforesaid at such time.

5. PAYMENT IN KIND. On March 15 and September 15 of each year during the term of this Note (each an "Eligible Interest Payment Date"), the Company may elect to satisfy its obligation to pay interest on this Note by issuing to the holder hereof a deferred interest note or notes in substantially the form hereof (which note or notes shall hereinafter be called the "Deferred Interest Notes") in a principal amount equal to the interest that would have been payable to such holder on such Eligible Interest Payment Date. If the Company shall so elect, it shall deliver to the holder a certificate of the officer of the Company, not less than five Business Days prior to the Eligible Interest Payment Date, stating that the Company will pay such interest in the form of Deferred Interest Notes, together with a resolution of the Board of Directors of the Company authorizing the issuance of Deferred Interest Notes in the appropriate principal amount, and a representation that such Deferred Interest Notes will be binding obligations of the Company, enforceable in accordance with their terms.

6. PREPAYMENTS.

(a) OPTIONAL PREPAYMENT. Upon notice given as provided in Section 7 the Company may, at its option, prepay the Notes, as a whole at any time or in part from time to time, in amounts which shall be integral multiples of $100,000, at the unpaid principal amount thereof so to be prepaid, together with interest accrued thereon to the date fixed for such prepayment. All prepayments shall be applied to installments of principal hereof in inverse order of maturity.

(b) MANDATORY PREPAYMENT UPON PUBLIC OFFERING. If at any time while any of the Notes shall be outstanding the Company shall consummate a public offering of equity securities of the Company pursuant to an effective registration statement under the Securities Act, then upon the consummation of each such offering the Company shall apply to prepayment of the Notes (to the extent permitted under

the Company's Credit Agreement, dated as of July 24, 1998 (as amended the "Credit Agreement") with Morgan Guaranty Trust Company of New York, as Agent), without penalty or premium (up to the amount required to prepay all the Notes including accrued interest thereon) an amount that, including principal to be prepaid and accrued interest thereon, is equal to one-third of the proceeds of such offering to the Company (net of underwriting discounts and commissions).

(c) MANDATORY OID PREPAYMENT. To the extent permitted by the Credit Agreement, on any interest payment date on or after September 15, 2003, the Company must pay an amount of accrued original issue discount on this Note as shall be necessary to ensure that this Note shall not be considered an "applicable high yield discount obligation" within the meaning of Section 163(i) of the Internal Revenue Code of 1986, as amended, or any successor provision. The amount of interest payable on this Note at maturity shall be reduced by the amount of any accrued original issue discount that is paid under this Section 5(c).

7. NOTICE OF PREPAYMENT AND OTHER NOTICES. The Company shall give written notice of any prepayment of this Note or any portion hereof pursuant to Section 6 not less than 10 nor more than 60 days prior to the date fixed for such prepayment. Such notice of prepayment and all other notices to be given to any holder of this Note shall be given by registered or certified mail to the person in whose name this Note is registered at its address designated on the register maintained by the Company on the date of mailing such notice of prepayment or other notice. Upon notice of prepayment being given as aforesaid, the Company covenants and agrees that it will prepay, on the date therein fixed for prepayment, this Note or the portion hereof, as the case may be, so called for prepayment, at the principal amount thereof so called for prepayment together with interest accrued thereon to the date fixed for such prepayment.

8. ALLOCATION OF PREPAYMENT. In the event of any prepayment, purchase, redemption or retirement of less than all of the outstanding Notes, the Company will allocate the principal amount so to be prepaid, purchased, redeemed or retired (but only in units of $100,000) to each Note in proportion, as nearly as may be, to the aggregate principal amount of all Notes then outstanding.

9. INTEREST AFTER DATE FIXED FOR PREPAYMENT. If this Note or a portion hereof is called for prepayment as herein provided, this Note or such portion shall cease to bear interest on and after the date fixed for such prepayment unless, upon presentation for the purpose, the Company shall fail to pay this Note or such portion, as the case may be, in which event this Note or

such portion, as the case may be, and, so far as may be lawful, any overdue installment of interest, shall bear interest on and after the date fixed for such prepayment and until paid at the rate PER ANNUM provided herein for overdue principal.

10. SURRENDER OF NOTES; NOTATION THEREON. Upon any prepayment of a portion of the principal amount of this Note, the holder hereof, at its option, may require the Company to execute and deliver at the expense of the Company (except for taxes or governmental charges imposed in connection therewith), upon surrender of this Note, a new Note registered in the name of such person or persons as may be designated by such holder for the principal amount of this Note then remaining unpaid, dated as of the date to which interest has been paid on the principal amount of this Note then remaining unpaid, or may present this Note to the Company for notation hereon of the payment of the portion of the principal amount of this Note so prepaid.

11. COVENANTS. The Company covenants and agrees that, so long as any Note shall be outstanding:

(a) MAINTENANCE OF OFFICE. The Company will maintain an office or agency in such place in the United States of America as the Company may designate in writing to the registered holder hereof, where the Notes may be presented for registration of transfer and for exchange as herein provided, where notices and demands to or upon the Company in respect of the Notes may be served and where, at the option of the holders thereof, the Notes may be presented for payment.

(b) PAYMENT OF TAXES. The Company will promptly pay and discharge or cause to be paid and discharged, before the same shall become in default, all lawful taxes and assessments imposed upon the Company or any subsidiary or upon the income and profits of the Company or any subsidiary, or upon any property, real, personal or mixed, belonging to the Company or any subsidiary, or upon any part thereof by the United States or any State thereof, as well as all lawful claims for labor, materials and supplies which, if unpaid, would become a lien or charge upon such property or any part thereof; PROVIDED, HOWEVER, that neither the Company nor any subsidiary shall be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as both (x) the Company has set aside adequate reserves for such tax, assessment, charge, levy or claim and (y) (i) the Company or a subsidiary shall be contesting the validity thereof in good faith by appropriate proceedings or (ii) the Company shall, in its good faith judgment, deem the validity thereof to be questionable and the party to whom such tax, assessment, charge,

levy or claim is allegedly owed shall not have made written demand for the payment thereof.

(c) CORPORATE EXISTENCE. The Company will do or cause to be done all things necessary and lawful to preserve and keep in full force and effect its corporate existence, rights and franchises and the corporate existence, rights and franchises of each of its subsidiaries; PROVIDED, HOWEVER, that nothing in this paragraph (c) shall prevent the abandonment or termination of any rights or franchises of the Company, or the liquidation or dissolution of, or a sale, transfer or disposition (whether through merger, consolidation, sale or otherwise) of all or any substantial part of the property and assets of, any subsidiary or the abandonment or termination of the corporate existence, rights and franchises of any subsidiary if such abandonment, termination, liquidation, dissolution, sale, transfer or disposition is, in the good faith business judgment of the Company, in the best interests of the Company and is not disadvantageous in any material respect to the holders of the Notes.

(d) MAINTENANCE OF PROPERTY. The Company will at all times maintain and keep, or cause to be maintained and kept, in good repair, working order and condition all significant properties of the Company and its subsidiaries used in the conduct of the business of the Company and its subsidiaries, and will from time to time make or cause to be made all needful and proper repairs, renewals, replacement, betterments and improvements thereto, so that the business carried on in connection therewith may be properly and advantageously conducted at all times; PROVIDED, HOWEVER, that nothing in this paragraph (d) shall require (i) the making of any repair or renewal or (ii) the continuance of the operation and maintenance of any property or (iii) the retention of any assets if such action (or inaction) is, in the good faith business judgment of the Company, in the best interests of the Company (and the best interests of any subsidiary concerned or affected thereby) and is not disadvantageous in any material respect to the holders of the Notes.

(e) INSURANCE. The Company will, and will cause each of its subsidiaries to, (i) keep adequately insured, by financially sound and reputable insurers, all property of a character usually insured by corporations engaged in the same or a similar business similarly situated against loss or damage of the kinds customarily insured against by such corporations and (ii) carry, with financially sound and reputable insurers, such other insurance (including, without limitation, liability insurance) in such amounts as are available at reasonable expense and to the extent believed

necessary in the good faith business judgment of the Company.

(f) KEEPING OF BOOKS. The Company will at all times keep, and cause each of its subsidiaries to keep, proper books of record and account in which proper entries will be made of its transactions with generally accepted accounting principles consistently applied.

(g) TRANSACTIONS WITH AFFILIATES. The Company will enter into any transaction with any director, officer, stockholder, employee or affiliate of the Company only upon fair and reasonable terms.

(h) NOTICE OF DEFAULT. If any one or more events which constitute, or which with notice or lapse of time or both would constitute, an Event of Default under Section 12 shall occur, or if the holder of any Note shall demand payment or take any other action permitted upon the occurrence of any such Event of Default, the Company shall, immediately after it becomes aware that any such event has occurred or that such demand has been made or that any such action has been taken, give notice to all holders of the Notes, specifying the nature of such event or of such demand or action, as the case may be; PROVIDED, HOWEVER, that if such event, in the good faith judgment of the Company, will be cured within ten days after the Company has knowledge that such event would, with or without notice or lapse of time or both, constitute such an Event of default, no such notice need be given if such Event of Default shall be cured within such ten-day period.

12. MODIFICATION BY HOLDERS; WAIVER. The Company may, with the written consent of the holders of not less than 66 2/3% in principal amount of the Notes then outstanding, modify the terms and provisions of the Notes or the rights of the holders of the Notes or the obligations of the Company thereunder, and the observance by the Company of any term or provision of the Notes may be waived with the written consent of the holders of not less than 66 2/3% in principal amount of the Notes then outstanding; PROVIDED, HOWEVER, that no such modification or waiver shall

(a) change the maturity of any Note or reduce the principal amount thereof or reduce the rate or extend the time of payment of interest thereon without the consent of the holder of each Note so affected; or

(b) give any Note any preference over any other Note;

(c) reduce the percentage of Notes, the consent of the holders of which is required for any such modification; or

(d) amend the provisions of Section 17 hereof without the consent of the holders of Senior Indebtedness (as hereinafter defined).

Any such modification or waiver shall apply equally to all the holders of the Notes and shall be binding upon them, upon each future holder of any Note and upon the Company, whether or not such Note shall have been marked to indicate such modification or waiver, but any Note issued thereafter shall bear a notation referring to any such modification or waiver. Promptly after obtaining the written consent of the holders as herein provided, the Company shall transmit a copy of such modification or waiver to all the holders of the Notes at the time outstanding.

13. EVENTS OF DEFAULT. If any one or more of the following events, herein called Events of Default, shall occur, for any reason whatsoever, and whether such occurrence shall, on the part of the Company or any subsidiary, be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of a court of competent jurisdiction or any order, rule or regulation of any administrative or other governmental authority and such Event of Default shall be continuing:

(a) default shall be made in the payment of the principal of any Note when and as the same shall become due and payable, whether at maturity or at a date fixed for prepayment or by acceleration or otherwise; or

(b) default shall be made in the payment of any installment of interest on any Note according to its terms when and as the same shall become due and payable and such default shall continue for a period of five days; or

(c) default shall be made in the due observance or performance of any other covenant, condition or agreement on the part of the Company to be observed or performed pursuant to the terms hereof or of the Securities Purchase Agreement dated as of September 15, 1998 among the Company and the Purchaser (the "Purchase Agreement"), and such default shall continue for 30 days after written notice thereof, specifying such default and requesting that the same be remedied, shall have been given to the Company by the holder or holders of at least 25% of the principal amount of the Notes then outstanding (the Company to give forthwith to all other holders of Notes at the time outstanding written notice of the receipt of such notice specifying the default referred to therein); or

(d) any representation or warranty made by the Company in the Purchase Agreement shall prove to have been false or incorrect in any material respect on the date on or as of which made; or

(e) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Company or any subsidiary in an involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar laws, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or any subsidiary or for any substantial part of any of their property, or ordering the winding-up or liquidation of any of their affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(f) the commencement by the Company or any subsidiary of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar laws, or the consent by any of them to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or any subsidiary or for any substantial part of their property, or the making by any of them of any assignment for the benefit of creditors, or the failure of the Company or any subsidiary generally to pay its debts as such debts become due; or

(g) default as defined in any instrument evidencing or under which the Company or any subsidiary has outstanding at the time any indebtedness for money borrowed in excess of $50,000 in aggregate principal amount shall occur and as a result thereof the maturity of any such indebtedness shall have been accelerated so that the same shall have become due and payable prior to the date on which the same would otherwise have become due and payable and such acceleration shall not have been rescinded or annulled within 30 days; or

(h) final judgment for the payment of money in excess of $50,000 shall be rendered against the Company or a subsidiary and the same shall remain undischarged for a period of 30 days during which execution shall not be effectively stayed;

then, the holder or holders of a least 26% in aggregate principal amount of the Notes at the time outstanding may, at its or their option, by notice to the Company, declare all the Notes to be,

and all the Notes shall thereupon be and become, forthwith due and payable together with interest accrued thereon without presentment, demand, protest or further notice of any kind, all of which are expressly waived to the extent permitted by law.

At any time after any declaration of acceleration as to all of the Notes has been made as provided in this Section 13, the holders of at least 66 2/3% in principal amount of the Notes then outstanding may, by notice to the Company, rescind such declaration and its consequences, if (i) the Company has paid all overdue installments of interest on the Notes and all principal that has become due otherwise than by such declaration of acceleration and (ii) all other defaults and Events of Default (other than nonpayments of principal and interest that have become due solely by reason of acceleration) shall have been remedied or cured or shall have been waived pursuant to this paragraph, PROVIDED, HOWEVER, that no such rescission shall extend to or affect any subsequent default or Event of Default or impair any right consequent thereon.

14. SUITS FOR ENFORCEMENT. In case any one or more of the Events of Default specified in Section 13 of this Note shall occur and be continuing, the holder of this Note may proceed to protect and enforce its rights by suit in equity, action at law and/or by other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Note or in aid of the exercise of any power granted in this Note, or may proceed to enforce the payment of this Note or to enforce any other legal or equitable right of the holder of this Note.

In case of any default under any Note, the Company will pay to the holder thereof such amounts as shall be sufficient to cover the costs and expenses of such holder due to said default, including, without limitation, collection costs and reasonable attorneys' fees, to the extent actually incurred.

15. REMEDIES CUMULATIVE. No remedy herein conferred upon the holder of this Note is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

16. REMEDIES NOT WAIVED. No course of dealing between the Company and the holders of this Note or any delay on the part of the holder hereof in exercising any rights hereunder shall operate as a waiver of any right of any holder of this Note.

17. SUBORDINATION. (a) SUBORDINATION. Anything in this Note to the contrary notwithstanding, the obligation of the Company to pay the principal of and interest on this

Note, and to discharge all its other obligations hereunder, shall be subordinate and junior in right of payment to the extent set forth in the following paragraphs (A), (B) and (C), inclusive, to (i) all obligations of the Company to banks or other financial institutions for borrowed money (including under the Credit Agreement), and (ii) all obligations of the Company to banks or other financial institutions under guarantees by the Company of obligations of wholly owned subsidiaries of the Company to banks or other financial institutions for borrowed money, in each case, whether such obligations are outstanding at the date of this Note or created or incurred after the date of this Note but prior to the maturity of this Note. The obligations of the Company to which this Note is subordinate and junior in right of payment are sometimes herein referred to as "Senior Indebtedness".

(A) In the event of any insolvency, bankruptcy, liquidation, reorganization or other similar proceedings, or any receivership proceedings in connection therewith, relative to the Company or its creditors or its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Company, whether or not involving insolvency or bankruptcy proceedings, then all Senior Indebtedness shall first be paid in full, before any payment on account of principal or interest is made upon this Note.

(B) In any of the proceedings referred to in paragraph (A) above, any payment or distribution of any kind or character, whether in cash, property, stock or obligations which may be payable or deliverable in respect of this Note shall be paid or delivered directly to the holders of Senior Indebtedness for application in payment thereof, unless and until all Senior Indebtedness shall have been paid in full.

(C) In the event the Company shall default under any Senior Indebtedness obligation held by any bank or other financial institution, which default shall continue without cure or waiver, and the effect of such default is to accelerate the maturity of such obligation or the holder thereof shall cause such obligation to become due prior to the stated maturity thereof or the Company shall not pay such obligation at maturity, the Company will not make, directly or indirectly, to the holder of this Note any payment of any kind of or on account of all or any part of this Note, and the holder of this Note will not accept from the Company any payment of any kind of or on account of all or any

part of this Note, unless and until all such Senior Indebtedness shall have been paid in full; and if, with respect to any such default, the holder of such Senior Indebtedness obligation shall have made a demand for payment and commenced an action, suit or other proceeding against the Company, then the holder of this Note may not take, demand, receive, sue for, accelerate or commence any remedial proceedings with respect to any amount payable under this Note during the pendency of such action, suit or other proceeding. Notwithstanding the provisions of the immediately preceding sentence, if any such default shall have continued for 180 days or more, the Company may make and the holder of this Note may accept from the Company all past due and current payments of any kind of or on account of this Note, and such holder may demand, receive, retain, sue for or otherwise seek enforcement or collection of all amounts payable on account of principal of or interest on this Note.

Upon request of any holder of Senior Indebtedness, the holder of this Note will affirm its obligations under this Section 17.

(b) SUBROGATION. Subject to the payment in full of all Senior Indebtedness as aforesaid, the holder of this Note shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of any kind or character, whether in cash, property, stock or obligations, which may be payable or deliverable to the holders of Senior Indebtedness, until the principal of, and interest on, this Note shall be paid in full, and, as between the Company, its creditors other than the holders of Senior Indebtedness, and the holder of this Note, no such payment or distribution made to the holders of Senior Indebtedness by virtue of this Section 17 which otherwise would have been made to the holder of this Note shall be deemed a payment by the Company on account of the Senior Indebtedness, it being understood that the provisions of this Section 17 are and are intended solely for the purposes of defining the relative rights of the holder of this Note, on the one hand, and the holder of the Senior Indebtedness, on the other hand. Subject to the rights, if any, under this Section 17 of holders of Senior Indebtedness to receive cash, property, stock or obligations otherwise payable or deliverable to the holder of this Note, nothing herein shall either impair, as between the Company and the holder of this Note, the obligation of the Company, which is unconditional and absolute, to pay to the holder hereof the principal hereof and interest hereon in accordance with its terms and the provisions of this Note or prevent the holder of this

Note from exercising all remedies otherwise permitted by applicable law or upon default hereunder.

18. COVENANTS BIND SUCCESSORS AND ASSIGNS. All the covenants, stipulations, promises and agreements in this Note contained by or on behalf of the Company shall bind its successors and assigns, whether so expressed or not.

19. GOVERNING LAW. This Note shall be governed and construed in accordance with the laws of the State of New York.

20. HEADINGS. The headings of the Sections and paragraphs of this Note are inserted for convenience only and do not constitute a part of this Note.

IN WITNESS WHEREOF, ALLIANCE DATA SYSTEMS CORPORATION has caused this Note to be signed in its corporate name by one of its officers thereunto duly authorized and to be dated as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By /s/ [Illegible]

Title: EVP & CFO

EXHIBIT B

AMENDMENT TO AMENDED AND RESTATED STOCKHOLDERS AGREEMENT

AMENDMENT, dated SEPTEMBER 15, 1998, to AMENDED AND RESTATED STOCKHOLDERS AGREEMENT, dated as of August 30, 1996 (as amended to date, the "Stockholders Agreement"), among Alliance Data Systems Corporation (known in the original Stockholders Agreement as World Financial Network Holding Corporation) (the "Issuer"), Limited Commerce Corp. ("Limited Commerce"), Welsh, Carson, Anderson & Stowe VII, L.P., Welsh, Carson, Anderson & Stowe VIII, L.P., the several investors named on Annex I thereto and WCAS Capital Partners III, L.P. ("WCAS CP III").

WHEREAS, the Issuer and WCAS CP III have entered into a Securities Purchase Agreement dated as of the date hereof (the "Purchase Agreement"), whereby WCAS CP III has agreed to purchase (i) an aggregate of 5,900,000 shares of Common Stock (the "Shares"), par value $.01 per share, of the Issuer, and (ii) the Issuer's 10% Subordinated Note Due September 15, 2008 in the principal amount of $52,000,000;

WHEREAS, the parties hereto desire to amend the Stockholders Agreement to include the Shares in such agreement and to include WCAS CP III as a party thereto;

NOW THEREFORE, the parties hereto agree as follows:

SECTION 1. DEFINITIONS. Capitalized terms used herein without definition shall have the meanings ascribed to them in the Stockholders Agreement.

SECTION 2. AGREEMENT. WCAS CP III shall for all purposes be deemed a "WCAS Investor" and a "Holder" under the Stockholders Agreement. The Shares to be purchased by WCAS CP III pursuant to the Purchase Agreement shall for all purposes be deemed "Common Stock" and "Registrable Securities" under the Stockholders Agreement. WCAS CP III hereby confirms and agrees to be bound by all of the provisions of the Stockholders Agreement.

SECTION 3. APPLICABLE LAW. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflicts of law principles

SECTION 4. ORIGINAL AGREEMENT. Except as amended or modified pursuant to this Amendment, the terms of the Stockholders Agreement shall remain in full force and effect.

SECTION 5. SEVERABILITY. The invalidity or unenforceability of any provisions of this Amendment in any jurisdiction shall not affect the validity, legality or enforceability of the remainder of this Amendment in such jurisdiction or the validity, legality or enforceability of this Amendment, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the parties hereunder shall be enforceable to the fullest extent permitted by law.

SECTION 6. COUNTERPARTS; EFFECTIVENESS. This Amendment may be executed in any number of counterparts, each of which shall be an original with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By /s/ Edward K. Mims

Title: EVP & CPO

LIMITED COMMERCE CORP.

By /s/ [Illegible]

Title:

WELSH, CARSON, ANDERSON & STOWE VIII, L.P.
By: WCAS VIII Partners, L.P.,
General Partner

By /s/ Laura VanBuren

Title: General Partner

WELSH, CARSON, ANDERSON & STOWE VII, L.P.
By: WCAS VII Partners, L.P.,
General Partner

By /s/ Laura VanBuren

Title: General Partner

WELSH, CARSON, ANDERSON & STOWE VI, L.P.
By: WCAS VI Partners, L.P.,
General Partner

By /s/ Laura VanBuren

Title: General Partner

WCAS INFORMATION PARTNERS, L.P.
By: WCAS INFO Partners,
General Partner

By /s/ Laura VanBuren

Title: General Partner
Attorney-in-fact

WCAS CAPITAL PARTNERS II, L.P.
By: WCAS CP II Partners,
General Partner

By /s/ Laura VanBuren

Title: General Partner

WCAS CAPITAL PARTNERS III, L.P.
By: WCAS CP III Partners,
General Partner

By /s/ Laura VanBuren

Title: General Partner

*

Patrick J. Welsh

*

Russell L. Carson

*

Bruce K. Anderson

*

Richard H. Stowe

*

Andrew M. Paul

*

Thomas E. McInerney

/s/ Laura VanBuren

Laura VanBuren

*

James B. Hoover

*

Robert A. Minicucci

*

Anthony J. deNicola

/s/ David Bellet

David Bellet

*

Paul B. Queally

/s/ Lawrence B. Sorrel

Lawrence Sorrel

/s/ Priscilla Newman

Priscilla Newman

/s/ Rudolph Rupert

Rudolph Rupert

/s/ D. Scott Mackesy

D. Scott Mackesy

*By: /s/ Laura VanBuren

Laura VanBuren
Attorney-in-fact

Exhibit 10.28

EXHIBIT A

THIS NOTE IS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") AS DEFINED BY SECTION 1273(a)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED. THE FOLLOWING INFORMATION IS PROVIDED PURSUANT TO THE INFORMATION REPORTING REQUIREMENTS SET FORTH IN PROPOSED TREASURY REGULATION 1.1279-3.

THE ISSUE PRICE OF THIS DEBT INSTRUMENT IS $45,510,000.
THE AMOUNT OF OID ON THIS DEBT INSTRUMENT IS $6,490,000.
THE ISSUE DATE OF THIS DEBT INSTRUMENT IS SEPTEMBER 15, 1998
THE YIELD TO MATURITY OF THIS DEBT INSTRUMENT IS 14.46%

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS IT HAS BEEN REGISTERED UNDER THAT ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

ALLIANCE DATA SYSTEMS CORPORATION

104 Subordinated Note
Due September 15, 2008

Registered — New York, New York
R-001 — September 15, 1998
$52,000,000

ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation (hereinafter called the "Company"), for value received, hereby promises to pay to WCAS CAPITAL PARTNERS III, L.P., a Delaware limited partnership, or registered assigns, the principal sum of FIFTY-TWO MILLION AND NO/100 Dollars ($52,000,000), in two equal installments on September 15, 2007 and September 15, 2008, and to pay interest (computed on the basis of a 360-day year consisting of twelve 30-day months) from the date hereof on the unpaid principal amount hereof at the rate of 10% per annum, payable semi-annually in arrears on the fifteenth day of March and September of each year (each said day being an "Interest Payment Date"), commencing on March 15, 1999, until the principal amount hereof shall have become due and payable, whether at maturity or by acceleration or otherwise, and thereafter at the rate of 12% per annum on any overdue principal amount and (to the extent permitted by applicable law) on any overdue interest until paid.

All payments of principal and interest on this Note shall be in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts.

For purposes of this Note, "Business Day" shall mean any day other than a Saturday, Sunday or a legal holiday under the laws of the State of New York.

1. NOTES. This Note is one of a duly authorized issue of Subordinated Notes (herein called the "Notes") made or to be made by the Company in the aggregate principal amount of $52,000,000, maturing on September 15, 2008 and bearing interest payable at the same rate and on the same dates as the interest on the principal amount of this Note.

2. TRANSFER, ETC. OF NOTES. The Company shall keep at its office or agency maintained as provided in paragraph (a) of Section 11 a register in which the Company shall provide for the registration of Notes and for the registration of transfer and exchange of Notes. The holder of this Note may, at its option, and either in person or by duly authorized attorney, surrender the same for registration of transfer or exchange at the office or agency of the Company maintained as provided in paragraph (a) of Section 11, and, without expense to such holder (except for taxes or governmental charges imposed in connection therewith), receive in exchange therefor a Note or Notes each in such denomination or denominations as such holder may request, dated as of the date to which interest has been paid on the Note or Notes so surrendered for transfer or exchange, for the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered for transfer or exchange, and registered in the name of such person or persons as may be designated by such holder. Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or shall be accompanied by a written instrument of transfer, satisfactory in form to the the Company, duly executed by the holder of such Note or his attorney duly authorized in writing. Every Note so made and delivered in exchange for this Note shall in all other respects be in the same form and have the same terms as this Note. No transfer or exchange of any Note shall be valid unless made in the foregoing manner at such office or agency.

3. LOSS, THEFT, DESTRUCTION OR MUTILATION OF NOTE. Upon receipt of evidence satisfactory to the Company of this loss, theft, destruction or mutilation of this Note, and, in the case of any such loss, theft or destruction, upon receipt of an affidavit of loss and indemnity from the holder hereof reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Note, the Company will make and deliver, in lieu of this Note, a new Note of like

tenor and unpaid principal amount and dated as of the date to which interest has been paid on this Note.

4. PERSONS DEEMED OWNERS, HOLDERS. The Company may deem and treat the person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note shall be overdue. With respect to any Note at any time outstanding, the term "holder", as used herein, shall be deemed to mean the person in whose name such Note is registered as aforesaid at such time.

5. PAYMENT IN KIND. On March 15 and September 15 of each year during the term of this Note (each an "Eligible Interest Payment Date"), the Company may elect to satisfy its obligation to pay interest on this Note by issuing to the holder hereof a deferred interest note or notes in substantially the form hereof (which note or notes shall hereinafter be called the "Deferred Interest Notes") in a principal amount equal to the interest that would have been payable to such holder on such Eligible Interest Payment Date. If the Company shall so elect, it shall deliver to the holder a certificate of an officer of the Company, not less than five Business Days prior to the Eligible Interest Payment Date, stating that the Company will pay such interest in the form of Deferred Interest Notes, together with a resolution of the Board of Directors of the Company authorizing the issuance of Deferred Interest Notes in the appropriate principal amount, and a representation that such Deferred Interest Notes will be binding obligations of the Company, enforceable in accordance with their terms.

6. PREPAYMENTS.

(a) OPTIONAL PREPAYMENT. Upon notice given as provided in Section 7 the Company may, at its option, prepay the Notes, as a whole at any time or in part from time to time, in amounts which shall be integral multiples of $100,000, at the unpaid principal amount thereof so to be prepaid, together with interest accrued thereon to the date fixed for such prepayment. All prepayments shall be applied to installments of principal hereof in inverse order of maturity.

(b) MANDATORY PREPAYMENT UPON PUBLIC OFFERING. If at any time while any of the Notes shall be outstanding the Company shall consummate a public offering of equity securities of the Company pursuant to an effective registration statement under the Securities Act, then upon the consummation of each such offering the Company shall apply to prepayment of the Notes (to the extent permitted under

the Company's Credit Agreement, dated as of July 24, 1998 (as amended, the "Credit Agreement") with Morgan Guaranty Trust Company of New York, as Agent), without penalty of premium (up to the amount required to prepay all the Notes including accrued interest thereon) an amount that, including principal to be prepaid and accrued interest thereon, is equal to one-third of the proceeds of such offering to the Company (net of underwriting discounts and commissions).

(c) MANDATORY OID PREPAYMENT. To the extent permitted by the Credit Agreement, on any interest payment date on or after September 15, 2003, the Company must pay an amount of accrued original issue discount on this Note as shall be necessary to ensure that this Note shall not be considered an "applicable high yield discount obligation" within the meaning of Section 163(i) of the Internal Revenue Code of 1986, as amended, or any successor provision. The amount of interest payable on this Note at maturity shall be reduced by the amount of any accrued original issue discount that is paid under this Section 5(c).

7. NOTICE OF PREPAYMENT AND OTHER NOTICES. The Company shall give written notice of prepayment of this Note or any portion hereof pursuant to Section 6 not less than 10 nor more than 60 days prior to the date fixed for such prepayment. Such notice of prepayment and all other notices to be given to any holder of this Note shall be given by registered or certified mail to the person in whose name this Note is registered at its address designated on the register maintained by the Company on the date of mailing such notice of prepayment or other notice. Upon notice of prepayment being given as aforesaid, the Company covenants and agrees that it will prepay, on the date therein fixed for prepayment, this Note or the portion hereof, as the case may be, so called for prepayment, at the principal amount thereof to the date fixed for such prepayment.

8. ALLOCATION OF PREPAYMENT. In the event of any prepayment, purchase, redemption or retirement of less than all of the outstanding Notes, the Company will allocate the principal amount so to be prepaid, purchased, redeemed or retired (but only in units of $100,000) to each Note in proportion, as nearly as may be, to the aggregate principal amount of all Notes then outstanding.

9. INTEREST AFTER DATE FIXED FOR PREPAYMENT. If this Note or a portion hereof is called for prepayment as herein provided, this Note or such portion shall cease to bear interest on and after the date fixed for such prepayment unless, upon presentation for the purpose, the Company shall fail to pay this Note or such portion, as the case may be, in which event this Note or

such portion, as the case may be, and, so far as may be lawful, any overdue installment of interest, shall bear interest on and after the date fixed for such prepayment and until paid at the rate PER ANNUM provided herein for overdue principal.

10. SURRENDER OF NOTES; NOTATION THEREON. Upon any prepayment of a portion of the principal amount of this Note, the holder hereof, at its option, may require the Company to execute and deliver at the expense of the Company (except for taxes or governmental charges imposed in connection therewith), upon surrender of this Note, a new Note registered in the name of such person or persons as may be designated by such holder for the principal amount or this Note then remaining unpaid, dated as of the date to which interest has been paid on the principal amount of this Note then remaining unpaid, or may present this Note to the Company for notation hereon of the payment of the portion of the principal amount of this Note so prepaid.

11. COVENANTS. The Company covenants and agrees that, so long as any Note shall be outstanding:

(a) MAINTENANCE OF OFFICE. The Company will maintain an office or agency in such place in the United States of America as the Company may designate in writing to the registered holder hereof, where the Notes may be presented for registration of transfer and for exchange as herein provided, where notices and demands to or upon the Company in respect of the Notes may be served and where, at the option of the holders thereof, the Notes may be presented for payment.

(b) PAYMENT OF TAXES. The Company will promptly pay and discharge or cause to be paid and discharged, before the same shall become in default, all lawful taxes and assessments imposed upon the Company or any subsidiary or upon the income and profits of the Company or any subsidiary, or upon any property, real, personal or mixed, belonging to the Company or any subsidiary, or upon any part thereof by the United States or any State thereof, as well as all lawful claims for labor, materials and supplies which, if unpaid, would become a lien or charge upon such property or any part thereof; PROVIDED, HOWEVER, that neither the Company nor any subsidiary shall be required to pay and discharge or to cause to be paid and discharged any such tax, assessment charge, levy or claim so long as both (x) the Company has set aside adequate reserves for such tax, assessment, charge, levy or claim and (y) (i) the Company or a subsidiary shall be contesting the validity thereof in good faith by appropriate proceedings or (ii) the Company shall, in its good faith judgment, deem the validity thereof to be questionable and the party to whom such tax, assessment charge,

levy or claim is allegedly owed shall not have made written demand for the payment thereof.

(c) CORPORATE EXISTENCE. The Company will do or cause to be done all things necessary and lawful to preserve and keep in full force and affect its corporate existence, rights and franchises and the corporate existence, rights and franchises of each of its subsidiaries; PROVIDED, HOWEVER, that nothing in this paragraph (c) shall prevent the abandonment or termination of any rights or franchises of the Company, or the liquidation or dissolution of, or a sale, transfer or disposition (whether through merger, consolidation, sale or otherwise) of all or any substantial part of the property and assets of, any subsidiary or the abandonment or termination of the corporate existence, rights and franchises of any subsidiary if such abandonment, termination, liquidation, dissolution, sale, transfer or disposition is, in the good faith business judgment of the Company, in the best interests of the Company and is not disadvantageous in any material respect to the holders of the Notes.

(d) MAINTENANCE OF PROPERTY. The Company will at all times maintain and keep, or cause to be maintained and kept, in good repair, working order and condition all significant properties of the Company and its subsidiaries used in the conduct of the business of the Company and its subsidiaries, and will from time to time make or cause to be made all needful and proper repairs, renewals, replacements, betterments and improvements thereto, so that the business carried on in connection therewith may be properly and advantageously conducted at all times; PROVIDED, HOWEVER, that nothing in this paragraph (d) shall require (i) the making of any repair or renewal or (ii) the continuance of the operation and maintenance of any property or (iii) the retention of any assets if such action (or inaction) is, in the good faith business judgment of the Company, in the best interests of the Company (and the best interests of any subsidiary concerned or affected thereby) and is not disadvantageous in any material respect to the holders of the Notes.

(e) INSURANCE. The Company will, and will cause each of its subsidiaries to, (i) keep adequately insured, by financially sound and reputable insurers, all property of a character usually insured by corporations engaged in the same or a similar business similarly situated against loss or damage of the kinds customarily insured against by such corporations and (ii) carry, with financially sound and reputable insurers, such other insurance (including, without limitation, liability insurance) in such amounts as are available at reasonable expense and to the extent believed

necessary in the good faith business judgment of the Company.

(f) KEEPING OF BOOKS. The Company will at all times keep, and cause each of its subsidiaries to keep, proper books of record and account in which proper entries will be made of its transactions in accordance with generally accepted accounting principles consistently applied.

(g) TRANSACTIONS WITH AFFILIATES. The Company will enter into any transaction with any director, officer, stockholder, employee or affiliate of the Company only upon fair and reasonable terms.

(h) NOTICE OF DEFAULT. If any one or more events which constitute, or which with notice or lapse of time or both would constitute, an Event of Default under Section 12 shall occur, or if the holder of any Note shall demand payment or take any other action permitted upon the occurrence of any such Event of Default, the Company shall, immediately after it becomes aware that any such event has occurred or that such demand has been made or that any such action has been taken, give notice to all holders of the Notes, specifying the nature of such event or of such demand or action, as the case may be; PROVIDED, HOWEVER, that if such event, in the good faith judgment of the Company, will be cured within ten days after the Company has knowledge that such event would, with or without notice or lapse of time or both, constitute such an Event of Default, no such notice need be given if such Event of Default shall be cured within such ten-day period.

12. MODIFICATION OF HOLDERS; WAIVER. The Company may, with the written consent of the holders of not less than 66 2/3% in principal amount of the Notes then outstanding, modify the terms and provisions of the Notes or the rights of the holders of the Notes or the obligations of the Company thereunder, and the observance by the Company of any term or provision of the Notes may be waived with the written consent of the holders of not less than 66 2/3% in principal amount of the Notes then outstanding; PROVIDED, HOWEVER, that no such modification or waiver shall:

(a) change the maturity of any Note or reduce the principal amount thereof or reduce the rate or extend the time of payment of interest thereon without the consent of the holder of each Note so affected; or

(b) give any Note any preference over any other Note;

(c) reduce the percentage of Notes, the consent of the holders of which is required for any such modification; or

(d) amend the provisions of Section 17 hereof without the consent of the holders of Senior Indebtedness (as hereinafter defined).

Any such modification or waiver shall apply equally to all the holders of the Notes and shall be binding upon them, upon each future holder of any Note and upon the Company, whether or not such Note shall have been marked to indicate such modification or waiver, but any Note issued thereafter shall bear a notation referring to any such modification or waiver. Promptly after obtaining the written consent of the holders as herein provided, the Company shall transmit a copy of such modification or waiver to all the holders of the Notes at the time outstanding.

13. EVENTS OF DEFAULT. If any one or more of the following events, herein called Events of Default, shall occur, for any reason whatsoever, and whether such occurrence shall, on the part of the Company or any subsidiary, be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of a court of competent jurisdiction or any order, rule or regulation of any administrative or other governmental authority and such Event of Default shall be continuing:

(a) default shall be made in the payment of the principal of any Note when and as the same shall become due and payable, whether at maturity or at a date fixed for prepayment or by acceleration or otherwise; or

(b) default shall be made in the payment of any installment of interest on any Note according to its terms when and as the same shall become due and payable and such default shall continue for a period of five days; or

(c) default shall be made in the due observance or performance of any other covenant, condition or agreement on the part of the Company to be observed or performed pursuant to the terms hereof or of the Securities Purchase Agreement dated as of September 15, 1998 among the Company and the Purchaser (the "Purchase Agreement"), and such default shall continue for 30 days after written notice thereof, specifying such default and requesting that the same be remedied, shall have been given to the Company by the holder or holders of at least 25% of the principal amount of the Notes then outstanding (the Company to give forthwith to all other holders of Notes at the time outstanding written notice of the receipt of such notice specifying the default referred to therein); or

(d) any representation or warranty made by the Company in the Purchase Agreement shall prove to have been false or incorrect in any material respect on the date on or as of which made; or

(e) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Company or any subsidiary in an involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar laws, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or any subsidiary or for any substantial part of any of their property, or ordering the winding-up or liquidation of any of their affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(f) the commencement by the Company or any subsidiary of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar laws, or the consent by any of them to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or any subsidiary or for any substantial part of their property, or the making by any of them of any assignment for the benefit of creditors, or the failure of the Company or any subsidiary generally to pay its debts as such debts become due; or

(g) default as defined in any instrument evidencing or under which the Company or any subsidiary has outstanding at the time any indebtedness for money borrowed in excess of $50,000 in aggregate principal amount shall occur and as a result thereof the maturity of any such indebtedness shall have been accelerated so that the same shall have become due and payable prior to the date on which the same would otherwise have become due and payable and such acceleration shall not have been rescinded or annulled within 30 days; or

(h) final judgment for the payment of money in excess of $50,000 shall be rendered against the Company or a subsidiary and the same shall remain undischarged for a period of 30 days during which execution shall not be effectively stayed;

then, the holder or holders of a least 26% in aggregate principal amount of the Notes at the time outstanding may, at its or their option, by notice to the Company, declare all the Notes to be,

and all the Notes shall thereupon be and become, forthwith due and payable together with interest accrued thereon without presentment, demand, protest or further notice of any kind, all of which are expressly waived to the extent permitted by law.

At any time after any declaration of acceleration as to all of the Notes has been made as provided in this Section 13, the holders of at least 66 2/3% in principal amount of the Notes then outstanding may, by notice to the Company, rescind such declaration and its consequences, if (1) the Company has paid all overdue installments of interest on the Notes and all principal that has become due otherwise than by such declaration of acceleration and (ii) all other defaults and Events of Default (other than nonpayments of principal and interest that have become due solely by reason of acceleration) shall have been remedied or cured or shall have been waived pursuant to this paragraph, PROVIDED, HOWEVER, that no such rescission shall extend to or effect any subsequent default or Event of Default or impair any right consequent thereon.

14. SUITS FOR ENFORCEMENT. In case any one or more of the Events of Default specified in Section 13 of this Note shall occur and be continuing, the holder of this Note may proceed to protect and enforce its rights by suit in equity, action at law and/or by other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Note or in aid of the exercise of any power granted in this Note, or may proceed to enforce the payment of this Note or to enforce any other legal or equitable right of the holder of this Note.

In case of any default under any Note, the Company will pay to the holder thereof such amounts as shall be sufficient to cover the costs and expenses of such holder due to said default, including, without limitation, collection costs and reasonable attorneys' fees, to the extent actually incurred.

15. REMEDIES CUMULATIVE. No remedy herein conferred upon the holder of this Note is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

16. REMEDIES NOT WAIVED. No course of dealing between the Company and the holders of this Note or any delay on the part of the holder hereof in exercising any rights hereunder shall operate as a waiver of any right of any holder of this Note.

17. SUBORDINATION. (a) SUBORDINATION. Anything in this Note to the contrary notwithstanding, the obligation of the Company to pay the principal of and interest on this

Note, and to discharge all its other obligations hereunder, shall be subordinate and junior in right of payment to the extent set forth in the following paragraphs (A), (B) and (C), inclusive, to (i) all obligations of the Company to banks or other financial institutions for borrowed money (including under the Credit Agreement), and (ii) all obligations of the Company to banks or other financial institutions under guarantees by the Company of obligations of wholly owned subsidiaries of the Company to banks or other financial institutions for borrowed money, in each case, whether such obligations are outstanding at the date of this Note or created or incurred after the date of this Note but prior to the maturity of this Note. The obligations of the Company to which this Note is subordinate and junior in right of payment are sometimes herein referred to as "Senior Indebtedness".

(A) In the event of any insolvency, bankruptcy, liquidation, reorganization or other similar proceedings, or any receivership proceedings in connection therewith, relative to the Company or its creditors or its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Company, whether or not involving insolvency or bankruptcy proceedings, then all Senior Indebtedness shall first be paid in full, before any payment on account of principal or interest is made upon this Note.

(B) In any of the proceedings referred to in paragraph (A) above, any payment or distribution of any kind or character, whether in cash, property, stock or obligations which may be payable or deliverable in respect of this Note shall be paid or delivered directly to the holders of Senior Indebtedness for application in payment thereof, unless and until all Senior Indebtedness shall have been paid in full.

(C) In the event the Company shall default under any Senior Indebtedness obligation held by any bank or other financial institution, which default shall continue without cure or waiver, and the effect of such default is to accelerate the maturity of such obligation or the holder thereof shall cause such obligation to become due prior to the stated maturity thereof or the Company shall not pay such obligation at maturity, the Company will not make, directly or indirectly, to the holder of this Note any payment of any kind of or on account of all or any part of this Note, and the holder of this Note will not accept from the Company any payment of any kind of or on account of all or any

part of this Note, unless and until all such Senior Indebtedness shall have been paid in full, and if, with respect to any such default, the holder of such Senior Indebtedness obligation shall have made a demand for payment and commenced an action, suit or other proceeding against the Company, then the holder of this Note may not take, demand, receive, sue for, accelerate or commence any remedial proceedings with respect to any amount payable under this Note during the pendency of such action, suit or other proceeding. Notwithstanding the provisions of the immediately preceding sentence, if any such default shall have continued for 180 days or more, the Company may make and the holder of this Note may accept from the Company all past due and current payments of any kind of or on account of this Note, and such holder may demand, receive, retain, sue for or otherwise seek enforcement or collection of all amounts payable on account of principal of or interest on this Note.

Upon request of any holder of Senior Indebtedness, the holder of this Note will affirm its obligations under this Section 17.

(b) SUBROGATION. Subject to the payment in full of all Senior Indebtedness as aforesaid, the holder of this Note shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of any kind or character, whether in cash, property, stock or obligations, which may be payable or deliverable to the holders of Senior Indebtedness, until the principal of, and interest on, this Note shall be paid in full, and, as between the Company, its creditors other than the holders of Senior Indebtedness, and the holder of this Note, no such payment or distribution made to the holders of Senior Indebtedness by virtue of this Section 17 which otherwise would have been made to the holder of this Note shall be deemed a payment by the Company on account of the Senior Indebtedness, it being understood that the provisions of this Section 17 are and are intended solely for the purposes of defining the relative rights of the holder of this Note, on the one hand, and the holder of the Senior Indebtedness, on the other hand. Subject to the rights, if any, under this Section 17 of holders of Senior Indebtedness to receive cash, property, stock or obligations otherwise payable or deliverable to the holder of this Note, nothing herein shall either impair, as between the Company and the holder of this Note, the obligation of the Company, which is unconditional and absolute, to pay to the holder hereof the principal hereof and interest hereon in accordance with its terms and the provisions of this Note or prevent the holder of this

Note from exercising all remedies otherwise permitted by applicable law or upon default hereunder.

18. COVENANTS BIND SUCCESSORS AND ASSIGNS. All the covenants, stipulations, promises and agreements in this Note contained by or on behalf of the Company shall bind its successors and assigns, whether so expressed or not.

19. GOVERNING LAW. This Note shall be governed and construed in accordance with the laws of the state of New York.

20. HEADINGS. The headings of the Sections and paragraphs of this Note are inserted for convenience only and do not constitute a part of this Note.

IN WITNESS WHEREOF, ALLIANCE DATA SYSTEMS CORPORATION has caused this Note to be signed in its corporate name by one of its officers thereunto duly authorized and to be dated as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By /s/ Edward K. Mims

Title: EVP & CFO

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS IT HAS BEEN REGISTERED UNDER THAT ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

ALLIANCE DATA SYSTEMS CORPORATION

10% Subordinated Note
Due October 25, 2005

Registered
R-002
$20,000,000

New York, New York
January 24, 1996

ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation (hereinafter called the "Company"), for value received, hereby promises to pay to LIMITED COMMERCE CORP., a Delaware corporation, or registered assigns, the principle sum of TWENTY MILLION AND NO/100 Dollars ($20,000,000), on October 25, 2005, and to pay interest (computed on the basis of a 360-day year consisting of twelve 30-day months) from the date hereof on the unpaid principal amount hereof at the rate of 10% per annum, payable semi-annually in arrears on the first day of July and January of each year (each said day being an "Interest Payment Date"), commencing on July 1, 1996, until the principal amount hereof shall have become due and payable, whether at maturity or by acceleration or otherwise, and thereafter at the rate of 12% per annum on any overdue principal amount and (to the extent permitted by applicable law) on any overdue interest until paid.

All payments of principal and interest on this Note shall be in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts.

For purposes of this Note, "Business Day" shall mean any day other than a Saturday, Sunday or a legal holiday under the laws of the State of New York.

1. NOTES. This Note is one of a duly authorized issue of Subordinated Notes (herein called the "Notes") made or to be made by the Company in the aggregate principal amount of $50,000,000, maturing on October 25, 2005 and bearing interest payable at the same rate and on the same dates as the interest on the principal amount of this Note.

2. TRANSFER, ETC. OF NOTES. The Company shall keep at its office or agency maintained as provided in paragraph (a) of Section 10 a register in which the Company shall provide for the registration of Notes and for the registration of transfer and exchange of Notes. The holder of this Note may, at its option, and either in person or by duly authorized attorney, surrender the same for registration of transfer or exchange at the office or agency of the Company maintained as provided in paragraph (a) of Section 10, and, without expense to such holder (except for taxes or governmental charges imposed in connection therewith), receive in exchange therefor a Note or Notes each in such denomination or denominations as such holder may request, dated as of the date to which interest has been paid on the Note or Notes so surrendered for transfer or exchange, for the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered for transfer or exchange, and registered in the name of such person or persons as may be designated by such holder. Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or shall be accompanied by a written instrument of transfer, satisfactory in form to the Company, duly executed by the holder of such Note or his attorney duly authorized in writing. Every Note so made and delivered in exchange for this Note shall in all other respects be in the same form and have the same terms as this Note. No transfer or exchange of any Note shall be valid unless made in the foregoing manner at such office or agency.

3. LOSS, THEFT, DESTRUCTION OR MUTILATION OF NOTE. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of any such loss, theft or destruction, upon receipt of an affidavit of loss and indemnity from the holder hereof reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Note, the Company will make and deliver, in lieu of this Note, a new Note of like tenor and unpaid principal amount and dated as of the date to which interest has been paid on this Note.

4. PERSONS DEEMED OWNERS; HOLDERS. The Company may deem and treat the person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note shall be overdue. With respect to any Note at any time outstanding, the term "holder", as used herein, shall be deemed to mean the person in whose name such Note is registered as aforesaid at such time.

5. PREPAYMENTS.

(a) OPTIONAL PREPAYMENT. Upon notice given as provided in Section 6 the Company may, at its option, prepay the Notes, as a whole at any time or in part from

time to time, in amounts which shall be integral multiples of $100,000, at the unpaid principal amount thereof so to be prepaid, together with interest accrued thereon to the date fixed for such prepayment. All prepayments shall be applied to installments of principal hereof in inverse order of maturity.

(b) [INTENTIONALLY OMITTED.]

(c) MANDATORY PREPAYMENT UPON PUBLIC OFFERING. If at any time while any of the Notes shall be outstanding the Company shall consummate a public offering of equity securities of the Company pursuant to an effective registration statement under the Securities Act, then upon the consummation of each such offering the Company shall apply to prepayment of the Notes, without penalty or premium (up to the amount required to prepay all the Notes including accrued interest thereon) an amount that, including principal to be prepaid and accrued interest thereon, is equal to the sum of (x) one-sixth of the proceeds of such offering to the Corporation (net of underwriting discounts and commissions), plus (y) the amount (if any) by which one-sixth of such net proceeds exceeds the amount (if any) which shall have been applied to redemption of the Company's Preferred Stock, $1 per value, pursuant to the Certificate of Incorporation of the Company by reason of the consummation of such offering, it being intended that up to an aggregate one-third of such proceeds shall be available to prepay the Notes and redeem such Preferred Stock.

6. NOTICE OF PREPAYMENT AND OTHER NOTICES. The Company shall give written notice of any prepayment of this Note or any portion hereof pursuant to Section 5 not less than 10 nor more than 60 days prior to the date fixed for such prepayment. Such notice of prepayment and all other notices to be given to any holder of this Note shall be given by registered or certified mail to the person in whose name this Note is registered at its address designated on the register maintained by the Company on the date of mailing such notice of prepayment or other notice. Upon notice of prepayment being given as aforesaid, the Company covenants and agrees that it will prepay, on the date therein fixed for prepayment, this Note or the portion hereof, as the case may be, so called for prepayment, at the principal amount thereof so called for prepayment together with interest accrued thereon to the date fixed for such prepayment.

7. ALLOCATION OF PREPAYMENT. In the event of any prepayment, purchase, redemption or retirement of less than all of the outstanding Notes, the Company will allocate the principal amount so to be prepaid, purchased, redeemed or retired (but only in units of $100,000) to each Note in proportion, as nearly as may be, to the aggregate principal amount of all Notes then outstanding.

8. INTEREST AFTER DATE FIXED FOR PREPAYMENT. If this Note or a portion hereof is called for prepayment as herein provided, this Note or such portion shall cease to bear interest on and after the date fixed for such prepayment unless, upon presentation for the purpose,

the Company shall fail to pay this Note or such portion, as the case may be, in which event this Note or such portion, as the case may be, and, so far as may be lawful, any overdue installment of interest, shall bear interest on and after the date fixed for such prepayment and until paid at the rate PER ANNUM provided herein for overdue principal.

9. SURRENDER OF NOTES; NOTATION THEREON. Upon any prepayment of a portion of the principal amount of this Note, the holder hereof, at its option, may require the Company to execute and deliver at the expense of the Company (except for taxes or governmental charges imposed in connection therewith), upon surrender of this Note, a new Note registered in the name of such person or persons as may be designated by such holder for the principal amount of this Note then remaining unpaid, dated as of the date to which interest has been paid on the principal amount of this Note then remaining unpaid, or may present this Note to the Company for notation hereon of the payment of the portion of the principal amount of this Note so prepaid.

10. COVENANTS. The Company covenants and agrees that, so long as any Note shall be outstanding:

(a) MAINTENANCE OF OFFICE. The Company will maintain an office or agency in such place in the United States of America as the Company may designate in writing to the registered holder hereof, where the Notes may be presented for registration of transfer and for exchange as herein provided, where notices and demands to or upon the Company in respect of the Notes may be served and where, at the option of the holders thereof, the Notes may be presented for payment.

(b) PAYMENT OF TAXES. The Company will promptly pay and discharge or cause to be paid and discharged, before the same shall become in default, all lawful taxes and assessments imposed upon the Company or any subsidiary or upon the income and profits of the Company or any subsidiary, or upon any property, real, personal or mixed, belonging to the Company or any subsidiary, or upon any part thereof by the United States or any State thereof, as well as all lawful claims for labor, materials and supplies which, if unpaid, would become a lien or charge upon such property or any part thereof; PROVIDED, HOWEVER, that neither the Company nor any subsidiary shall be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as both (x) the Company has set aside adequate reserves for such tax, assessment, charge, levy or claim and (y)(i) the Company or a subsidiary shall be contesting the validity thereof in good faith by appropriate proceedings or (ii) the Company shall, in its good faith judgment, deem the validity thereof to be questionable and the party to whom such tax, assessment, charge, levy or claim is allegedly owed shall not have made written demand for the payment thereof.

(c) CORPORATE EXISTENCE. The Company will do or cause to be done all things necessary and lawful to preserve and keep in full force and effect its corporate existence,

rights and franchises and the corporate existence, rights and franchises of each of its subsidiaries; PROVIDED, HOWEVER, that nothing in this paragraph (c) shall prevent the abandonment or termination of any rights or franchises of the Company, or the liquidation or dissolution of, or a sale, transfer or disposition (whether through merger, consolidation, sale or otherwise) of all or any substantial part of the property and assets of, any subsidiary or the abandonment or termination of the corporate existence, rights and franchises of any subsidiary if such abandonment, termination, liquidation, dissolution, sale, transfer or disposition is, in the good faith business judgment of the Company, in the best interests of the Company and is not disadvantageous in any material respect to the holders of the Notes.

(d) MAINTENANCE OF PROPERTY. The Company will at all times maintain and keep, or cause to be maintained and kept, in good repair, working order and condition all significant properties of the Company and its subsidiaries used in the conduct of the business of the Company and its subsidiaries, and will from time to time make or cause to be made all needful and proper repairs, renewals, replacements, betterments and improvements thereto, so that the business carried on in connection therewith may be properly and advantageously conducted at all times; PROVIDED, HOWEVER, that nothing in this paragraph (d) shall require (i) the making of any repair or renewal or (ii) the continuance of the operation and maintenance of any property or (iii) the retention of any assets if such action (or inaction) is, in the good faith business judgment of the Company, in the best interests of the Company (and the best interests of any subsidiary concerned or affected thereby) and is not disadvantageous in any material respect to the holders of the Notes.

(e) INSURANCE. The Company will, and will cause each of its subsidiaries to, (i) keep adequately insured, by financially sound and reputable insurers, all property of a character usually insured by corporations engaged in the same or a similar business similarly situated against loss or damage of the kinds customarily insured against by such corporations and (ii) carry, with financially sound and reputable insurers, such other insurance (including, without limitation, liability insurance) in such amounts as are available at reasonable expense and to the extent believed necessary in the good faith business judgment of the Company.

(f) KEEPING OF BOOKS. The Company will at all times keep, and cause each of its subsidiaries to keep, proper books of record and account in which proper entries will be made of its transactions in accordance with generally accepted accounting principles consistently applied.

(g) TRANSACTIONS WITH AFFILIATES. The Company will enter into any transaction with any director, officer, stockholder, employee or affiliate of the Company only upon fair and reasonable terms.

(h) NOTICE OF DEFAULT. If any one or more events which constitute, or which with notice or lapse of time or both would constitute, an Event of Default under Section 13 shall occur, or if the holder of any Note shall demand payment or take any other action permitted upon the occurrence of any such Event of Default, the Company shall, immediately after it becomes aware that any such event has occurred or that such demand has been made or that any such action has been taken, give notice to all holders of the Notes, specifying the nature of such event of such demand or action, as the case may be; PROVIDED, HOWEVER, that if such event, in the good faith judgment of the Company, will be cured within ten days after the Company has knowledge that such event would, with or without notice or lapse of time or both, constitute such an Event of Default, no such notice need be given if such Event of Default shall be cured within such ten-day period.

11. MODIFICATION BY HOLDERS; WAIVER. The Company may, with the written consent of the holders of not less than 66 2/3% in principal amount of the Notes then outstanding, modify the terms and provisions of the Notes or the rights of the holders of the Notes or the obligations of the Company thereunder, and the observance by the Company of any term or provision of the Notes may be waived with the written consent of the holders of not less than 66 2/3% in principal amount of the Notes then outstanding; PROVIDED, HOWEVER, that no such modification or waiver shall:

(a) change the maturity of any Note or reduce the principal amount thereof or reduce the rate or extend the time of payment of interest thereon without the consent of the holder of each Note so affected; or

(b) give any Note any preference over any other Note;

(c) reduce the percentage of Notes, the consent of the holders of which is required for any such modification; or

(d) amend the provisions of Section 16 hereof without the consent of the holders of Senior Indebtedness (as hereinafter defined).

Any such modification or waiver shall apply equally to all the holders of the Notes and shall be binding upon them, upon each future holder of any Note and upon the Company, whether or not such Note shall have been marked to indicate such modification or waiver, but any Note issued thereafter shall bear a notation referring to any such modification or waiver. Promptly after obtaining the written consent of the holders as herein provided, the Company shall transmit a copy of such modification or waiver to all the holders of the Notes at the time outstanding.

12. EVENTS OF DEFAULT. If any one or more of the following events, herein called Events of Default, shall occur, for any reason whatsoever, and whether such occurrence

shall, on the part of the Company or any subsidiary, be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of a court of competent jurisdiction or any order, rule or regulation of any administrative or other governmental authority and such Event of Default shall be continuing:

(a) default shall be made in the payment of the principal of any Note when and as the same shall become due and payable, whether at maturity or at a date fixed for prepayment or by acceleration or otherwise; or

(b) default shall be made in the payment of any installment of interest on any Note according to its terms when and as the same shall become due and payable and such default shall continue for a period of five days; or

(c) default shall be made in the due observance or performance of any other covenant, condition or agreement on the part of the Company to be observed or performed pursuant to the terms hereof or of the Securities Purchase Agreement dated as of January 24, 1996 among the Company and the several Purchasers named therein (the "Purchase Agreement"), and such default shall continue for 30 days after written notice thereof, specifying such default and requesting that the same be remedied, shall have been given to the Company by the holder or holders of at least 25% of the principal amount of the Notes then outstanding (the Company to give forthwith to all other holders of Notes at the time outstanding written notice of the receipt of such notice specifying the default referred to therein); or

(d) any representation or warranty made by the Company in the Purchase Agreement shall prove to have been false or incorrect in any material respect on the date on or as of which made; or

(e) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Company or any subsidiary in an involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar laws, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or any subsidiary or for any substantial part of any of their property, or ordering the winding-up or liquidation of any of their affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(f) the commencement by the Company or any subsidiary of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar laws, or the consent by any of them to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or any subsidiary or for any substantial part of their property, or the making by any of them of any

assignment for the benefit of creditors, or the failure of the Company or any subsidiary generally to pay its debts as such debts become due; or

(g) default as defined in any instrument evidencing or under which the Company or any subsidiary has outstanding at the time any indebtedness for money borrowed in excess of $50,000 in aggregate principal amount shall occur and as a result thereof the maturity of any such indebtedness shall have been accelerated so that the same shall have become due and payable prior to the date on which the same would otherwise have become due and payable and such acceleration shall not have been rescinded or annulled within 30 days; or

(h) final judgment for the payment of money in excess of $50,000 shall be rendered against the Company or a subsidiary and the same shall remain undischarged for a period of 30 days during which execution shall not be effectively stayed;

then, the holder or holders of a least 25% in aggregate principal amount of the Notes at the time outstanding may, at its or their option, by notice to the Company, declare all the Notes to be, and all the Notes shall thereupon be and become, forthwith due and payable together with interest accrued thereon without presentment, demand, protest or further notice of any kind, all of which are expressly waived to the extent permitted by law.

At any time after any declaration of acceleration as to all of the Notes has been made as provided in this Section 12, the holders of at least 66 2/3% in principal amount of the Notes then outstanding may, by notice to the Company, rescind such declaration and its consequences, if (i) the Company has paid all overdue installments of interest on the Notes and all principal that has become due otherwise than by such declaration of acceleration and (ii) all other defaults and Events of Default (other than nonpayments of principal and interest that have become due solely by reason of acceleration) shall have been remedied or cured or shall have been waived pursuant to this paragraph, PROVIDED, HOWEVER, that no such rescission shall extend to or affect any subsequent default or Event of Default or impair any right consequent thereon.

13. SUITS FOR ENFORCEMENT. In case any one or more of the Events of Default specified in Section 12 of this Note shall occur and be continuing, the holder of this Note may proceed to protect and enforce its rights by suit in equity, action at law and/or by other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Note or in aid of the exercise of any power granted in this Note, or may proceed to enforce the payment of this Note or to enforce any other legal or equitable right of the holder of this Note.

In case of any default under any Note, the Company will pay to the holder thereof such amounts as shall be sufficient to cover the costs and expenses of such holder due to said default, including, without limitation, collection costs and reasonable attorneys' fees, to the extent actually incurred.

14. REMEDIES CUMULATIVE. No remedy herein conferred upon the holder of this Note is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

15. REMEDIES NOT WAIVED. No course of dealing between the Company and the holders of this Note or any delay on the part of the holder hereof in exercising any rights hereunder shall operate as a waiver of any right of any holder of this Note.

16. SUBORDINATION. (a) SUBORDINATION. Anything in this Note to the contrary notwithstanding, the obligation of the Company to pay the principal of and interest on, this Note, and to discharge all its other obligations hereunder, shall be subordinate and junior in right of payment to the extent set forth in the following paragraphs (A), (B) and (C), inclusive, to (i) all obligations of the Company to banks or other financial institutions for borrowed money, and (ii) all obligations of the Company to banks or other financial institutions under guarantees by the Company of obligations of wholly owned subsidiaries of the Company to banks or other financial institutions for borrowed money, in each case, whether such obligations are outstanding at the date of this Note or created or incurred after the date of this Note but prior to the maturity of this Note. The obligations of the Company to which this Note is subordinate and junior in right of payment are sometimes herein referred to as "Senior Indebtedness".

(A) In the event of any insolvency, bankruptcy, liquidation, reorganization or other similar proceedings, or any receivership proceedings in connection therewith, relative to the Company or its creditors or its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Company, whether or not involving insolvency or bankruptcy proceedings, then all Senior Indebtedness shall first be paid in full, before any payment on account of principal or interest is made upon this Note.

(B) In any of the proceedings referred to in paragraph (A) above, any payment or distribution of any kind or character, whether in cash, property, stock or obligations which may be payable or deliverable in respect of this Note shall be paid or delivered directly to the holders of Senior Indebtedness for application in payment thereof, unless and until all Senior Indebtedness shall have been paid in full.

(C) In the event the Company shall default under any Senior Indebtedness obligation held by any bank or other financial institution, which default shall continue without cure or waiver, and the effect of such default is to accelerate the maturity of such obligation or the holder thereof shall cause such obligation to become due prior to the stated maturity thereof or the Company shall not pay such obligation at maturity, the Company will not make, directly or indirectly, to the

holder of this Note any payment of any kind of or on account of all or any part of this Note, and the holder of this Note will not accept from the Company any payment of any kind of or on account of all or any part of this Note, unless and until all such Senior Indebtedness shall have been paid in full; and if, with respect to any such default, the holder of such Senior Indebtedness obligation shall have made a demand for payment and commenced an action, suit or other proceeding against the Company, then the holder of this Note may not take, demand, receive, sue for, accelerate or commence any remedial proceedings with respect to any amount payable under this Note during the pendency of such action, suit or other proceeding. Notwithstanding the provisions of the immediately preceding sentence, if any such default shall have continued for 180 days or more, the Company may make and the holder of this Note may accept from the Company all past due and current payments of any kind of or on account of this Note, and such holder may demand, receive, retain, sue for or otherwise seek enforcement or collection of all amounts payable on account of principal of or interest on this Note.

Upon request of any holder of Senior Indebtedness, the holder of this Note will affirm its obligations under this Section 16.

(b) SUBROGATION. Subject to the payment in full of all Senior Indebtedness as aforesaid, the holder of this Note shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of any kind or character, whether in cash, property, stock or obligations, which may be payable or deliverable to the holders of Senior Indebtedness, until the principal of, and interest on, this Note shall be paid in full, and, as between the Company, its creditors other than the holders of Senior Indebtedness, and the holder of this Note, no such payment or distribution made to the holders of Senior Indebtedness by virtue of this Section 16 which otherwise would have been made to the holder of this Note shall be deemed a payment by the Company on account of the Senior Indebtedness, it being understood that the provisions of this Section 16 are and are intended solely for the purposes of defining the relative rights of the holder of this Note, on the one hand, and the holder of the Senior Indebtedness, on the other hand. Subject to the rights, if any, under this Section 16 of holders of Senior Indebtedness to receive cash, property, stock or obligations otherwise payable or deliverable to the holder of this Note, nothing herein shall either impair, as between the Company and the holder of this Note, the obligation of the Company, which is unconditional and absolute, to pay to the holder hereof the principal hereof and interest hereon in accordance with its terms and the provisions of this Note or prevent the holder of this Note from exercising all remedies otherwise permitted by applicable law or upon default hereunder.

17. COVENANTS BIND SUCCESSORS AND ASSIGNS. All the covenants, stipulations, promises and agreements in this Note contained by or on behalf of the Company shall bind its successors and assigns, whether so expressed or not.

18. GOVERNING LAW. THIS NOTE SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

19. HEADINGS. The headings of the Sections and paragraphs of this Note are inserted for convenience only and do not constitute a part of this Note.

IN WITNESS WHEREOF, ALLIANCE DATA SYSTEMS CORPORATION has caused this Note to be signed in its corporate name by one of its officers thereunto duly authorized and to be dated as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By /s/ [Illegible]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS IT HAS BEEN REGISTERED UNDER THAT ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

ALLIANCE DATA SYSTEMS CORPORATION

10% Subordinated Note
Due October 25, 2005

Registered
R-001
$30,000,000

New York, New York
January 24, 1996

ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation (hereinafter called the "Company"), for value received, hereby promises to pay to WCAS CAPITAL PARTNERS II, L.P., a Delaware limited partnership, or registered assigns, the principal sum of THIRTY MILLION AND NO/100 Dollars ($30,000,000), on October 25, 2005, and to pay interest (computed on the basis of a 360-day year consisting of twelve 30-day months) from the date hereof on the unpaid principal amount hereof at the rate of 10% per annum, payable semi-annually in arrears on the first day of July and January of each year (each said day being an "Interest Payment Date"), commencing on July 1, 1996, until the principal amount hereof shall have become due and payable, whether at maturity or by acceleration or otherwise, and thereafter at the rate of 12% per annum on any overdue principal amount and (to the extent permitted by applicable law) on any overdue interest until paid.

All payments of principal and interest on this Note shall be in such coin or currency of the United States of America as at the time of payment shall be legal tender for payment of public and private debts.

For purposes of this Note, "Business Day" shall mean any day other than a Saturday, Sunday or a legal holiday under the laws of the State of New York.

1. NOTES. This Note is one of a duly authorized issue of Subordinated Notes (herein called the "Notes") made or to be made by the Company in the aggregate principal amount of $50,000,000, maturing on October 25, 2005 and bearing interest payable at the same rate and on the same dates as the interest on the principal amount of this Note.

2. TRANSFER, ETC. OF NOTES. The Company shall keep at its office or agency maintained as provided in paragraph (a) of Section 10 a register in which the Company shall provide for the registration of Notes and for the registration of transfer and exchange of Notes. The holder of this Note may, at its option, and either in person or by duly authorized attorney, surrender the same for registration of transfer or exchange at the office or agency of the Company maintained as provided in paragraph (a) of Section 10, and, without expense to such holder (except for taxes or governmental charges imposed in connection therewith), receive in exchange therefor a Note or Notes each in such denomination or denominations as such holder may request, dated as of the date to which interest has been paid on the Note or Notes so surrendered for transfer or exchange, for the same aggregate principal amount as the then unpaid principal amount of the Note or Notes so surrendered for transfer or exchange, and registered in the name of such person or persons as may be designated by such holder. Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or shall be accompanied by a written instrument of transfer, satisfactory in form to the Company, duly executed by the holder of such Note or his attorney duly authorized in writing. Every Note so made and delivered in exchange for this Note shall in all other respects be in the same form and have the same terms as this Note. No transfer or exchange of any Note shall be valid unless made in the foregoing manner at such office or agency.

3. LOSS, THEFT, DESTRUCTION OR MUTILATION OF NOTE. Upon receipt of evidence satisfactory to the Company of the loss, theft, destruction or mutilation of this Note, and, in the case of any such loss, theft or destruction, upon receipt of an affidavit of loss and indemnity from the holder hereof reasonably satisfactory to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Note, the Company will make and deliver, in lieu of this Note, a new Note of like tenor and unpaid principal amount and dated as of the date to which interest has been paid on this Note.

4. PERSONS DEEMED OWNERS; HOLDERS. The Company may deem and treat the person in whose name any Note is registered as the owner and holder of such Note for the purpose of receiving payment of principal of and interest on such Note and for all other purposes whatsoever, whether or not such Note shall be overdue. With respect to any Note at any time outstanding, the term "holder", as used herein, shall be deemed to mean the person in whose name such Note is registered as aforesaid at such time.

5. PREPAYMENTS.

(a) OPTIONAL PREPAYMENT. Upon notice given as provided in Section 6 the Company may, at its option, prepay the Notes, as a whole at any time or in part from

the Company shall fail to pay this Note or such portion, as the case may be, in which event this Note or such portion, as the case may be, and, so far as may be lawful, any overdue installment of interest, shall bear interest on and after the date fixed for such prepayment and until paid at the rate PER ANNUM provided herein for overdue principal.

9. SURRENDER OF NOTES; NOTATION THEREON. Upon any prepayment of a portion of the principal amount of this Note, the holder hereof, at its option, may require the Company to execute and deliver at the expense of the Company (except for taxes or governmental charges imposed in connection therewith), upon surrender of this Note, a new Note registered in the name of such person or persons as may be designated by such holder for the principal amount of this Note then remaining unpaid, dated as of the date to which interest has been paid on the principal amount of this Note then remaining unpaid, or may present this Note to the Company for notation hereon of the payment of the portion of the principal amount of this Note so prepaid.

10. COVENANTS. The Company covenants and agrees that, so long as any Note shall be outstanding:

(a) MAINTENANCE OF OFFICE. The Company will maintain an office or agency in such place in the United States of America as the Company may designate in writing to the registered holder hereof, where the Notes may be presented for registration of transfer and for exchange as herein provided, where notices and demands to or upon the Company in respect of the Notes may be served and where, at the option of the holders thereof, the Notes may be presented for payment.

(b) PAYMENT OF TAXES. The Company will promptly pay and discharge or cause to be paid and discharged, before the same shall become in default, all lawful taxes and assessments imposed upon the Company or any subsidiary or upon the income and profits of the Company or any subsidiary, or upon any property, real, personal or mixed, belonging to the Company or any subsidiary, or upon any part thereof by the United States or any State thereof, as well as all lawful claims for labor, materials and supplies which, if unpaid, would become a lien or charge upon such property or any part thereof; PROVIDED, HOWEVER, that neither the Company nor any subsidiary shall be required to pay and discharge or to cause to be paid and discharged any such tax, assessment, charge, levy or claim so long as both (x) the Company has set aside adequate reserves for such tax, assessment, charge, levy or claim and (y)(i) the Company or a subsidiary shall be contesting the validity thereof in good faith by appropriate proceedings or (ii) the Company shall, in its good faith judgment, deem the validity thereof to be questionable and the party to whom such tax, assessment, charge, levy or claim is allegedly owed shall not have made written demand for the payment thereof.

(c) CORPORATE EXISTENCE. The Company will do or cause to be done all things necessary and lawful to preserve and keep in full force and effect its corporate existence,

rights and franchises and the corporate existence, rights and franchises of each of its subsidiaries; PROVIDED, HOWEVER, that nothing in this paragraph (c) shall prevent the abandonment or termination of any rights or franchises of the Company, or the liquidation or dissolution of, or a sale, transfer or disposition (whether through merger, consolidation, sale or otherwise) of all or any substantial part of the property and assets of, any subsidiary or the abandonment or termination of the corporate existence, rights and franchises of any subsidiary if such abandonment, termination, liquidation, dissolution, sale, transfer or disposition is, in the good faith business judgment of the Company, in the best interests of the Company and is not disadvantageous in any material respect to the holders of the Notes.

(d) MAINTENANCE OF PROPERTY. The Company will at all times maintain and keep, or cause to be maintained and kept, in good repair, working order and condition all significant properties of the Company and its subsidiaries used in the conduct of the business of the Company and its subsidiaries, and will from time to time make or cause to be made all needful and proper repairs, renewals, replacements, betterments and improvements thereto, so that the business carried on in connection therewith may be properly and advantageously conducted at all times; PROVIDED, HOWEVER, that nothing in this paragraph (d) shall require (i) the making of any repair or renewal or (ii) the continuance of the operation and maintenance of any property or (iii) the retention of any assets if such action (or inaction) is, in the good faith business judgment of the Company, in the best interests of the Company (and the best interests of any subsidiary concerned or affected thereby) and is not disadvantageous in any material respect to the holders of the Notes.

(e) INSURANCE. The Company will, and will cause each of its subsidiaries to, (i) keep adequately insured, by financially sound and reputable insurers, all property of a character usually insured by corporations engaged in the same or a similar business similarly situated against loss or damage of the kinds customarily insured against by such corporations and (ii) carry, with financially sound and reputable insurers, such other insurance (including, without limitation, liability insurance) in such amounts as are available at reasonable expense and to the extent believed necessary in the good faith business judgment of the Company.

(f) KEEPING OF BOOKS. The Company will at all times keep, and cause each of its subsidiaries to keep, proper books of record and account in which proper entries will be made of its transactions in accordance with generally accepted accounting principles consistently applied.

(g) TRANSACTIONS WITH AFFILIATES. The Company will enter into any transaction with any director, officer, stockholder, employee or affiliate of the Company only upon fair and reasonable terms.

(h) NOTICE OF DEFAULT. If any one or more events which constitute, or which with notice or lapse of time or both would constitute, an Event of Default under Section 13 shall occur, or if the holder of any Note shall demand payment or take any other action permitted upon the occurrence of any such Event of Default, the Company shall, immediately after it becomes aware that any such event has occurred or that such demand has been made or that any such action has been taken, give notice to all holders of the Notes, specifying the nature of such event or of such demand or action, as the case may be; PROVIDED, HOWEVER, that if such event, in the good faith judgment of the Company, will be cured within ten days after the Company has knowledge that such event would, with or without notice or lapse of time or both, constitute such an Event of Default, no such notice need be given if such Event of Default shall be cured within such ten-day period.

11. MODIFICATION BY HOLDERS; WAIVER. The Company may, with the written consent of the holders of not less than 66 2/3% in principal amount of the Notes then outstanding, modify the terms and provisions of the Notes or the rights of the holders of the Notes or the obligations of the Company thereunder, and the observance by the Company of any term or provision of the Notes may be waived with the written consent of the holders of not less than 66 2/3% in principal amount of the Notes then outstanding; PROVIDED, HOWEVER, that no such modification or waiver shall:

(a) change the maturity of any Note or reduce the principal amount thereof or reduce the rate or extend the time of payment of interest thereon without the consent of the holder of each Note so affected; or

(b) give any Note any preference over any other Note;

(c) reduce the percentage of Notes, the consent of the holders of which is required for any such modification; or

(d) amend the provisions of Section 16 hereof without the consent of the holders of Senior Indebtedness (as hereinafter defined).

Any such modification or waiver shall apply equally to all the holders of the Notes and shall be binding upon them, upon each future holder of any Note and upon the Company, whether or not such Note shall have been marked to indicate such modification or waiver, but any Note issued thereafter shall bear a notation referring to any such modification or waiver. Promptly after obtaining the written consent of the holders as herein provided, the Company shall transmit a copy of such modification or waiver to all the holders of the Notes at the time outstanding.

12. EVENTS OF DEFAULT. If any one or more of the following events, herein called Events of Default, shall occur, for any reason whatsoever, and whether such occurrence

shall, on the part of the Company or any subsidiary, be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of a court of competent jurisdiction or any order, rule or regulation of any administrative or other governmental authority and such Event of Default shall be continuing:

(a) default shall be made in the payment of the principal of any Note when and as the same shall become due and payable, whether at maturity or at a date fixed for prepayment or by acceleration or otherwise; or

(b) default shall be made in the payment of any installment of interest on any Note according to its terms when and as the same shall become due and payable and such default shall continue for a period of five days; or

(c) default shall be made in the due observance or performance of any other covenant, condition or agreement on the part of the Company to be observed or performed pursuant to the terms hereof or of the Securities Purchase Agreement dated as of January 24, 1996 among the Company and the several Purchasers named therein (the "Purchase Agreement"), and such default shall continue for 30 days after written notice thereof, specifying such default and requesting that the same be remedied, shall have been given to the Company by the holder or holders of at least 25% of the principal amount of the Notes then outstanding (the Company to give forthwith to all other holders of Notes at the time outstanding written notice of the receipt of such notice specifying the default referred to therein); or

(d) any representation or warranty made by the Company in the Purchase Agreement shall prove to have been false or incorrect in any material respect on the date on or as of which made; or

(e) the entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the Company or any subsidiary in an involuntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar laws, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or any subsidiary or for any substantial part of any of their property, or ordering the winding-up or liquidation of any of their affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(f) the commencement by the Company or any subsidiary of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or other similar laws, or the consent by any of them to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the Company or any subsidiary or for any substantial part of their property, or the making by any of them of any

assignment for the benefit of creditors, or the failure of the Company or any subsidiary generally to pay its debts as such debts become due; or

(g) default as defined in any instrument evidencing or under which the Company or any subsidiary has outstanding at the time any indebtedness for money borrowed in excess of $50,000 in aggregate principal amount shall occur and as a result thereof the maturity of any such indebtedness shall have been accelerated so that the same shall have become due and payable prior to the date on which the same would otherwise have become due and payable and such acceleration shall not have been rescinded or annulled within 30 days; or

(h) final judgment for the payment of money in excess of $50,000 shall be rendered against the Company or a subsidiary and the same shall remain undischarged for a period of 30 days during which execution shall not be effectively stayed;

then, the holder or holders of a least 25% in aggregate principal amount of the Notes at the time outstanding may, at its or their option, by notice to the Company, declare all the Notes to be, and all the Notes shall thereupon be and become, forthwith due and payable together with interest accrued thereon without presentment, demand, protest or further notice of any kind, all of which are expressly waived to the extent permitted by law.

At any time after any declaration of acceleration as to all of the Notes has been made as provided in this Section 12, the holders of at least 66 2/3% in principal amount of the Notes then outstanding may, by notice to the Company, rescind such declaration and its consequences, if (i) the Company has paid all overdue installments of interest on the Notes and all principal that has become due otherwise than by such declaration of acceleration and (ii) all other defaults and Events of Default (other than nonpayments of principal and interest that have become due solely by reason of acceleration) shall have been remedied or cured or shall have been waived pursuant to this paragraph, PROVIDED, HOWEVER, that no such rescission shall extend to or affect any subsequent default or Event of Default or impair any right consequent thereon.

13. SUITS FOR ENFORCEMENT. In case any one or more of the Events of Default specified in Section 12 of this Note shall occur and be continuing, the holder of this Note may proceed to protect and enforce its rights by suit in equity, action at law and/or by other appropriate proceeding, whether for the specific performance of any covenant or agreement contained in this Note or in aid of the exercise of any power granted in this Note, or may proceed to enforce the payment of this Note or to enforce any other legal or equitable right of the holder of this Note.

In case of any default under any Note, the Company will pay to the holder thereof such amounts as shall be sufficient to cover the costs and expenses of such holder due to said default, including, without limitation, collection costs and reasonable attorneys' fees, to the extent actually incurred.

14. REMEDIES CUMULATIVE. No remedy herein conferred upon the holder of this Note is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise.

15. REMEDIES NOT WAIVED. No course of dealing between the Company and the holders of this Note or any delay on the part of the holder hereof in exercising any rights hereunder shall operate as a waiver of any right of any holder of this Note.

16. SUBORDINATION. (a) SUBORDINATION. Anything in this Note to the contrary notwithstanding, the obligation of the Company to pay the principal of and interest on, this Note, and to discharge all its other obligations hereunder, shall be subordinate and junior in right of payment to the extent set forth in the following paragraphs (A), (B) and (C), inclusive, to (i) all obligations of the Company to banks or other financial institutions for borrowed money, and (ii) all obligations of the Company to banks or other financial institutions under guarantees by the Company of obligations of wholly owned subsidiaries of the Company to banks or other financial institutions for borrowed money, in each case, whether such obligations are outstanding at the date of this Note or created or incurred after the date of this Note but prior to the maturity of this Note. The obligations of the Company to which this Note is subordinate and junior in right of payment are sometimes herein referred to as "Senior Indebtedness".

(A) In the event of any insolvency, bankruptcy, liquidation, reorganization or other similar proceedings, or any receivership proceedings in connection therewith, relative to the Company or its creditors or its property, and in the event of any proceedings for voluntary liquidation, dissolution or other winding up of the Company, whether or not involving insolvency or bankruptcy proceedings, then all Senior Indebtedness shall first be paid in full, before any payment on account of principal or interest is made upon this Note.

(B) In any of the proceedings referred to in paragraph (A) above, any payment or distribution of any kind or character, whether in cash, property, stock or obligations which may be payable or deliverable in respect of this Note shall be paid or delivered directly to the holders of Senior Indebtedness for application in payment thereof, unless and until all Senior Indebtedness shall have been paid in full.

(C) In the event the Company shall default under any Senior Indebtedness obligation held by any bank or other financial institution, which default shall continue without cure or waiver, and the effect of such default is to accelerate the maturity of such obligation or the holder thereof shall cause such obligation to become due prior to the stated maturity thereof or the Company shall not pay such obligation at maturity, the Company will not make, directly or indirectly, to the

holder of this Note any payment of any kind of or on account of all or any part of this Note, and the holder of this Note will not accept from the Company any payment of any kind of or on account of all or any part of this Note, unless and until all such Senior Indebtedness shall have been paid in full; and if, with respect to any such default, the holder of such Senior Indebtedness obligation shall have made a demand for payment and commenced an action, suit or other proceeding against the Company, then the holder of this Note may not take, demand, receive, sue for, accelerate or commence any remedial proceedings with respect to any amount payable under this Note during the pendency of such action, suit or other proceeding. Notwithstanding the provisions of the immediately preceding sentence, if any such default shall have continued for 180 days or more, the Company may make and the holder of this Note may accept from the Company all past due and current payments of any kind of or on account of this Note, and such holder may demand, receive, retain, sue for or otherwise seek enforcement or collection of all amounts payable on account of principal of or interest on this Note.

Upon request of any holder of Senior Indebtedness, the holder of this Note will affirm its obligations under this Section 16.

(b) SUBROGATION. Subject to the payment in full of all Senior Indebtedness as aforesaid, the holder of this Note shall be subrogated to the rights of the holders of Senior Indebtedness to receive payments or distributions of any kind or character, whether in cash, property, stock or obligations, which may be payable or deliverable to the holders of Senior Indebtedness, until the principal of, and interest on, this Note shall be paid in full, and, as between the Company, its creditors other than the holders of Senior Indebtedness, and the holder of this Note, no such payment or distribution made to the holders of Senior Indebtedness by virtue of this Section 16 which otherwise would have been made to the holder of this Note shall be deemed a payment by the Company on account of the Senior Indebtedness, it being understood that the provisions of this Section 16 are and are intended solely for the purposes of defining the relative rights of the holder of this Note, on the one hand, and the holder of the Senior Indebtedness, on the other hand. Subject to the rights, if any, under this Section 16 of holders of Senior Indebtedness to receive cash, property, stock or obligations otherwise payable or deliverable to the holder of this Note, nothing herein shall either impair, as between the Company and the holder of this Note, the obligation of the Company, which is unconditional and absolute, to pay to the holder hereof the principal hereof and interest hereon in accordance with its terms and the provisions of this Note or prevent the holder of this Note from exercising all remedies otherwise permitted by applicable law or upon default hereunder.

17. COVENANTS BIND SUCCESSORS AND ASSIGNS. All the covenants, stipulations, promises and agreements in this Note contained by or on behalf of the Company shall bind its successors and assigns, whether so expressed or not.

18. GOVERNING LAW. THIS NOTE SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

19. HEADINGS. The headings of the Sections and paragraphs of this Note are inserted for convenience only and do not constitute a part of this Note.

IN WITNESS WHEREOF, ALLIANCE DATA SYSTEMS CORPORATION has caused this Note to be signed in its corporate name by one of its officers thereunto duly authorized and to be dated as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By /s/ [ILLEGIBLE]

Exhibit 10.31

$330,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

dated as of July 24, 1998
and Amended and Restated as of October 22, 1998

among

ALLIANCE DATA SYSTEMS CORPORATION

and

LOYALTY MANAGEMENT GROUP CANADA INC.,
as Borrowers,

THE GUARANTORS PARTY HERETO,

THE BANKS PARTY HERETO

and

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,

as Administrative Agent

TABLE OF CONTENTS

AMENDED AND RESTATED CREDIT AGREEMENT, dated as of July 24, 1998 and amended and restated as of October 22, 1998, among ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation (the "US Borrower"), LOYALTY MANAGEMENT GROUP CANADA INC., an Ontario corporation (the "Canadian Borrower"), the GUARANTORS from time to time party hereto, the BANKS from time to time party hereto and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Administrative Agent.

WHEREAS, the Borrowers, the Administrative Agent and the Guarantors are party to a Credit Agreement, dated as of July 24, 1998 (the "Original Credit Agreement"); and

WHEREAS, the parties hereto wish to amend and restate the Original Credit Agreement as herein provided;

NOW, THEREFORE, the parties hereto agree that the Original Credit Agreement shall be and is hereby amended and restated in its entirety as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.1. DEFINITIONS. The following terms, as used herein, have the following meanings:

"A Term Loan Commitment" means, with respect to each Bank listed on the signature pages hereof, the amount set forth opposite its name on Schedule I hereto under the heading "A Term Loan Commitment", as such amount may be reduced from time to time pursuant to Section 11.6(c) or reduced mom time to time pursuant to Section 2.8.

"A Term Loan Scheduled Repayment" has the meaning provided in Section 2.11(A).

"A Term Loans" has the meaning provided in Section 2.1(b).

"A Term Note" has the meaning provided in Section 2.4(a).

"Acquisitions" means, collectively, the acquisition by 1302598 Ontario, Inc. (as successor in interest to the Canadian Borrower) of 100% of the capital stock of Loyalty pursuant to the Loyalty Acquisition Agreement and the acquisition by the US Borrower (through a wholly-owned acquisition subsidiary) of 100% of the capital stock of Harmonic pursuant to the Harmonic Acquisition Agreement.

"Acquisition Documents" means the Loyalty Acquisition Agreement, the Harmonic Acquisition Agreement, and any other documents executed or delivered in connection with the Acquisitions.

"Adjusted Consolidated Net Worth" of any Person means, at any date, the Consolidated Net Worth of such Person and its Consolidated Subsidiaries plus, in the case of the US Borrower, the then outstanding amount of the Subordinated Note (to the extent such Subordinated Note has a maturity not earlier than the date which is six months after the Final Maturity Date).

"ADSI" means ADS Alliance Data Systems, Inc., a Delaware corporation.

"ADSNZ" means ADSNZ Alliance Data Systems New Zealand, a New Zealand corporation.

"Affected Euro-Dollar Loans" has the meaning provided in Section 2.11(B).

"Affiliate" means (i) any Person that directly, or indirectly through one or more intermediaries, controls the US Borrower (a "Controlling Person") or (ii) any Person (other than the US Borrower or a Subsidiary thereof) which is controlled by or is under common control with a Controlling Person. As used herein, the term "control" means possession, directly or indirectly, of the power to vote 10% or more of any class of voting securities of a Person or to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Administrative Agent" means Morgan Guaranty Trust Company of New York in its capacity as agent for the Banks hereunder, and its successors in such capacity.

"Agreement" means this Amended and Restated Credit Agreement, as modified, supplemented, amended, restated (including any further amendment and restatement hereof), extended, renewed or refinanced from time to time.

"Amalgamation" means the amalgamation of 1302598 Ontario Inc. with Loyalty pursuant to the Business Corporations Act (Ontario) and the articles of amalgamation effective the Original Effective Date.

"Applicable Commitment Fee Percentage" shall mean a rate per annum equal to the applicable rate specified in the pricing schedule attached hereto as Appendix 1.

"Applicable Lending Office" means, with respect to any Bank, (i) in the case of its Domestic Loans, its Domestic Lending Office and (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office.

"Asset Sale" means the sale, transfer or other disposition by the US Borrower or any Subsidiary of the US Borrower to any Person other than the US Borrower or any Guarantor of any asset (including, without limitation, any capital stock or other securities of; or equity interests in, another Person) of the US Borrower dr such Subsidiary (other than sales, transfers or other dispositions of assets in the ordinary course of such business).

"Assigned Collateral" means, collectively, the "Assigned Collateral" as defined in the Security Agreement and the "Charged Premises" as defined in the Canadian Security Documents.

"Assignment and Assumption Agreement" means an appropriately completed Assignment and Assumption Agreement in the form of Exhibit B hereto.

"B Term Loan Commitment" means, with respect to each Bank listed on the signature pages hereof; the amount set forth opposite its name on Schedule I hereto under the heading "B Term Loan Commitment," as such amount may be reduced from time to time pursuant to Section 2.8.

"B Term Loan Scheduled Repayment" has the meaning provided for in Section 2.11(A).

"B Term Loans" has the meaning provided in Section 2.1(c).

"B Term Note" has the meaning provided in Section 2.4(a).

"Bank" means each bank listed on the signature pages hereof; each Assignee which becomes a Bank pursuant to Section 11.6(c), and their respective successors.

"Base Rate" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day and (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day.

"Base Rate Loan" means (i) a Loan which bears interest at the Base Rate pursuant to the provisions of Article 9 or (ii) an overdue amount which was a Base Rate Loan immediately before it became overdue.

"Base Rate Margin" means a percentage per annum equal to the applicable percentage specified in the pricing schedule attached hereto as Annex I.

"Beneficiaries" has the meaning set forth in Section 10.1.

"Benefit Arrangement" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"Borrowers" means, collectively, the US Borrower and the Canadian Borrower.

"Borrowing" has the meaning set forth in Section 1.3.

"Canadian Borrower" has the meaning provided in the first paragraph of this Agreement.

"Canadian Scheme License" means the Amended and Restated License to Use and Exploit the Air Miles Scheme in Canada, made as of July 24, 1998, between Air Miles International Trading B.V. and the Canadian Borrower, as such agreement was in effect on the Original Effective Date.

"Canadian Security Documents" means the Debenture Delivery Agreement and the Demand Debenture and any undertakings or other security granted to the Collateral Agent or the Banks as security for the Obligations of the Canadian Borrower.

"Canadian Trademark License" means the Amended and Restated License to Use the Air Miles Trade Marks in Canada, dated July 24, 1998, between Air Miles International Holdings N.V. and Loyalty Management Group Canada Inc., as such agreement was in effect on the Original Effective Date.

"Change of Control" means (i) the US Borrower shall cease to own 100% of the capital stock of the Canadian Borrower, (ii) The Limited shall own less than 75% of the amount of the outstanding common stock of the US Borrower owned by it on the Original Effective Date or (iii) the Welsh, Carson, Anderson & Stowe Partnerships in the aggregate, shall fail to own a majority of the outstanding common stock of the US Borrower; PROVIDED, that (x) common stock owned by employees (either individually or through employee stock ownership or other stock based benefit plans) of the US Borrower and (y) common stock issued to the public pursuant to one or more public offerings shall not be included in the calculation of ownership interests for purposes of this definition or any "change of control".

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder. Section references to the Code are to the Code, as in effect on the Restatement Effective Date and any subsequent provisions of the Code, amendatory thereof; supplemental thereto or substituted therefor.

"Collateral" means, collectively, the Assigned Collateral and the Pledged Collateral.

"Collateral Agent" means Morgan Guaranty Trust Company of New York acting as Collateral Agent on behalf of the Secured Creditors.

"Commitment" of each Bank means the aggregate of such Bank's US Term Loan Commitment, A Term Loan Commitment, B Term Loan Commitment and Revolving Loan Commitment.

"Consolidated Capital Expenditures" of any Person means, for any period, the additions to property, plant and equipment and other capital expenditures of such Person and its Consolidated Subsidiaries for such period, as the same are or would be set forth in a consolidated statement of cash flows of such Person and its Consolidated Subsidiaries for such period.

"Consolidated Current Assets" means the current assets of the US Borrower and its Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles, PROVIDED that Consolidated Current Assets shall in any event not include cash and cash equivalents other than Restricted Cash.

"Consolidated Current Liabilities" means the current liabilities of the US Borrower and its Subsidiaries determined on a consolidated basis in accordance with generally accepted accounting principles, but excluding in any event the current portion of; and accrued but unpaid interest on, any Debt of the US Borrower and its Subsidiaries.

"Consolidated Debt" of any Person means, at any date, the Debt of such Person and its Consolidated Subsidiaries, determined on a consolidated basis as of such date.

"Consolidated EBIT" of any Person means, for any period, Consolidated Net Income of such Person for such period, before total interest expense determined on a consolidated basis and before taxes based on income, and giving effect to gains and losses from sales of assets sold in the ordinary course of business all with respect to such period.

"Consolidated EBITDA" of any Person means, for any fiscal period, Consolidated EBIT for such Person for such period, adjusted by adding thereto the amount of all depreciation and amortization expenses that were deducted in determining Consolidated EBIT.

"Consolidated Interest Expense" of any Person means, for any period, the Total Interest Expense of such Person and its Consolidated Subsidiaries determined on a consolidated basis for such period.

"Consolidated Net Income" of any Person means, for any fiscal period, the net income of such Person and its Consolidated Subsidiaries, determined on a consolidated basis for such period, inclusive of the effect of any extraordinary or other nonrecurring gain and loss.

"Consolidated Net Worth" of any Person means at any date the consolidated stockholders' equity of such Person and its Consolidated Subsidiaries.

"Consolidated Subsidiary" of any Person means, at any date, any Subsidiary or other entity the accounts of which would be consolidated with those of such Person in its consolidated financial statements if such statements were prepared as of such date.

"Credit Document" means this Agreement, the Notes, the Pledge Agreement, the Security Agreement, the Canadian Security Documents, the WFNB Note and each other document (including any additional guarantees) executed or delivered in connection herewith or therewith.

"Credit Party" shall mean each Borrower, each Guarantor, and with respect to its obligations under the WFNB Note only, WFNB.

"Debenture Delivery Agreement" means the Debenture Delivery Agreement, made as of July 24, 1998, between the Canadian Borrower and Morgan Guaranty Trust Company of New York, as amended, modified or supplemented from time to time.

"Debt" of any Person means at any date, without duplication (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all non-contingent obligations (and, for purposes of Section 6.9, Section 6.16 and the definitions of Material Debt and Material Financial Obligations, all contingent obligations) of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, (vi) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person and (vii) all Debt of others Guaranteed by such Person; PROVIDED that, with respect to the US Borrower, amounts owing to Brylane, L.P. pursuant to the deferred billing program in effect on the Restatement Effective Date between the US Borrower and Brylane, L.P. shall not be included in the calculation of "Debt" to the extent such amounts excluded by this proviso do not exceed $100,000,000 in the aggregate.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Delinquency Ratio" means, for any calendar month, the percentage equivalent of a fraction (a) the numerator of which is the aggregate amount of all Managed Receivables the minimum payments on which are more than 90 days contractually overdue and (b) the denominator of which is all Managed Receivables, in each case determined as of the last day of such calendar month.

"Demand Debenture" means the Demand Debenture, made as of July 21, 1998, between the Canadian Borrower and Morgan Guaranty Trust Company of New York as amended, modified or supplemented from time to time.

"Derivatives Obligations" of any Person means all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions), any transaction whose value is derived from another asset or security, or any combination of the foregoing transactions.

"Dollars" and "$" shall mean freely transferable lawful money of the United States of America.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized by law to close.

"Domestic Lending Office" means, as to each Bank, its office identified as such on the signature page hereto or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Borrowers and the Administrative Agent.

"Domestic Subsidiary" means any Subsidiary of the US Borrower incorporated or organized in the United States or any state or territory thereof.

"ECF Prepayment Amount" has the meaning provided in Section 2.11(A).

"ECF Prepayment Date" has the meaning provided in Section 2.11(A).

"ECF Prepayment Period" has the meaning provided in Section 2.11(A).

"Eligible Transferee" shall mean and include a commercial bank insurance company, financial institution, fund or other Person which regularly purchases interests in loans or extensions of credit of the types made pursuant to this Agreement, any other Person which would constitute a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act as in effect on the Restatement Effective Date or other "accredited investor" (as defined in Regulation D of the Securities Act).

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the clean. up or other remediation thereof.

"Equity Issuance" shall mean the issuance by the US Borrower on or prior to the Original Effective Date of its common equity to the Welsh, Carson, Anderson & Stowe Partnerships yielding net cash proceeds to the US Borrower of $100,000,000, effected pursuant to the terms of the Equity Issuance Documents.

"Equity Issuance Documents" means the Common Stock Purchase Agreement, dated as of July 24, 1998, among the US Borrower, the Welsh, Carson, Anderson & Stowe Partnerships, the persons named on Schedule I thereto and each other document executed or delivered in connection with the Equity Issuance.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Group" of any Person means such Person, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the US Borrower or any Subsidiary, are treated as a single employer under Section 414 of the Code.

"Euro.Dollar Business Day" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

"Euro-Dollar Lending Office" means, as to each Bank, its office, branch or affiliate identified as such on the signature pages hereto or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrowers and the Administrative Agent.

"Euro-Dollar Loan" means (i) a Loan which bears interest at a Euro-Dollar Rate or (ii) an overdue amount which was a Euro-Dollar Loan immediately before it became overdue.

"Euro-Dollar Margin" means a percentage per annum equal to the applicable percentage specified in the pricing schedule attached hereto as Appendix 1.

"Euro-Dollar Rate" means a rate of interest determined pursuant to Section 2.6 on the basis of the London Interbank Offered Rate.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency Liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents).

"Event of Default" has the meaning set forth in Section 7.1.

"Excess Cash Flow" means, for any fiscal year of the US Borrower, (i) Consolidated Net Income for such period PLUS (minus) (ii) the amount of depreciation, depletion, amortization of intangibles, deferred taxes and other non-cash expenses (revenues) which, pursuant to generally accepted accounting principles, were deducted (added) in determining Consolidated Net Income for such period MINUS (plus) (iii) additions (reductions, other than reductions attributable solely to Asset Sales) to Working Capital for such period MINUS (iv) the amount of Consolidated Capital Expenditures made during such period (except to the extent financed through the incurrence of Debt (other than through the incurrence of Loans) or with equity proceeds) MINUS (v) the amount of Scheduled Repayments of Term Loans, and the amount of voluntary payments of principal of outstanding Term Loans, in each case, actually made during such period MINUS (vi) regularly scheduled payments of principal or "rent" (other than capitalized interest) due in accordance with the terms of capital leases and not otherwise deducted in arriving at Consolidated Net Income to the extent actually made during such period MINUS (vii) the

amount of mandatory payments of principal of outstanding Term Loans pursuant to Sections 2.11(A)(e) and (h) actually made, but only to the extent that the net proceeds from the transactions described in such clauses (e) and (h) were added to Consolidated Net Income during such period.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal Rinds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day; PROVIDED, that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to Morgan Guaranty Trust Company of New York on such day on such transactions as determined by the Administrative Agent.

"Final Maturity Date" means July 25, 2005.

"Foreign Pension Plan" means any plan, fund (including, without limitation, any superannuation fund) or other similar program established or maintained outside the United States of America by the US Borrower or any one or more of its Subsidiaries primarily for the benefit of employees of the US Borrower or such Subsidiaries residing outside the United States of America, which plan, fund or other similar program provides, or results in, retirement income, a deferral of income in contemplation of retirement or payments to be made upon termination of employment, and which plan is not subject to ERISA or the Code.

"Foreign Subsidiary" means each Subsidiary of the US Borrower other than a Domestic Subsidiary.

"Fronting Fee" has the meaning provided in Section 2.7(c).

"Guaranteed Obligations" has the meaning provided in Section 10.1.

"Guarantor" means, (x) with respect to the Obligations of the US Borrower, (i) ADSI, HSI and HTLI and (ii) each other Domestic Subsidiary of the US Borrower that becomes a Guarantor from time to time, after the Restatement Effective Date, pursuant to Section 6.19 and (y) with respect to Obligations of the Canadian Borrower, (i) the US Borrower, ADSI, HSI and HTLI and (ii) each other Domestic Subsidiary of the US Borrower or Subsidiary of the Canadian Borrower (other than LMG to the extent LMG does not at any time account for greater than 5.0% of the Consolidated Net Worth of the US Borrower) which becomes a Guarantor from time to time, after the Restatement Effective Date, pursuant to Section 6.19.

"Guaranty" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such

Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the holder of such Debt of the payment therefore to protect such holder against loss in respect thereof (in whole or in part), PROVIDED, that the term Guaranty shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guaranty" used as a verb has a corresponding meaning.

"Harmonic" means Harmonic Systems Incorporated, a Minnesota corporation.

"Harmonic Acquisition Agreement" means the Agreement and Plan of Merger, dated as of August 14, 1998, among the US Borrower, HSI Acquisition Corp. and Harmonic.

"Hazardous Substances" means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"HSI" means Harmonic Systems Incorporated, a Minnesota corporation.

"HTLI" means Harmonic Technology Licensing, Inc., a Minnesota corporation.

"Indemnitee" has the meaning set forth in Section 11.3(b).

"Initial Borrowing Date" means the date on which the initial Borrowing of Loans occurred under the Original Credit Agreement.

"Initial Maturity Date" means July 25, 2003.

"Insured Subsidiary" means a Subsidiary of the US Borrower which is an "insured depository institution" under and as defined in the Federal Deposit Insurance Act (12 U.S.C. 1813(c)(3)) or any successor statute.

"Intellectual Property" has the meaning provided in Section 4.12.

"Interest Coverage Ratio" of any Person means, for any period, the ratio of Consolidated EBITDA of such Person for such period to Consolidated Interest Expense of such Person for such period.

"Interest Period" means with respect to each Euro.Dollar Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing or on the date specified in the applicable Notice of Interest Period Election and ending one, two, three or six months thereafter, as the respective Borrower may elect in the applicable notice; PROVIDED, that:

(i) any Interest Period which would otherwise end on a day which is not a EuroDollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day

unless such Euro-Dollar Business Day fails in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(ii) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro- Dollar Business Day of a calendar month; and

(iii) any Interest Period which would otherwise end after the Initial Maturity Date in the case of US Term Loans, A Term Loans and Revolving Loans or the Final Maturity Date in the case of B Term Loans, shall end on the Initial Maturity Date (unless such date is not a Euro- Dollar Business Day, in which case such Interest Period shall end on the latest Euro-Dollar Business Day to occur prior to the Initial Maturity Date) or Final Maturity Date (unless such date is not a Euro-Dollar Business Day, in which case such Interest Period shall end on the latest Euro-Dollar Business Day to occur prior to the Final Maturity Date), as the case may be.

"Investment" means any investment in any Person, whether by means of share purchase, capital contribution, loan, Guaranty, time deposit or otherwise (but not including any demand deposit).

"L/C Participant" has the meaning provided in Section 2A.5.

"L/C Supportable Obligations" means and includes obligations of the US Borrower or its Subsidiaries incurred in the ordinary course of business as are reasonably acceptable to the Administrative Agent and the respective Letter of Credit Issuer and otherwise permitted to exist pursuant to the terms of this Agreement. Inasmuch as the Administrative Agent's (including in its capacity as Letter of Credit Issuer) approval is required, L/C Supportable Obligations shall include obligations in respect of securitization of credit card receivables.

"Letter of Credit" has the meaning provided in Section 2A.1(a).

"Letter of Credit Fee" has the meaning provided in Section 2.7(b).

"Letter of Credit Issuer" means Morgan Guaranty Trust Company of New York in its individual capacity and any Bank which at the request of the US Borrower and the consent of the Administrative Agent agrees, in such Bank's sole discretion, to become a Letter of Credit Issuer for the purpose of issuing Letters of Credit. The sole Letter of Credit Issuer on the Restatement Effective Date is Morgan Guaranty Trust Company of New York in individual capacity.

"Letter of Credit Outstandings" means, at any time, the sum of; without duplication, (i) the aggregate Stated Amount of all outstanding Letters of Credit and (ii) the aggregate amount of all Unpaid Drawings in respect of all Letters of Credit.

"Letter of Credit Request" has the meaning provided in Section 2A.3(a).

"Leverage Ratio" of any Person means, at any time, the ratio of (x) Consolidated Debt of such person at such time to (y) Consolidated EBITDA of such person for the four fiscal quarters then most recently ended.

"License Agreements" means the Canadian Trademark License, the US Trademark License, the Canadian Scheme License and the US Scheme License.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of this Agreement, the US Borrower or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a loan made by a Bank pursuant to Section 2.1; PROVIDED, that if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term "Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"London Interbank Offered Rate" means for any Interest Period the rate per annum (rounded upward, if necessary, to the next higher 1/16 of it) at which deposits in dollars are offered to the Administrative Agent in the London interbank market at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loans of the Administrative Agent to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

"Loyalty" shall mean Loyalty Management Group Canada Inc., an Ontario corporation, as such entity exists before giving effect to the Amalgamation.

"Loyalty Acquisition Agreement" means the Agreement for the Purchase of All the Shares of Loyalty Management Group Canada Inc., made as of June 26, 1998, among Air Miles International Group B.V., each of the other shareholders and optionholders listed on Exhibit A-1 thereto and the US Borrower, as such Agreement was in effect on the Original Effective Date.

"LMG" means LMG Travel Services Limited, an Ontario corporation, 100% of the capital stock of which is owned by the Canadian Borrower.

"Majority Banks" of any Tranche shall mean those Banks which would constitute the Required Banks under, and as defined in, this Agreement if all outstanding Obligations of the other Tranches under this Agreement were repaid in full and all Commitments with respect thereto were terminated.

"Managed Receivables" of any Person means for any date all credit card receivables of such Person as of such date regardless of whether such credit card receivables are deter-

mined, with respect to such Person's financial statements, to be "on-balance sheet" or "off-balance sheet".

"Material Debt" means Debt (other than the Loans and reimbursement obligations under Letters of Credit) of a Person and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal or face amount exceeding $25,000,000.

"Material Financial Obligations" of any Person means a principal or face amount of Debt and/or payment or collateralization obligations in respect of Derivatives Obligations of such Person and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, exceeding in the aggregate $25,000,000.

"Material Plan" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of $10,000,000.

"Maturity Date" means, as applicable, the Initial Maturity Date or the Final Maturity Date.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"Net Cash Proceeds" means, with respect to any Asset Sale, the Cash Proceeds resulting therefrom net of expenses of sale (including payment of principal, premium and interest of other Debt secured by the assets the subject of the Asset Sale and required to be, and which is, repaid under the terms thereof as a result of such Asset Sale), and incremental taxes paid or payable as a result thereof; PROVIDED that Net Cash Proceeds shall not include cash deposited with the Administrative Agent pursuant to a cash collateral arrangement pursuant to this Agreement.

"Note" means any of the US Term Notes, the A Term Notes, the B Term Notes, the Revolving Notes and the Swing Note.

"Notice of Borrowing" has the meaning set forth in Section 2.2.

"Notice of Interest Period Election" has the meaning set forth in Section 2.9.

"Obligations" means all amounts owing to the Administrative Agent, the Collateral Agent or any Bank pursuant to the terms of this Agreement or any other Credit Document.

"Original Credit Agreement" has the meaning provided in the first recital to this Agreement.

"Original Effective Date" shall mean July 24, 1998.

"Parent" means, with respect to any Bank, any Person controlling such Bank.

"Participant" has the meaning set forth in Section 11.6(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Percentage" shall mean at any time for each Bank with a Revolving Commitment, the percentage obtained by dividing such Bank's Revolving Loan Commitment by the Total Revolving Loan Commitment, PROVIDED that if the Total Revolving Loan Commitment has been terminated, the Percentage of each Bank shall be determined by dividing such Bank's Revolving Loan Commitment immediately prior to such termination by the Total Loan Revolving Commitment immediately prior to such termination.

"Permitted Subordinated Debt" means subordinated Debt of the US Borrower, PROVIDED that (i) the US Borrower shall be in PRO FORMA compliance with the Financial Covenants contained in Sections 6.12 and 6.17 after giving effect to such issuance of Debt, (ii) such Debt shall be expressly subordinated to the Obligations, (iii) such Debt shall be unsecured and unguaranteed, (iv) such Debt shall have a maturity not earlier than the date which is six months after the Final Maturity Date and no amortization or sinking fund payments shall be required in respect of such Debt prior to such date and (v) no covenant or default applicable to such debt shall be more restrictive than those contained in this Agreement and the subordination provisions, covenants and defaults pertaining to such Debt, taken as a whole, shall be no more restrictive, and no less favorable to the Banks, as those customarily applicable to publicly issued subordinated indebtedness.

"Person" means an individual, a corporation, a limited liability company, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Pledge Agreement" means the Pledge Agreement, dated as of July 24, 1998, by and between the Borrowers, the Guarantors and the Collateral Agent, as such agreement may be amended, modified or supplemented from time to time.

"Pledge Agreements" means the Pledge Agreement and the Supplemental Pledge Agreement.

"Pledged Collateral" means the "Collateral", as defined in the Pledge Agreement.

"Prime Rate" means the rate of interest publicly announced by Morgan Guaranty Trust Company of New York in New York City from time to time as its Prime Rate.

"Projections" means the financial projections of the US Borrower and its Subsidiaries prepared in a manner consistent with the financial statements delivered pursuant to Section 4.4(a) and (b).

"Quarterly Dates" has the meaning provided in Section 2.11(A)(d).

"Recovery Event" means the receipt by the US Borrower or any of its Subsidiaries of any cash insurance proceeds or condemnation award payable (i) by reason of theft, loss, physical destruction or damage or any other similar event with respect to any property or asset of the US Borrower or any of its Subsidiaries, or (ii) by reason of any condemnation, taking, seizing or similar event with respect to any property or asset of the US Borrower or any of its Subsidiaries.

"Refunded Swing Loans" has the meaning provided in Section 2.1(f).

"Refunding Date" has the meaning provided in Section 2.1(f).

"Refunding Swing Loan" has the meaning provided in Section 2.1(f).

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Reinvestment Assets" means any assets to be employed in the business of the US Borrower and its Subsidiaries.

"Reinvestment Election" has the meaning provided in Section 2.11(A)(e).

"Reinvestment Notice" means a written notice signed by an executive officer of the US Borrower stating that the US Borrower, in good faith, intends and expects to use all or a specified portion of the Net Cash Proceeds of an Asset Sale to purchase, construct or otherwise acquire Reinvestment Assets.

"Reinvestment Prepayment Amount" means, with respect to any Reinvestment Election, the amount, if any, on the Reinvestment Prepayment Date relating thereto by which (a) the Anticipated Reinvestment Amount in respect of such Reinvestment Election exceeds (b) the aggregate amount thereof expended by the US Borrower and its Subsidiaries to acquire Reinvestment Assets.

"Reinvestment Prepayment Date" means, with respect to any Reinvestment Election, the earliest of (i) the date, if any, upon which the Administrative Agent, on behalf of the Required Banks, shall have delivered a written termination notice to the US Borrower, provided that such notice may only be given while an Event of Default exists, (ii) the date occurring 180 days after such Reinvestment Election and (iii) the date on which the US Borrower shall have

determined not to, or shall have otherwise ceased to, proceed with the purchase, construction or other acquisition of Reinvestment Assets with the related Anticipated Reinvestment Amount.

"Replaced Bank" has the meaning provided in Section 2A.1(c).

"Replacement Bank" has the meaning provided in Section 2A.1(c)

"Required Banks" means Banks the sum of whose outstanding Term Loans (and, if prior to the termination thereof; Term Loan Commitments) and Revolving Loan Commitments (or after the termination thereof; outstanding Revolving Loans and Percentages of Swing Loans and Letter of Credit Outstandings) represent an amount greater than 50% of the sum of all outstanding Term Loans (and, if prior to the termination thereof; the Term Loan Commitments) and the Total Revolving Loan Commitment (or after the termination thereof; the sum of the total outstanding Revolving Loans, Swing Loans and Letter of Credit Outstandings at such time).

"Restatement Effective Date" means October _____, 1998 or if later, the date this Agreement becomes effective in accordance with Section 11.9.

"Restricted Acquisition" means any acquisition (other than the Acquisitions), whether in a single transaction or series of related transactions, by the US Borrower or any one or more of its Subsidiaries, or any combination thereof; of(i) all or a substantial part of the assets, or all or any substantial part of a going business or division, of any Person, whether through purchase of assets or securities, by merger or otherwise, (ii) control of securities of an existing corporation or other Person having ordinary voting power (apart from rights accruing under special circumstances) to elect a majority of the board of directors of such corporation or other Person or (iii) control of a greater than 50% ownership interest in any existing partnership, joint venture or other Person.

"Restricted Cash" means cash required by the US Borrower and its Subsidiaries to fund securitization spread accounts, cash collateral accounts relating to securitization of credit card receivables, excess funding accounts relating to securitization of credit card receivables and cash restricted to fund future Air Miles redemptions.

"Restricted Payment" means (i) any dividend or other distribution on any shares of a Person's capital stock (except dividends payable solely in shares of its capital stock) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of a Person's capital stock or (b) any option, warrant or other right to acquire shares of a Person's capital stock (but not including payments of principal, premium (if any) or interest made pursuant to the terms of convertible debt securities prior to conversion).

"Revolving Loan Commitment" means, (i) with respect to each Bank listed on the signature pages hereof; the amount set forth opposite its name on Schedule 1 hereto under the heading "Revolving Loan Commitment" and (ii) with respect to each Assignee that becomes a Bank pursuant to Section 11.6(c), the amount of the Revolving Loan Commitment thereby assumed by it, in each case as such amount may be increased or reduced from time to time pursuant to Section 11.6(c) or reduced from time to time pursuant to Section 2.8.

"Revolving Loans" has the meaning provided in Section 2.1(d).

"Revolving Note" has the meaning provided in Section 2.4(a).

"Scheduled Repayment" means each US Term Loan Scheduled Repayment, A Term Loan Scheduled Repayment and B Term Loan Scheduled Repayment.

"Secured Creditors" has the meaning provided in the Security Documents.

"Security Agreement" means the Security Agreement, dated as of July 24, 1998, by and between the US Borrower, the other Guarantors which are Domestic Subsidiaries of the US Borrower and the Collateral Agent, as amended, modified or supplemented from time to time.

"Security Documents" shall mean the Pledge Agreements, the Security Agreement and the Canadian Security Documents.

"Stated Amount" of each Letter of Credit means the maximum amount available to be drawn thereunder (regardless of whether any conditions for drawing could then be met).

"Subordinated Note" means the 10% Subordinated Note due January 24, 2002, dated January 24, 1996, issued by the US Borrower to The Limited and WCAS Capital Partners 11 in the aggregate principal amount of $50,000,000.

"Subsidiary" means, as to any Person, any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by such Person; unless otherwise specified, "Subsidiary" means a Subsidiary of the US Borrower.

"Subsidiary Assumption Agreement" shall mean the Subsidiary Assumption Agreement, dated the Restatement Effective Date, made by HSI and HTLI, pursuant to which HSI and HTLI became parties to the Pledge Agreement and Security Agreement.

"Supermajority Banks" of any Tranche means those Banks which would constitute the Required Banks under, and as defined in, this Agreement if (x) all outstanding Obligations of the other Tranches under this Agreement were repaid in full and all Commitments with respect thereto were terminated and (y) the percentage "50%" contained therein were changed to "66-2/3%."

"Supplemental Pledge Agreement" shall mean the Supplemental Pledge Agreement, dated as of July 24, 1998, between the US Borrower and the Administrative Agent.

"Swing Borrowing" means a Borrowing pursuant to subsection 2.1(e).

"Swing Lender" means Morgan Guaranty Trust Company of New York and any other Bank which agrees in its sole discretion, with the consent of the Administrative Agent, to become a Swing Lender hereunder.

"Swing Loan Commitment" means $35,000,000.

"Swing Loan Refund Amount" has the meaning specified in subsection 2.1(e).

"Swing Loans" has the meaning provided in Section 2.1(e).

"Swing Margin" means a percentage per annum equal to the applicable percentage specified in the pricing schedule attached hereto as Appendix 1.

"Swing Note" has the meaning provided in Section 2.4(a).

"Syndication Date" shall mean the date on which the Administrative Agent notifies the US Borrower that the initial syndication of the credit facilities under this Agreement has been completed.

"Term Loan Commitments" means, collectively, the US Term Loan Commitments, the A Term Loan Commitments and the B Term Loan Commitments.

"Term Loans" means, collectively, US Term Loans, A Term Loans and B Term Loans.

"The Community Reinvestment Act" means The Community Reinvestment Act of 1977 (12 U.S.C. 2901 ET SEQ.), as amended.

"The Limited" means The Limited Commerce Corporation, a Delaware corporation.

"Total A Term Loan Commitment" means, at any time, the sum of the A Term Loan Commitments of each of the Banks.

"Total B Term Loan Commitment" means, at any time, the sum of the B Term Loan Commitments of each of the Banks.

"Total Commitment" means the aggregate amount of the Commitments of each of the Banks.

"Total Interest Expense" means, for any Person, interest paid on a consolidated basis with respect to all outstanding indebtedness including, without limitation, capital leases (in accordance with GAAP), all commissions, discounts and other fees and charges owed in connection with letters of credit or lines of credit, net costs or benefits under interest rate protection agreements, amortization of deferred financing costs, original issue discounts, and any interest expense relating to deferred compensation arrangements.

"Total Revolving Loan Commitment" means, collectively, the Revolving Loan Commitments of each of the Bank.

"Total US Term Loan Commitment" means, at any time, the sum of the US Term Loan Commitments of each of the Banks.

"Tranche" means, with respect to each Loan, the tranche under which such Loan is borrowed, with there being four different Tranches of Loans, including Revolving Loans, US Term Loans, A Term Loans and B Term Loans.

"Type" means the type of Loan determined according to the interest option applicable thereto; I.E., whether a Base Rate Loan or a Euro-Dollar Loan.

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"United States" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"Unpaid Drawing" has the meaning provided in Section 2A.4(a).

"US Borrower" has the meaning provided in the first paragraph of this Agreement.

"US Scheme License" means the Amended and Restated License to Use and Exploit the Air Miles Scheme in the United States, dated July 24, 1998, between Air Miles International Trading B.V. and the US Borrower, as such agreement is in effect on the Original Effective Date.

"US Term Loan Commitment" means, with respect to each Bank listed on the signature pages hereof; the amount set forth opposite its name on Schedule I hereto under the heading "US Term Loan Commitment," as such amount may be reduced from time to time pursuant to Section 2.8.

"US Term Loan Scheduled Repayment" has the meaning provided in Section 2.11(A).

"US Term Loans" has the meaning provided in Section 2.1(a).

"US Term Note" has the meaning provided in Section 2.4(a).

"US Trademark License" means the Amended and Restated License to Use the Air Miles Trade Marks in the United States, dated July 24, 1998, between Air Miles International Holdings B.V. and the US Borrower, as such agreement is in effect on the Original Effective Date.

"WCAS Subordinated Note" means the 10% Subordinated Note due September 15, 2008, dated September 15, 1998, issued by the US Borrower to WCAS Capital Partners III, L.P. in the principal amount of $52,000,000.

"Waivable Mandatory Repayment has the meaning provided in Section 2.11(A)(1).

"Welsh, Carson, Anderson & Stowe Partnerships" means each Welsh, Carson, Anderson & Stowe limited partnership, as constituted on the Restatement Effective Date, as may be constituted in the future and any partner, partnership or affiliate of any of them.

"WFNB" means World Financial Network National Bank a national banking association wholly owned by the US Borrower.

"WFNB Note" has the meaning provided in Section 3.2(h).

"Wholly-Owned Subsidiary" means, as to any Person, any corporation 100% of whose capital stock (other than director's qualifying shares) is at the time owned by such Person and/or one or more Wholly-Owned Subsidiaries of such Person.

"Working Capital" means the excess of Consolidated Current Assets minus Consolidated Current Liabilities.

"Year 2000 Problem" means the risk that computer applications used by the US Borrower or its Subsidiaries (or their suppliers and vendors) may be unable to recognize and perform properly date-sensitive functions involving dates after December 31, 1999.

SECTION 1.2. ACCOUNTING: TERMS AND DETERMINATIONS. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time, applied on a basis consistent (except for changes concurred in by the US Borrower's independent public accountants) with the most recent audited consolidated financial statements of the US Borrower and its Consolidated Subsidiaries delivered to the Banks; PROVIDED that, (i) all calculations of financial covenants and corresponding accounting terms shall include for all periods covered thereby PRO FORMA adjustments for the (x) actual historical financial performance of and (y) identifiable cost savings associated with providing data processing services to any entities acquired as permitted under Section 6.22(b) and (ii) if a Borrower notifies the Administrative Agent that such Borrower wishes to amend any covenant in Article 6 to eliminate the effect of any change in generally accepted accounting principles on the operation of such covenant (or if the Administrative Agent notifies either Borrower that the Required Banks wish to amend Article 6 for such purpose), then the Borrowers' compliance with such covenant shall be determined on the basis of generally accepted accounting principles in effect immediately before the relevant change in generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Borrowers and the Required Banks.

SECTION 1.3. TYPES OF BORROWINGS. The term "Borrowing" denotes the aggregation of Loans of one or more Banks of a single Tranche to be made to a Borrower pursuant to Article 2 on the same date, all of which Loans are of the same Type (subject to Article 9) and, except in the case of Base Rate Loans, have the same initial Interest Period.

ARTICLE 2

THE CREDITS

SECTION 2.1. COMMITMENTS TO LEND.

(a) US TERM LOANS. On the Initial Borrowing Date, each Bank with a US Term Loan Commitment severally agrees, on the terms and conditions set forth in this Agreement, to make a loan or loans (each a "US Term Loan" and, collectively, the "US Term Loans") to the US Borrower pursuant to this Section in amounts such that the aggregate principal amount of US Term Loans made by such Bank on a cumulative basis on such date shall not exceed the amount of its US Term Loan Commitment. The Borrowings made under this Section shall be made by the several Banks ratably in proportion to their respective US Term Loan Commitments. Within the foregoing limits, the US Borrower may borrow under this Section and prepay the US Term Loans to the extent permitted by Section 2.11. To the extent the US Term Loans are prepaid in any amount, such amount may not be reborrowed.

(b) A TERM LOANS. On the Initial Borrowing Date, each Bank with an A Term Loan Commitment severally agrees, on the terms and conditions set forth in this Agreement, to make a loan or loans (each an "A Term Loan" and, collectively, the "A Term Loans") to the Canadian Borrower pursuant to this Section in amounts such that the aggregate principal amount of A Term Loans made by such Bank on a cumulative basis on such date shall not exceed the amount of its A Term Loan Commitment. The Borrowings under this Section shall be made by the several Banks ratably in proportion to their respective A Term Loan Commitments. Within the foregoing limits, the Canadian Borrower may borrow under this Section and prepay the A Term Loans to the extent permitted by Section 2.11. To the extent the A Term Loans are prepaid in any amount, such amount may not be reborrowed.

(c) B TERM LOANS. On the Initial Borrowing Date, each Bank with a B Term Loan Commitment severally agrees, on the terms and conditions set forth in this Agreement, to make a loan or loans (each a "B Term Loan" and, collectively, the "B Term Loans") to the Canadian Borrower pursuant to this Section in amounts such that the aggregate principal amount of B Term Loans made by such Bank on a cumulative basis on such date shall not exceed the amount of its B Term Loan Commitment. The Borrowings under this Section shall be made by the several Banks ratably in proportion to their respective B Term Loan Commitments. Within the foregoing limits, the Canadian Borrower may borrow under this Section and prepay the B Term Loans to the extent permitted by Section 2.11. To the extent the B Term Loans are prepaid in any amount, such amount may not be reborrowed.

(d) REVOLVING LOANS. At any time on or after the Initial Borrowing Date and prior to the Initial Maturity Date, each Bank with a Revolving Loan Commitment severally agrees, on the terms and conditions set forth in this Agreement, to make loans (each a "Revolving Loan" and, collectively, the "Revolving Loans") to the US Borrower pursuant to this Section from time to time in amounts such that the aggregate principal amount of Revolving Loans Wade by such Bank at any one time outstanding, when combined with such Bank's Percentage of Swing Loans and Letter of Credit Outstandings at such time, shall not exceed the amount of its Revolving Loan Commitment. Each Borrowing under this Section shall be in an aggregate principal amount of $5,000,000 or any larger multiple of $1,000,000 (except that any such Borrowing may be in the aggregate amount of the then unutilized Revolving Loan Commitment) and shall be made from the several Banks ratably in proportion to their respective Revolving Loan Commitments. Within the foregoing limits, the US Borrower may borrow under this Section, prepay Revolving Loans to the extent permitted by Section 2.11 and reborrow at any time prior to the Initial Maturity Date.

(e) SWING LOANS. From time to time on or after the Initial Borrowing Date and prior to the Initial Maturity Date, each Swing Lender severally agrees, on the terms and conditions set forth in this Agreement, to make loans (each a "Swing Loan" and, collectively, the "Swing Loans") to the US Borrower pursuant to this Section 2.1(e) in amounts such that (i) the aggregate principal amount of Swing Loans made by such Swing Lender to the US Borrower, when added to all other Swing Loans then outstanding, does not at any time exceed the aggregate Swing Loan Commitment of the Swing Lenders and (ii) the sum of the aggregate outstanding principal amount of all Revolving Loans and Swing Loans at such time, when added to the Letter of Credit Outstandings at such time, does not exceed the Total Revolving Loan Commitment. Each Borrowing under this Section 2.1(e) shall be in a principal amount of at least $5,000,000. Within the foregoing limits, the US Borrower may borrow under this Section 2.1(e), repay or, to the extent permitted by Section 2.11, prepay Swing Loans and reborrow at any time prior to the Initial Maturity Date.

(f) REFUNDING: OF SWINE LOANS WITH SYNDICATED LOANS. Provided that no condition described in Section 3.2 was knowingly waived by the respective Swing Lender with respect to the making of such Swing Loan, such Swing Lender, at any time and from time to time in its sole and absolute discretion, may on behalf of the US Borrower (which hereby irrevocably directs the Swing Lenders to act on its behalf), on notice given by such Swing Lender no later than 10:30 A.M., New York City time, on the proposed date of Borrowing for the Base Rate Loans referred to below, request each Bank to make, and each Bank hereby agrees to make a Revolving Loan which shall be a Base Rate Loan (a "Refunding Swing Loan") under Section 2.1(d) in an amount (with respect to each Bank, its "Swing Loan Refund Amount") equal to such Bank's Percentage of the aggregate principal amount of such Swing Loans (the "Refunded Swing Loans") outstanding on the date of such notice, to repay such Swing Lender. Unless any of the events described in Section 7.1(g) or (h) with respect to the US Borrower shall have occurred and be continuing or the Revolving Loan Commitments shall have been terminated in full (in which case the procedures of Section 2.1(g) shall apply), each Bank shall make such Base Rate Loan available to the Administrative Agent at its address specified in or pursuant to Section 11.1 in immediately available funds, not later than 12:00 Noon (New York City time), on the date of such notice. The Administrative Agent shall pay the proceeds of such Base Rate Loans to the

respective Swing Lenders, which shall immediately apply such proceeds to repay its Refunded Swing Loans. Effective on the day such Base Rate Loans are made, the portion of the Swing Loans so paid shall no longer be outstanding as Swing Loans, shall no longer be due as Swing Loans under the Swing Note held by the respective Swing Lender, and shall be due as Base Rate Loans under the respective Revolving Notes issued to the Banks (including the Swing Lenders) in accordance with their respective ratable share of the Revolving Loan Commitments. The US Borrower authorizes the Swing Lenders to charge the US Borrower's accounts with the Administrative Agent (up to the amount available in each such account) in order to immediately pay the amount of such Refunded Swing Loans to the extent amounts received from the Banks are not sufficient to repay in full such Refunded Swing Loans. Each Swing Lender agrees to give notice to the US Borrower should it decide to refund Swing Loans with Revolving Loans pursuant to this subsection 2.1(f); PROVIDED, that such Swing Lender's failure to give such notice (or any delay therein) does not affect the validity or the effectiveness of such Notice of Borrowing or the refunding of Swing Loans pursuant thereto.

(g) PURCHASE OF PARTICIPATIONS IN SWING LOANS. Provided that no condition described in Section 3.2 was knowingly waived by the respective Swing Lender with respect to the making of such Swing Loan, if prior to the time Revolving Loans would have otherwise been made pursuant to Section 2.1(f), one of the events described in Section 7.1(g) or (h) with respect to the US Borrower shall have occurred and be continuing or the Revolving Loan Commitments shall have been terminated in full, each Bank shall, on the date such Base Rate Loans were to have been made pursuant to the notice referred to in Section 2.1(f) (the "Refunding Date"), purchase an undivided participating interest in the Swing Loans in an amount equal to such Bank's Swing Loan Refund Amount. On and after the Refunding Date, the related Swing Loan will accrue interest as though such Swing Loan were a Base Rate Loan. On the Refunding Date, each Bank shall transfer to the Swing Lenders, in immediately available funds, such Bank's Swing Loan Refund Amount, and upon receipt thereof such Bank shall be deemed to have purchased an undivided participating interest in such Swing Loans as of such date of receipt, in the Swing Loan Refund Amount of such Bank.

(h) PAYMENTS ON PARTICIPATED SWING LOANS. Whenever, at any time after a Swing Lender has received from any Bank such Bank's Swing Loan Refund Amount pursuant to Section 2.1(g) or such Swing Lender receives any payment on account of the Swing Loans in which the Banks have purchased participations pursuant to Section 2.1(g), such Swing Lender will promptly distribute to each such Bank its ratable share (determined on the basis of the Swing Loan Refund Amounts of all of the Banks) of such payment (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Bank's participating interest was outstanding and funded); PROVIDED, HOWEVER, that in the event that such payment received by such Swing Lender is required to be returned, such Bank will return to such Swing Lender any portion thereof previously distributed to it by such Swing Lender.

(i) OBLIGATIONS TO REFUND OR PURCHASE PARTICIPATIONS IN SWING LOANS ABSOLUTE. Each Bank's obligation to transfer the amount of a Base Rate Loan to the Swing Lenders as provided in Section 2.1(f) or to purchase a participating interest pursuant to Section 2.1(g) shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (i) any set-off counterclaim, recoupment, defense or other right which such Bank, or

any other Person may have against the Swing Lenders or any other Person, (ii) the occurrence or continuance of a Default or the reduction of the Revolving Loans Commitments, (iii) any adverse change in the condition (financial or otherwise) of any Credit Party or Subsidiary of a Credit Party or any other Person, (iv) any breach of this Agreement by a Credit Party, any other Bank or any other Person or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

SECTION 2.2. NOTICE OF BORROWING. (a) The respective Borrower shall give the Administrative Agent notice (a "Notice of Borrowing") in respect of the Borrowing of Loans, other than Swing Loans and Refunding Swing Loans, not later than 11:00 A.M. (New York City time) on (x) the Domestic Business Day immediately preceding the date of the Borrowing if such Borrowing is to be a Base Rate Borrowing and (y) the third Euro-Dollar Business Day immediately preceding the date of the Borrowing if such Borrowing is to be a Euro-Dollar Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Base Rate Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing;

(ii) what Type of Loans are to be borrowed and whether the Loans comprising such Borrowing are to bear interest initially at the Base Rate or a Euro-Dollar Rate;

(iii) in the case of a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period and in the case of a Base Rate Borrowing, the date, if any, on which such loan will be converted to a Euro-Dollar Loan; and

(iv) the aggregate amount of such Borrowing.

(b) The US Borrower shall give the respective Swing Lender a Notice of Borrowing in respect of Swing Loans not later than 2:00 P.M. (New York City time) on the date of Borrowing of such Swing Loans (which shall be a Domestic Business Day), specifying the amount of such Borrowing.

(c) Refunding Swing Loans shall be made on the notice provided in Section 2.1(h).

SECTION 2.3. NOTICE TO BANKS; FUNDING OF LOANS. (a) Upon receipt of a Notice of Borrowing (other than Swing Borrowing), the Administrative Agent shall promptly notify each Bank with a Commitment under the respective Tranche of the contents thereof and of such Bank's share (if any) of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the respective Borrower.

(b) Not later than 12:30 P.M. (New York City time) on the date of each Borrowing, each Bank with a Commitment under such Tranche shall make available its share of such Borrowing, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 11.1. Each Swing Lender shall make

the proceeds of its Swing Loan available to the US Borrower no later than 3:00 P.M. (New York City time) on the date requested. Unless the Administrative Agent determines that any applicable condition specified in Article 3 has not been satisfied, the Administrative Agent will make the funds so received from the Banks available to the respective Borrower at the Administrative Agent's aforesaid address.

(c) Unless the Administrative Agent shall have received notice from a Bank prior to the date of any Borrowing that such Bank will not make available to the Administrative Agent such Bank's share of such Borrowing, the Administrative Agent may assume that such Bank has made such share available to the Administrative Agent on the date of such Borrowing in accordance with subsection (b) of this Section and the Administrative Agent may, in reliance upon such assumption, make available to the respective Borrower on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Administrative Agent, such Bank and the respective Borrower severally agree to repay to the Administrative Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to such Borrower until the date such amount is repaid to the Administrative Agent, at (i) in the case of such Borrower, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.6 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Administrative Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement.

SECTION 2.4. NOTES. (a) The Borrowers' respective obligations to pay the principal of; and interest on, the Loans made by each Bank shall be evidenced (i) if US Term Loans, by promissory notes duly executed and delivered by the US Borrower substantially in the form of Exhibit B-1 (each a "US Term Note" and, collectively, the "US Term Notes"), in each case with blanks appropriately completed, (ii) if A Term Loans, by promissory notes duly executed and delivered by the Canadian Borrower substantially in the form of Exhibit B-2 (each a "A Term Note" and, collectively, the "A Term Notes"), in each case with blanks appropriately completed, (iii) if B Term Loans, by promissory notes duly executed and delivered by the Canadian Borrower substantially in the form of Exhibit B-3 (each a "B Term Note" and, collectively, the "B Term Notes"), in each case with blanks appropriately completed, (iv) if Revolving Loans, by promissory notes duly executed and delivered by the US Borrower substantially in the form of Exhibit BA, with blanks appropriately completed (each a "Revolving Note" and, collectively, the "Revolving Notes") and (v) if Swing Loans, by promissory notes duly executed and delivered by the US Borrower substantially in the form of Exhibit B-5, with blanks appropriately completed (the "Swing Note").

(b) Upon receipt of each Bank's Note or Notes pursuant to Section 3.1(a), the Administrative Agent shall forward such Notes to the appropriate Bank. Each Bank shall record the date and amount of the respective Loans made by it and the date and amount of each payment of principal made by the respective Borrower with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of any of its Notes, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to such Loans then outstanding under such Note; PROVIDED, that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the respective Borrower

hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrowers so to endorse its Notes and to attach to and make a part of its Notes a continuation of any such schedule as and when required.

SECTION 2.5. AMORTIZATION AND MATURITY OF LOANS. (a) The Term Loans shall mature, and the principal amount thereof shall be due and payable, together with accrued interest thereon on the dates, and in the amounts specified in Section 2.11(B).

(b) Subject to the provisions of Section 2.8, the Revolving Loan Commitment shall terminate and the principal amount of all then outstanding Revolving Loans and Swing Loans, together with accrued interest thereon, shall be due and payable in full on the Initial Maturity Date.

SECTION 2.6. INTEREST RATES. (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof; for each day from the date such Loan is made (or converted pursuant to Article 9) until it becomes due, at a rate per annum equal to the Base Rate plus the Base Rate Margin for such day. Such interest shall be payable quarterly in arrears on each Quarterly Date and, with respect to the principal amount of any Base Rate Loan converted to a Euro-Dollar Loan, on each date a Base Rate Loan is so converted. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% PLUS the rate otherwise applicable to Base Rate Loans for such day.

(b) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof; for each day during each Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin for such day PLUS the London Interbank Offered Rate applicable to such Interest Period. Such interest shall be payable for each Interest Period on the last day thereof or, in the case of an Interest Period of six months, the date occurring three months after the first day of such Interest Period.

(c) Any overdue principal of; or interest on, any Euro-Dollar Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the higher of (i) the sum of 2% PLUS the Euro-Dollar Margin for such day PLUS the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of it) by dividing (x) the average rate per annum (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three Euro-Dollar Business Days, then for such other period of time not longer than three months as the Administrative Agent may select) deposits in dollars in an amount approximately equal to such overdue payment due to the Administrative Agent is offered to the Administrative Agent in the London interbank market for the applicable period determined as provided above by (y) one minus the Euro-Dollar Reserve Percentage (or, if the circumstances described in clause (a) or (b) of Section 9.1 shall exist, at a rate per annum equal to the sum of 2% plus the rate applicable to Base Rate Loans for such day) and (ii) the sum of 2% PLUS the Euro-Dollar Margin for such day plus the London Interbank offered Rate applicable to such Loan at the date such payment was due.

(d) Each Swing Loan shall bear interest on the outstanding principal amount thereof; for each day from the date such Swing Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day plus the Swing Margin. Such interest shall be payable quarterly in arrears, on each Quarterly Date or on the date such Swing Loan becomes due or is converted to another type of Loan. Any overdue principal of or interest on any Swing Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate applicable to Swing Loans for such day.

(e) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the respective Borrower and the participating Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(f) The Administrative Agent agrees to use its best efforts to furnish quotations as contemplated by this Section. If the Administrative Agent is unable to provide a quotation, the provisions of Section 9.1 shall apply.

SECTION 2.7. FEES. (a) During the period from and including the Original Effective Date to and including the date upon which the Total Revolving Loan Commitment is terminated, the US Borrower shall pay to the Administrative Agent for the account of the Banks with Revolving Loan Commitments, ratably in proportion to their respective Revolving Loan Commitments, a commitment fee at the rate per annum equal to the Applicable Commitment Fee Percentage on the daily amount by which the Total Revolving Loan Commitment exceeds the aggregate principal amount of Revolving Loans outstanding and Letter of Credit Outstandings on such date. Such commitment fee shall accrue from and including the Original Effective Date to, but excluding the date of termination of the Revolving Loan Commitments in their entirety. Accrued commitment fees shall be payable quarterly in arrears on each Quarterly Date and on the date of termination of the Revolving Loan Commitments in their entirety.

(b) The US Borrower agrees to pay to the Administrative Agent for distribution to each Bank with a Revolving Loan Commitment (based on each Bank's Percentage) a fee in respect of each Letter of Credit issued hereunder (the "Letter of Credit Fee"), for the period from and including the date of issuance of such Letter of Credit to and including the date of termination or expiration of such Letter of Credit, computed at a rate per annum equal to the Euro-Dollar Margin for Revolving Loans on the daily Stated Amount of such Letter of Credit. Accrued Letter of Credit Fees shall be due and payable quarterly in arrears on each Quarterly Date and on the first day after the termination of the Total Revolving Loan Commitment upon which no Letters of Credit remain outstanding.

(c) The US Borrower agrees to pay to each Issuing Bank, for its own account, a fronting fee in respect of each Letter of Credit issued by such Issuing Bank (the "Fronting Fee"), for the period from and including the date of issuance of such Letter of Credit to and including the date of the termination of such Letter of Credit, computed at a rate equal to 1/4 of 1% per annum of the daily Stated Amount of such Letter of Credit. Accrued Fronting Fees shall be due and payable quarterly in arrears on each Quarterly Date and upon the first day after the

termination of the Total Revolving Loan Commitment upon which no Letters of Credit remain outstanding.

(d) The US Borrower agrees to pay, upon each drawing under, issuance of; or amendment to, any Letter of Credit, such amount as shall at the time of such event be the customary scheduled administrative charge which the applicable Issuing Bank is generally imposing in connection with such occurrence with respect to letters of credit.

(e) The Borrowers shall pay to the Administrative Agent such amounts as are agreed to from time to time.

SECTION 2.8. TERMINATION OR REDUCTION OF COMMITMENTS.

(A) OPTIONAL REDUCTION OF COMMITMENTS.

The Borrowers may, upon at least three Domestic Business Days' notice to the Administrative Agent (i) terminate the Total Revolving Loan Commitment at any time, if no Revolving Loans, Swing Loans or Letters of Credit are outstanding at such time or (ii) ratably reduce from time to time by an aggregate amount of $5,000,000 or a larger multiple of $1,000,000, the aggregate amount of the Total Revolving Loan Commitment in excess of the aggregate outstanding principal amount of the outstanding Revolving Loans, Swing Loans and Letter of Credit Outstandings. Upon receipt of a notice pursuant to this Section, the Administrative Agent shall promptly notify each Bank of the contents thereof.

(B) MANDATORY REDUCTION OF COMMITMENTS.

(a) In addition to any other mandatory commitment reductions pursuant to this Section 2.8(B), the Term Loan Commitments shall terminate on the Initial Borrowing Date, after giving effect to the making of Term Loans on such date.

(b) In addition to any other mandatory commitment reductions pursuant to this Section 2.8(B), the Total Revolving Loan Commitment (and the respective Revolving Loan Commitment of each Bank) shall terminate on the earlier to occur of (x) the Initial Maturity Date and (y) unless the Required Banks otherwise agree in writing, the date on which any Change of Control occurs.

(c) In addition to any other mandatory commitment reductions pursuant to this Section 2.8(B), on each date after the Restatement Effective Date upon which a mandatory prepayment of Term Loans pursuant to Section 2.11 (A)(e), (f), (g), (h), (i), or (j) is required (and exceeds in amount the aggregate principal amount of Term Loans then outstanding and required to be so prepaid) or would be required if Term Loans were then outstanding and required to be so prepaid, the Total Revolving Loan Commitment shall be permanently reduced by the amount, if any, by which the amount required to be applied pursuant to such Section (determined as if an unlimited amount of Term Loans were actually outstanding and required to be so prepaid) exceeds the aggregate principal amount of Term Loans then outstanding and required to be prepaid.

(d) Each reduction to the Total US Term Loan Commitment, the Total A Term Loan Commitment, the Total B Term Loan Commitment and the Total Revolving Loan Commitment pursuant to this Section 2.8(B) shall be applied proportionately to reduce the US Term Loan Commitment, the A Term Loan Commitment, the B Term Loan Commitment or the Revolving Loan Commitment, as the case may be, of each Bank with such a Commitment.

SECTION 2.9. METHOD OF ELECTING INTEREST RATES. (a) The Loans included in a Borrowing shall be the Type of Loan specified by the respective Borrower in the applicable Notice of Borrowing given pursuant to Section 2.2. Thereafter, the respective Borrower shall deliver a notice (a "Notice of Interest Period Election") to the Administrative Agent not later than 11:00 A.M. (New York City time) on the third Euro-Dollar Business Day prior to (i) if such Borrowing was initially a Base Rate Borrowing, the commencement of the first Interest Period with respect to the conversion of such Base Rate Loan into a Euro-Dollar Loan specifYing the duration of such Interest Period or (ii) at any other time, the last day of the current Interest Period specifYing the duration of the additional Interest Period which is to commence. Each Interest Period specified in a Notice of Interest Period Election shall comply with the provisions of the definition of Interest Period. Notwithstanding the foregoing, the respective Borrower may not elect to convert any Loan into, or continue any Loan as, a Euro-Dollar Loan pursuant to any Notice of Interest Rate Election if at the time such notice is delivered an Event of Default shall have occurred and be continuing.

(b) Each Notice of Interest Rate Election shall specify:

(i) the Borrowing of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection (a) above;

(iii) if the Loans comprising such Borrowing are to be converted, the new Type of Loans and, if the Loans being converted are to be Euro-Dollar Loans, the duration of the next succeeding Interest Period applicable thereto; and

(iv) if such Loans are to be continued as Euro-Dollar Loans for an additional Interest Period, the duration of such additional Interest Period.

(c) Upon receipt of a Notice of Interest Period Election from a Borrower pursuant to subsection (a) above, the Administrative Agent shall promptly notify each Bank of the contents thereof and such notice shall not thereafter be revocable by such Borrower. If no Notice of Interest Period Election is timely received prior to the end of an Interest Period, the respective Borrower shall be deemed to have elected that such Loan be continued as a Base Rate Loan.

(d) An election by the Borrower to change or continue the rate of interest applicable to any Borrowing of Loans pursuant to this Section shall not constitute a "Borrowing" subject to the provisions of Section 3.2.

SECTION 2.10. OPTIONAL PREPAYMENTS. (a) Subject, in the case of Euro-Dollar Loans, to Section 2.13, the Borrowers may, upon at least one Domestic Business Day's notice to

the Administrative Agent, prepay any Base Rate Loans or upon at least three Euro-Dollar Business Days' notice to the Administrative Agent, prepay any Euro-Dollar Loans, in each case in whole at any time, or from time to time in part in amounts aggregating $5,000,000 or any larger multiple of $1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks made under such Tranche which is being repaid.

(b) The US Borrower may elect to prepay any combination of Revolving Loans and US Term Loans pursuant to clause (a) of this Section 2. 10. Any optional prepayment of Term Loans by the Canadian Borrower shall be applied to prepay A Term Loans and B Term Loans, PRO RATA (based upon the then outstanding principal amount of A Term Loans and B Term Loans); PROVIDED that if no Default then exists or would arise therefrom, the Canadian Borrower may elect to prepay A Term Loans or B Term Loans; PROVIDED FURTHER that, to the extent A Term Loans remain outstanding at the time of such prepayment, each Bank with a B Term Loan shall have the right, upon two Business Days' prior notice to the Administrative Agent, to waive its right to receive its PRO RATA share of the amount by which such optional prepayment, when added to all previous voluntary prepayments of B Term Loans, exceeds $10,000,000. Any amount so waived may be applied by the Canadian Borrower to prepay A Term Loans as permitted above in this Section 2.10.

(c) Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Bank with Loans outstanding under the Tranche or Tranches which are to be repaid of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the respective Borrower.

SECTION 2.11. MANDATORY PREPAYMENTS.

(A) REQUIREMENTS:

(a) If on any date the sum of the aggregate outstanding principal amount of Revolving Loans and Swing Loans and the Letter of Credit Outstandings exceeds the Total Revolving Loan Commitment as then in effect, the US Borrower shall repay on such date the principal of Swing Loans, and if no Swing Loans are or remain outstanding, Revolving Loans in an aggregate amount equal to such excess. If, after giving effect to the repayment of all outstanding Swing Loans and Revolving Loans, the aggregate amount of Letter of Credit Outstandings exceeds the Total Revolving Commitment, the US Borrower shall pay to the Administrative Agent on such date an amount in cash equal to such excess (up to the aggregate amount of the Letter of Credit Outstandings at such time) and the Administrative Agent shall hold such payment as security for the obligations of the US Borrower hereunder pursuant to a cash collateral agreement to be entered into in form and substance satisfactory to the Administrative Agent (which shall permit certain investments in cash equivalents satisfactory to the Administrative Agent, until the proceeds are applied to the secured obligations).

(b) On each date set forth below, the US Borrower shall be required to repay the principal amount of the US Term Loans set forth opposite such date (each such repayment, a "US Term Loan Scheduled Repayment"):

US TERM LOAN SCHEDULED REPAYMENT DATE	AMOUNT
October 30, 1998	$0
January 29, 1999	$0
April 30, 1999	$0
July 30, 1999	$5,000,000
October 29, 1999	$0
January 28, 2000	$0
April 28, 2000	$0
July 28, 2000	$10,000,000
October 27, 2000	$0
January 26, 2001	$0
April 27, 2001	$0
July 27, 2001	$30,000,000
October 26, 2001	$0
February 1, 2002	$0
May 3, 2002	$0
August 2, 2002	$40,000,000
November 1, 2002	$0
January 31, 2003	$0
May 2, 2003	$0
Initial Maturity Date	$45,000,000

(c) On each date set forth below, the Canadian Borrower shall be required to repay the principal amount of A Term Loans set forth opposite such date (each such repayment, an "A Term Loan Scheduled Repayment"):

A Term Loan Scheduled Repayment Date	Amount
October 30, 1998	$0
January 29, 1999	$0
April 30, 1999	$0
July 30, 1999	$3,125,000
October 29, 1999	$0
January 28, 2000	$0
April 28, 2000	$0
July 28, 2000	$3,125,000
October 27, 2000	$0
January 26, 2001	$0
April 27, 2001	$0
July 27, 2001	$3,125,000
October 26, 2001	$0
February 1, 2002	$0
May 3, 2002	$0
August 2, 2002	$3,125,000
November 1, 2002	$0
January 31, 2003	$0
May 2, 2003	$0
Initial Maturity Date	$37,500,000

(d) On each date set forth below (collectively, the "Quarterly Dates"), the Canadian Borrower shall be required to repay the principal amount of B Term Loans set forth opposite such date (each such repayment, a "B Term Loan Scheduled Repayment"):

B Term Loan Scheduled Repayment Date	Amount
October 30, 1998	$0

B TERM LOAN SCHEDULED REPAYMENT DATE	AMOUNT
January 29, 1999	$0
April 30, 1999	$0
July 30, 1999	$1,000,000
October 29, 1999	$0
January 28, 2000	$0
April 28, 2000	$0
July 28, 2000	$1,000,000
October 27, 2000	$0
January 26, 2001	$0
April 27, 2001	$0
July 27, 2001	$1,000,000
October 26, 2001	$0
February 1, 2002	$0
May 3, 2002	$0
August 2, 2002	$1,000,000
November 1, 2002	$0
January 31, 2003	$0
May 2, 2003	$0
August 1, 2003	$1,000,000
October 31, 2003	$0
January 30, 2004	$0
April 30, 2004	$0
July 30, 2004	$1,000,000
October 29, 2004	$0
January 28, 2005	$0

B TERM LOAN SCHEDULED REPAYMENT DATE	AMOUNT
April 29, 2005	$0
Final Maturity Date	$44,000,000

(e) On the date of receipt thereof by the US Borrower and/or any of its Subsidiaries of Cash Proceeds from any Asset Sale, an amount equal to 100% of the Net Cash Proceeds from such Asset Sale shall, subject to Section 2.11(B)(c), be applied as a mandatory repayment of principal of the then outstanding Term Loans; PROVIDED that up to an aggregate of $2,500,000 of Net Cash Proceeds from Asset Sales in any fiscal year of the US Borrower shall not be required to be used to so repay Term Loans to the extent the US Borrower elects, as hereinafter provided, to cause such Net Cash Proceeds to be reinvested in Reinvestment Assets (a "Reinvestment Election"). The US Borrower may exercise its Reinvestment Election (within the parameters specified in the preceding sentence) with respect to an Asset Sale if (x) no Default exists and (y) the US Borrower delivers a Reinvestment Notice to the Administrative Agent within three Business Days following the date of the consummation of the respective Asset Sale, with such Reinvestment Election being effective with respect to the Net Cash Proceeds of such Asset Sale equal to the Anticipated Reinvestment Amount specified in such Reinvestment Notice, PROVIDED FURTHER, that the Net Cash Proceeds from an Asset Sale shall not be required to be used to so repay Term Loans to the extent the assets sold pursuant to such Asset Sale, at the time of such Asset Sale, secured Debt permitted pursuant to Section 6.16 and such Net Cash Proceeds do not exceed the amount of Indebtedness so secured.

(f) On the date of the receipt thereof by the US Borrower and/or any of its Subsidiaries, an amount equal to 100% of the proceeds (net of underwriting discounts, commissions and other reasonable costs associated therewith) of the incurrence of Debt for borrowed money by the US Borrower and/or any of its Subsidiaries (other than Debt permitted by Section 6. 16 as in effect on the Restatement Effective Date) shall, subject to Section 2.11(B)(c), be applied as a mandatory prepayment of principal of the then outstanding Term Loans.

(g) On the date of the receipt thereof by the US Borrower, an amount equal to 100% of the cash proceeds (net of underwriting discounts, commissions and other reasonable costs associated therewith) of any sale or issuance of its equity (other than the Equity Issuance) and 100% of any amount of cash received by the US Borrower in connection with any contribution to its capital, in each case shall, subject to Section 2. 11 (B)(c), be applied as a mandatory repayment of principal of the then outstanding Term Loans.

(h) Within 30 days following each date on which the US Borrower or any of its Subsidiaries receives any proceeds from any Recovery Event, an amount equal to 100% of the cash proceeds of such Recovery Event (net of reasonable costs, expenses, taxes incurred in connection with such Recovery Event and amounts required to be paid to third parties) shall, subject to Section 2. 11 (B)(c), be applied as a mandatory repayment of principal of the then outstanding Term Loans, PROVIDED that so long as no Default then exists and such proceeds do not exceed $2,500,000 in any fiscal year, such proceeds shall not be required to be so applied on

such date to the extent that the US Borrower has delivered a certificate to the Administrative Agent on or prior to such date stating that such proceeds shall be used or committed to be used to replace or restore any properties or assets in respect of which such proceeds were paid or otherwise acquire productive assets usable in the business of the US Borrower and its Subsidiaries within a period specified in such certificate not to exceed 180 days after the date of receipt of such proceeds with respect to such Recovery Event (which certificate shall set forth the estimates of the proceeds to be so expended); and PROVIDED FURTHER, that if all or any portion of such proceeds not required to be applied to the repayment of Term Loans pursuant to the preceding proviso are not so used within the period specified in the relevant certificate furnished pursuant to the immediately preceding proviso, such remaining portion not used shall be applied on the last day of such specified period as a mandatory repayment of principal of the then outstanding Term Loans.

(i) On each date which is 90 days after the last day of each fiscal year of the US Borrower (such date, the "ECF Prepayment Date"), beginning with the fiscal year of the US Borrower ending on February 1, 1999, 50% of Excess Cash Flow (such amount, the "ECF Prepayment Amount") of the US Borrower and its Subsidiaries for the fiscal year of the US Borrower then last ended (such fiscal year, the "ECF Prepayment Period") shall be applied as a mandatory repayment of principal of US Term Loans until repaid in full, and then, subject to Section 2.11(B)(c) to A Term Loans and B Term Loans.

(j) On the Reinvestment Prepayment Date with respect to a Reinvestment Election, an amount equal to the Reinvestment Prepayment Amount, if any, for such Reinvestment Election shall, subject to Section 2.11(B)(c), be applied as a repayment of the principal amount of the then outstanding Term Loans.

(k) Notwithstanding anything to the contrary contained elsewhere in this Agreement, all then outstanding Loans shall be repaid in full on the respective Maturity Dates for such Loans.

(l) Notwithstanding any provision to the contrary contained in this Agreement, but only to the extent A Term Loans remain outstanding, with respect to any mandatory repayments of B Term Loans (excluding B Term Loan Scheduled Repayments) otherwise required above pursuant to this Section 2.11(A), if on or prior to the date the respective mandatory repayment is otherwise required to be made pursuant to this Section 2.11, the Canadian Borrower has given the Administrative Agent written notification that the Canadian Borrower has elected to give each Bank with a B Term Loan the right to waive such Bank's rights to receive such repayment (the "Waivable Mandatory Repayment), the Administrative Agent shall notify such Banks of such receipt and the amount of the repayment to be applied to each such Bank's B Term Loans. In the event any such Bank with a B Term Loan desires to waive such Bank's right to receive any such Waivable Mandatory Repayment in whole or in part, such Bank shall so advise the Administrative Agent no later than 5:00 P.M. (New York time) five Business Days after the date of such notice from the Administrative Agent which notice shall also include the amount the Bank desires to receive. If the Bank does not reply to the Administrative Agent within such five Business Day period, it will be deemed acceptance of the total payment. If the Bank does not specify an amount it wishes to receive, it will be deemed acceptance of 100% of the total

payment. In the event that any such Bank waives such Bank's right to any such Waivable Mandatory Repayment, the Administrative Agent shall apply 100% of the amount so waived by such Banks to prepay the A Term Loans. Notwithstanding anything to the contrary contained above, if one or more Banks waives its right to receive all or any part of any Waivable Mandatory Repayment, but less than all the Banks holding B Term Loans waive in full their right to receive 100% of the total payment otherwise required with respect to the B Term Loans, then of the amount actually applied to the repayment of B Term Loans of Banks which have waived in part, but not in full, their right to receive 100% of such repayment, such amount shall be applied to each then outstanding Borrowing of B Term Loans on a PRO RATA basis (so that each Bank holding B Term Loans shall, after giving effect to the application of the respective repayment, maintain the same percentage (as determined for such Bank, but not the same percentage as the other Banks hold and not the same percentage held by such Bank prior to repayment) of each Borrowing of B Term Loans which remains outstanding after giving effect to such application.

(B) APPLICATION:

(a) Subject to Section 2.11(A)(1), each mandatory repayment of Term Loans required to be made pursuant to Section 2.11(A) (other than pursuant to clause (b), (c), (d) or (i) thereof) shall be applied (i) to repay the principal of outstanding US Term Loans, A Term Loans and B Term Loans PRO RATA based on the then outstanding principal amount of each Tranche of Term Loans, and (ii) to reduce the then remaining US Term Loan Scheduled Repayments, A Term Loan Scheduled Repayments and B Term Loan Scheduled Repayments, respectively (PRO RATA based upon the then remaining US Term Loan Scheduled Repayments, A Term Loan Scheduled Repayments or B Term Loan Scheduled Repayments after giving effect to all prior reductions thereto). Notwithstanding anything to the contrary herein contained (other than Section 2.11(B)(c)), in the event a mandatory prepayment of Term Loans is required pursuant to Section 2.11 (A)(e), (h) or (i) as a consequence of an Asset Sale or Recovery Event involving assets of the Canadian Borrower, the proceeds of such Asset Sale or Recovery Event shall be required to be applied solely to repay A Term Loans or B Term Loans pursuant to this Section 2. 11.

(b) With respect to each prepayment of Loans required by Section 2.11(A), the relevant Borrower may designate the Types of Loans which are to be prepaid and the specific Borrowing or Borrowings under the affected Tranche pursuant to which made, PROVIDED that (i) Euro.Dollar Loans may so be designated for prepayment pursuant to this Section 2.11 only on the last day of an Interest Period applicable thereto unless all Euro-Dollar Loans made pursuant to such Facility with Interest Periods ending on such date of required prepayment and all Base Rate Loans made pursuant to such Facility have been paid in full; (ii) if any prepayment of Euro-Dollar Loans made pursuant to a single Borrowing shall reduce the outstanding Loans made pursuant to such Borrowing to an amount less than the Minimum Borrowing Amount for such Borrowing, such Borrowing shall be immediately converted into Base Rate Loans; and (iii) each prepayment of Revolving Loans pursuant to a Borrowing shall be applied PRO RATA among such Revolving Loans. In the absence of a designation by the relevant Borrower as described in the preceding sentence, the Administrative Agent shall, subject to the above, make such designation in its sole discretion with a view, but no obligation, to minimize breakage costs. Notwithstanding the foregoing provisions of this Section 2.11(B), if at any time a mandatory or voluntary prepayment of Loans pursuant to Sections 2.10 or 2.11(A) above would result, after giving effect to the

procedures set forth above, in a Borrower incurring breakage costs as a result of Euro-Dollar Loans being prepaid other than on the last day of an Interest Period applicable thereto (the "Affected Euro-Dollar Loans"), then the applicable Borrower may in its sole discretion initially deposit a portion (up to 100%) of the amounts that otherwise would have been paid in respect of the Affected Euro-Dollar Loans with the Administrative Agent (which deposit must be equal in amount to the amount of the Affected Euro-Dollar Loans not immediately prepaid) to be held as security for the obligations of such Borrower hereunder pursuant to a cash collateral arrangement satisfactory to the Administrative Agent and shall provide for investments satisfactory to the Administrative Agent, with such cash collateral to be directly applied upon the first occurrence (or occurrences) thereafter of the last day of an Interest Period applicable to the relevant Loans that are Euro-Dollar Loans (or such earlier date or dates as shall be requested by such Borrower), to repay an aggregate principal amount of such Loans equal to the Affected Euro-Dollar Loans not initially prepaid pursuant to this sentence. Notwithstanding anything to the contrary contained in the immediately preceding sentence, all amounts deposited as cash collateral pursuant to the immediately preceding sentence shall be held for the sole benefit of the Banks whose Loans would otherwise have been immediately prepaid with the amounts deposited and upon the taking of any action by the Administrative Agent or the Banks pursuant to the remedial provisions of Article 7, any amounts held as cash collateral pursuant to this Section 2.11 (B)(b) shall, subject to the requirements of applicable law, be immediately applied to repay Loans.

(c) Notwithstanding any provision to the contrary contained in this Agreement, in no event shall any mandatory prepayment pursuant to Section 2.11(A) when added to (x) all payments of principal of the A Term Loans or B Term Loans, respectively, pursuant to Section 2.10 and 2.11 and (y) all remaining A Term Loan Scheduled Repayments or B Term Loan Scheduled Repayments, respectively, required to be made pursuant to Section 2.11(A)(c) or (d) prior to the date that is five years plus one day from the Initial Borrowing Date, exceed 25% of the aggregate principal amount of A Term Loans or B Term Loans, respectively, borrowed on the Initial Borrowing Date. To the extent that this Section 2.11(B)(c) applies, the amount of such excess shall be applied first to the other Tranche of Term Loans of the Canadian Borrower (subject to the restrictions of this clause (c)), and thereafter to repayment of US Term Loans, or, if no US Term Loans remain outstanding, pursuant to Section 2.8(B)(c).

SECTION 2.12. GENERAL PROVISIONS AS TO PAYMENTS. (a) The Borrowers shall make each payment of principal of; and interest on, the Loans and of fees hereunder (i) not later than 12:00 Noon (New York City time) on the date when due, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 11.1 and (ii) without any right to set-off deduction or counterclaim by any Borrower. The Administrative Agent will promptly distribute to each Bank its ratable share of each such payment received by the Administrative Agent for the account of the Banks. Whenever any payment of principal of; or interest on, the Base Rate Loans or of fees shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of; or interest on, the Euro-Dollar Loans or Swing Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. If the date for any

payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

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

SECTION 2.13. FUNDING LOSSES. If a Borrower makes any payment of principal with respect to any Euro-Dollar Loan or any Euro-Dollar Loan is prepaid, converted or becomes due (pursuant to Article 2, 6 or 7 or otherwise) on any day other than the last day of an Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.6(c), or if a Borrower fails to borrow, prepay or continue any Euro-Dollar Loans after notice has been given to any Bank in accordance with Section 2.2, 2.9 or 2.11 such Borrower shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or conversion or failure to borrow, prepay, convert or continue, PROVIDED that such Bank shall have delivered to such Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

SECTION 2.14. COMPUTATION OF INTEREST AND FEES. (a) Interest based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and fees shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day if and only if such payment is made in accordance with the provisions of the first sentence of Section 2.11(a)).

(b) For purposes of the Interest Act (Canada), (i) whenever any interest or fee under this Agreement is calculated using a rate based on a year of 360 days or 365 days, as the case may be, the rate determined pursuant to such calculation, when expressed as an annual rate, is equivalent to (x) the applicable rate based on a year of 360 or 365 days, as the case may be, (y) multiplied by the actual number of days in the relevant year of calculation and (z) divided by 360 or 365, as the case may be, (ii) the principle of deemed reinvestment of interest does not apply to any interest calculation under this Agreement, and (iii) the rates of interest stipulated in this Agreement are intended to be nominal rates and not effective rates or yields.

SECTION 2.15. REGULATION D COMPENSATION. Each Bank may require a Borrower to pay, contemporaneously with each payment of interest on the Euro-Dollar Loans,

additional interest on the related Euro-Dollar Loan of such Bank at a rate per annum determined by such Bank up to but not exceeding the excess of (i) (A) the London Interbank Offered Rate then in effect for such Loan divided by (B) one minus the Euro-Dollar Reserve Percentage over (ii) such London Interbank offered Rate. Any Bank wishing to require payment of such additional interest (x) shall so notify such Borrower and the Administrative Agent, in which case such additional interest on the Euro-Dollar Loan of such Bank shall be payable to such Bank at the place indicated in such notice with respect to each Interest Period commencing at least three Euro-Dollar Business Days after the giving of such notice and (y) shall notify such Borrower at least five Euro-Dollar Business Days prior to each date on which interest is payable on the EuroDollar Loans of the amount then due it under this Section.

ARTICLE 2A

LETTERS OF CREDIT

SECTION 2A.1. LETTERS OF CREDIT. (a) Subject to and upon the terms and conditions set forth herein, the US Borrower may request a Letter of Credit Issuer at any time and from time to time on or after the Restatement Effective Date and prior to the Business Day immediately preceding the Initial Maturity Date to issue a standby letter of credit for the account of the US Borrower in support of L/C Supportable Obligations (each such letter of credit, a "Letter of Credit" and, collectively, the "Letters of Credit"), and subject to and upon the terms and conditions set forth herein such Letter of Credit Issuer agrees to issue from time to time, irrevocable Letters of Credit in such form as may be approved by such Letter of Credit Issuer and the Administrative Agent. Notwithstanding the foregoing, no Letter of Credit Issuer shall be under any obligation to issue any Letter of Credit if at the time of such issuance:

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

(ii) such Letter of Credit Issuer shall have received notice from the US Borrower or the Required Banks prior to the issuance of such Letter of Credit of the type described in clause (v) of Section 2A. 1(b); or

(iii) the Administrative Agent or such Letter of Credit Issuer has received notice from any Bank that it does not intend to participate in such Letter of Credit pursuant to

Section 2A. 5, or any Bank has failed to participate in any Letter of Credit issued hereunder, unless the US Borrower and such Letter of Credit Issuer shall have entered into arrangements satisfying to such Letter of Credit Issuer to eliminate the risk of such Bank's failure to participate in Letters of Credit (including cash collateralizing the amount of such Bank's obligation).

(b) Notwithstanding the foregoing, (i) no Letter of Credit shall be issued, the Stated Amount of which, when added to the Letter of Credit Outstandings (exclusive of Unpaid Drawings which are repaid on the date of; and prior to the issuance of; the respective Letter of Credit) at such time, would exceed either (x) $25,000,000 or (y) when added to the aggregate principal amount of all Revolving Loans and Swing Loans then outstanding, the Total Revolving Loan Commitment at such time; (ii) each Letter of Credit shall have an expiry date occurring not later than one year after such Letter of Credit's date of issuance (although any Letter of Credit may be extendible (whether automatically or otherwise) for successive periods of up to 12 months, but not beyond the tenth Domestic Business Day preceding the Initial Maturity Date), on terms acceptable to the respective Letter of Credit Issuer and in no event shall any Letter of Credit have an expiry date occurring later than the tenth Domestic Business Day preceding the Initial Maturity Date; (iii) each Letter of Credit shall be denominated in Dollars; (iv) each Letter of Credit shall be payable only on a sight basis; and (v) no Letter of Credit Issuer shall issue any Letter of Credit after it has received written notice from the US Borrower or the Required Banks that a Default exists until such time as such Letter of Credit Issuer shall have received written notice of (x) rescission of such notice from the party or parties originally delivering the same or (y) waiver of such Default by the Required Banks.

(c) upon the occurrence of an event giving rise to the operation of Section 2A.1 (a)(iii), the US Borrower shall have the right, if no Default then exists, to replace such Bank (the "Replaced Bank") with one or more other Eligible Transferees (it being acknowledged that the Replaced Bank shall be under no obligation to identify or secure the commitment of such Eligible Transferee or assist in identifYing or securing the commitment of such Eligible Transferee), each of whom shall be reasonably acceptable to the Administrative Agent (collectively, the "Replacement Bank"), PROVIDED that (i) at the time of any replacement pursuant to this Section 2A. 1(c), the Replacement Bank shall enter into one or more Assignment and Assumption Agreements pursuant to Section 11.6(c) (and with all fees payable pursuant to Section 11.6(c) to be paid by the Replacement Bank) pursuant to which the Replacement Bank shall acquire all of the Commitments and outstanding Loans of; and participations in Letters of Credit by, the Replaced Bank and, in connection therewith, shall pay to (x) the Replaced Bank in respect thereof an amount equal to the sum of (I) the principal of; and all accrued interest on, all outstanding Loans of the Replaced Bank, (II) all Unpaid Drawings that have been funded by (and not reimbursed to) such Replaced Bank, together with all then unpaid interest with respect thereto at such time and (III) all accrued, but theretofore unpaid, fees to the Replaced Bank, (y) each Issuing Bank an amount equal to such Replaced Bank's Percentage of any Unpaid Drawing (which at such time remains an Unpaid Drawing) to the extent such amount was not theretofore funded by such Replaced Bank to such Issuing Bank and (c) the Swingline Bank and amount equal to such Replaced Bank's Percentage of any Swing Loan to the extent such amount was required to be but not theretofore funded by such Replaced Bank, and (ii) all obligations of the Borrowers due and owing to the Replaced Bank at such time (other than those specifically

described in clause (i) above in respect of which the assignment purchase price has been, or is concurrently being paid) shall be paid in full to such Replaced Bank concurrently with such replacement. Upon the execution of the respective Assignment and Assumption Agreement, the payments of amounts referred to in clauses (i) and (ii) above and, if so requested by the Replacement Bank, delivery to the Replacement Bank of the appropriate Note or Notes executed by the respective Borrowers, (i) the Replacement bank shall become a Bank hereunder and the Replaced Bank shall cease to constitute a Bank hereunder, except with respect to indemnification provisions under this Agreement, which shall survive as to such Replaced Bank and (ii) the Percentages of the Banks shall be automatically adjusted at such time to give effect to such replacement. Replacements pursuant to this Section 2A. 1(c) shall only be effected by assignments which otherwise meet the applicable requirements of Section 11.6(c).

SECTION 2A.2. MINIMUM STATED AMOUNT. The initial Stated Amount of each Letter of Credit shall be not less than $ 100,000 or such lesser amount acceptable to the respective Letter of Credit Issuer.

SECTION 2A.3. LETTER OF CREDIT REQUESTS: NOTICES OF ISSUANCE: REPORTS. (a) Whenever the US Borrower desires that a Letter of Credit be issued, the US Borrower shall give the Administrative Agent and the respective Letter of Credit Issuer a written request (including by way of telecopier) prior to 12:00 P.M. (New York time) at least three Business Days (or such shorter period as may be acceptable to such Letter of Credit Issuer) prior to the proposed date (which shall be a Domestic Business Day) of issuance (each a "Letter of Credit Request"), which Letter of Credit Request shall include any other documents that such Letter of Credit Issuer customarily requires in connection therewith.

(b) The respective Letter of Credit Issuer shall, promptly after each issuance of a Letter of Credit by it, give the Administrative Agent, each Bank and the US Borrower written notice of the issuance of such Letter of Credit, accompanied, if requested, by a copy of the Letter of Credit or Letters of Credit issued by it.

SECTION 2A.4. AGREEMENT TO REPAY LETTER OF CREDIT DRAWINGS. (a) The US Borrower hereby agrees to reimburse the respective Letter of Credit Issuer, by making payment to the Administrative Agent at the Payment Office (which funds the Administrative Agent shall promptly forward to such Letter of Credit Issuer), for any payment or disbursement made by such Letter of Credit Issuer under any Letter of Credit issued by it (each such amount so paid or disbursed until reimbursed, an "Unpaid Drawing") immediately after, and in any event on the date on which, the US Borrower is notified by such Letter of Credit Issuer of such payment or disbursement with interest on the amount so paid or disbursed by such Letter of Credit Issuer, to the extent not reimbursed prior to 12:00 P.M. (New York time) on the date of such payment or disbursement, from and including the date paid or disbursed to but not including the date such Letter of Credit Issuer is reimbursed therefor at a rate per annum which shall be the interest rate applicable to Revolving Loans maintained as Base Rate Loans as in effect from time to time (plus an additional 2% per annum if not reimbursed by the third Business Day after the date of such notice of payment or disbursement), such interest also to be payable on demand. Each Letter of Credit Issuer shall provide the US Borrower prompt notice of any payment or disbursement made by it under any Letter of Credit issued by it, although the failure of; or delay in, giving any such

notice shall not release or diminish the obligations of the US Borrower under this Section 2A.4(a) or under any other Section of this Agreement.

(b) The US Borrower's obligation under this Section 2A.4 to reimburse the respective Letter of Credit Issuer with respect to Unpaid Drawings (including, in each case, interest thereon) shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the US Borrower may have or have had against such Letter of Credit Issuer, the Administrative Agent or any BanK including, without limitation, any defense based upon the failure of any payment under a Letter of Credit to conform to the terms of the Letter of Credit or any non-application or misapplication by the beneficiary of the proceeds of such payment; PROVIDED, HOWEVER, that the US Borrower shall not be obligated to reimburse any Letter of Credit Issuer for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence (as determined by a court of competent jurisdiction) on the part of such Letter of Credit Issuer.

SECTION 2A.5. LETTER OF CREDIT PARTICIPATIONS. (a) Immediately upon the issuance by any Letter of Credit Issuer of a Letter of Credit, such Letter of Credit Issuer shall be deemed to have sold and transferred to each other Bank with a Revolving Loan Commitment, and each such Bank (each an "L/C Participant") shall be deemed irrevocably and unconditionally to have purchased and received from such Letter of Credit Issuer, without recourse or warranty, an undivided interest and participation, to the extent of such Bank's Percentage, in such Letter of Credit, each substitute letter of credit, each payment made thereunder and the obligations of the US Borrower under this Agreement with respect thereto (although the Letter of Credit Fee shall be payable directly to the Administrative Agent for the account of the Banks as provided in Section 2.7(b) and the L/C Participants shall have no right to receive any portion of any Fronting Fees) and any security therefor or guaranty pertaining thereto. Upon any change in the Revolving Loan Commitments or percentages of the Banks with Revolving Loan Commitments pursuant to Section 11.6(c), it is hereby agreed that, with respect to all outstanding Letters of Credit and Unpaid Drawings, there shall be an automatic adjustment to the participations pursuant to this Section 2A.5 to reflect the new percentages of the assigning and assignee Bank or of all Banks with Revolving Loan Commitments, as the case may be.

(b) In determining whether to pay under any Letter of Credit, the respective Letter of Credit Issuer shall not have any obligation relative to the Participants other than to determine that any documents required to be delivered under such Letter of Credit have been delivered and that they substantially comply on their face with the requirements of such Letter of Credit. Any action taken or omitted to be taken by any Letter of Credit Issuer under or in connection with any Letter of Credit if taken or omitted in the absence of gross negligence or willful misconduct (as determined by a court of competent jurisdiction) shall not create for such Letter of Credit Issuer any resulting liability.

(c) In the event that the respective Letter of Credit Issuer makes any payment under any Letter of Credit and the US Borrower shall not have reimbursed such amount in full to such Letter of Credit Issuer pursuant to Section 2A.4(a), such Letter of Credit Issuer shall promptly notify

the Administrative Agent, and the Administrative Agent shall promptly notify each L/C Participant of such failure, and each L/C Participant shall promptly and unconditionally pay to the Administrative Agent for the account of such Letter of Credit Issuer, the amount of such L/C Participant's Percentage of such payment in Dollars and in same day funds; PROVIDED, HOWEVER, that no L/C Participant shall be obligated to pay to the Administrative Agent its Percentage of such unreimbursed amount for any wrongful payment made by such Letter of Credit Issuer under a Letter of Credit as a result of acts or omissions constituting willful misconduct or gross negligence (as determined by a court of competent jurisdiction) on the part of such Letter of Credit Issuer. If the Administrative Agent so notifies any L/C Participant required to fund an Unpaid Drawing under a Letter of Credit prior to 11:00 A.M. (New York time) on any Business Day, such L/C Participant shall make available to the Administrative Agent for the account of the respective Letter of Credit Issuer (which funds the Administrative Agent shall promptly forward to the Letter of Credit Issuer) such Participant's Percentage of the amount of such payment on such Business Day in same day funds. If and to the extent such L/C Participant shall not have so made its Percentage of the amount of such Unpaid Drawing available to the Administrative Agent for the account of such Letter of Credit Issuer, such L/C Participant agrees to pay to the Administrative Agent for the account of such Letter of Credit Issuer, forthwith on demand such amount, together with interest thereon, for each day from such date until the date such amount is paid to the Administrative Agent for the account of such Letter of Credit Issuer at the overnight Federal Funds Effective Rate. The failure of any L/C Participant to make available to the Administrative Agent for the account of the respective Letter of Credit Issuer its percentage of any Unpaid Drawing under any Letter of Credit shall not relieve any other L/C Participant of its obligation hereunder to make available to the Administrative Agent for the account of the respective Letter of Credit Issuer its Percentage of any payment under any Letter of Credit on the date required, as specified above, but no L/C Participant shall be responsible for the failure of any other L/C Participant to make available to the Administrative Agent for the account of such Letter of Credit Issuer such other L/C Participant's Percentage of any such payment.

(d) Whenever the respective Letter of Credit Issuer receives a payment of a reimbursement obligation as to which the Administrative Agent has received for the account of such Letter of Credit Issuer any payments from the L/C Participants pursuant to clause (c) above, such Letter of Credit Issuer shall pay to the Administrative Agent and the Administrative Agent shall promptly pay to each L/C Participant which has paid its Percentage thereof; in US Dollars, and in same day funds, -an amount equal to such L/C Participant's Percentage of the principal amount thereof and interest thereon accruing at the overnight Federal Funds Effective Rate after the purchase of the respective participations.

(e) The obligations of the L/C Participants to make payments to the Administrative Agent for the account of the respective Letter of Credit Issuer with respect to Letters of Credit shall be irrevocable and not subject to counterclaim, set-off or other defense or any other qualification or exception whatsoever (PROVIDED that no L/C Participant shall be required to make payments resulting from the Letter of Credit Issuer's gross negligence or willful misconduct (as determined by a court of competent jurisdiction) and shall be made in accordance with the terms and conditions of this Agreement under all circumstances, including, without limitation, any of the following circumstances:

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

(ii) the existence of any claim, set-off defense or other right which the US Borrower or any of it Subsidiaries may have at any time against a beneficiary named in a Letter of Credit, any transferee of any Letter of Credit (or any Person for whom any such transferee may be acting), the Administrative Agent, the respective Letter of Credit Issuer, any Bank or other Person, whether in connection with this Agreement, any Letter of Credit, the transactions contemplated herein or any unrelated transactions (including any underlying transaction between the US Borrower or any of its Subsidiaries and the beneficiary named in any such Letter of Credit);

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

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

(v) the occurrence of any Default.

(f) To the extent the respective Letter of Credit Issuer is not indemnified for same by the US Borrower, the L/C Participants will reimburse and indemnify the Letter of Credit Issuer, in proportion to their respective Percentages, for and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, judgments, costs, expenses or disbursements of whatsoever kind or nature which may be imposed on, asserted against or incurred by such Letter of Credit Issuer in performing its respective duties in any way relating to or arising out of its issuance of Letters of Credit; PROVIDED that no L/C Participant shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Letter of Credit Issuer's gross negligence or willful misconduct (as determined by a court of competent jurisdiction).

SECTION 2A.6. INCREASED COSTS. If at any time after the Restatement Effective Date, the adoption or effectiveness of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof; or compliance by the respective Letter of Credit Issuer or any Bank with any request or directive (whether or not having the force of law) by any such authority, central bank or comparable agency shall either (i) impose, modify or make applicable any reserve, deposit, capital adequacy or similar requirement against Letters of Credit issued by such Letter of Credit Issuer or such Bank's participation therein, or (ii) shall impose on such Letter of Credit Issuer or any Bank any other conditions affecting this Agreement, any Letter of Credit or such Bank's participation therein; and the result of any of the foregoing is to increase the cost to such Letter of Credit Issuer or such Bank of issuing, maintaining or participating in any Letter of Credit, or to reduce the amount of any sum received or receivable by such Letter of Credit Issuer or such Bank hereunder (other than any increased cost or reduction in the amount received or receivable resulting from the imposition

of or a change in the rate of taxes or similar charges), then, upon demand to the US Borrower by such Letter of Credit Issuer or such Bank (a copy of which notice shall be sent by such Letter of Credit Issuer or such Bank to the Administrative Agent), the US Borrower shall pay to such Letter of Credit Issuer or such Bank such additional amount or amounts as will compensate such Letter of Credit Issuer or such Bank for such increased cost or reduction. A certificate submitted to the US Borrower by the respective Letter of Credit Issuer or such Bank, as the case may be (a copy of which certificate shall be sent by such Letter of Credit Issuer or such Bank to the Administrative Agent), setting forth the basis for the determination of such additional amount or amounts necessary to compensate such Letter of Credit Issuer or such Bank shall be conclusive and binding on the US Borrower absent manifest error, although the failure to deliver any such certificate shall not release or diminish any of the US Borrower's obligations to pay additional amounts pursuant to this Section 2A.6 upon the subsequent receipt thereof.

ARTICLE 3

CONDITIONS

SECTION 3.1. EFFECTIVENESS. The Restatement Effective Date shall occur upon receipt by the Administrative Agent of the following documents:

(a) opinions of Caroly Melvin, Esq., general counsel and Secretary of the Credit Parties, Arter & Hadden, counsel for the Credit Parties and Fasken Campbell Godfrey, Canadian counsel to the Credit Parties, each in a form reasonably acceptable to the Administrative Agent and covering such matters relating to the transactions contemplated hereby as the Administrative Agent or the Required Banks may reasonably request;

(b) all documents the Administrative Agent may reasonably request relating to (i) in the case of each Credit Party which is a party hereto, the corporate authority for and the validity of this Agreement and (ii) in the case of HSI and its Subsidiaries, (x) the corporate existence of HSI and its Subsidiaries and (y)the corporate authority for and the validity of the Pledge Agreement and the Security Agreement and any other matters relevant hereto, all in form and substance satisfactory to the Administrative Agent;

(c) copies of (x) this Agreement executed by each of the Borrowers, each Guarantor and each of the Banks and (y) the Subsidiary Assumption Agreement executed by HSI and its Subsidiaries;

(d) all filings (including, without limitation, pursuant to the Uniform Commercial Code) and recordings shall have been accomplished with respect to the Security Agreement in such jurisdictions as may be required by law to establish, perfect, protect and preserve the rights, titles, interests, remedies, powers, privileges, liens and security interests of the Collateral Agent in the Assigned Collateral covered by the Security Agreement and any giving of notice or the taking of any other action to such end (whether similar or dissimilar) required by law shall have been given or taken. On or prior to the Closing Date, the Agent and the Collateral Agent shall have received satisfactory

evidence as to any such filing, recording, registration, giving of notice or other action so taken or made;

(e) the Administrative Agent shall have received the full amount of the fees due from the Borrowers pursuant to Section 2.7;

(f) the Administrative Agent shall have received fully executed copies of the Acquisition Documents;

(g) the Administrative Agent shall have received fully executed copies of the License Agreements;

(h) the Administrative Agent shall have received fully executed copies of the Subordinated Note and the WCAS Subordinated Note;

(i) the Administrative Agent shall have received fully executed copies of the Equity Issuance Documents; and

(j) the Administrative Agent shall have received insurance certificates complying with the requirements of Section 6.3 for the business and properties of the Borrowers and their Subsidiaries naming the Collateral Agent as an additional insured and loss payee (except that, in the case of insurance policies covering property of the Canadian Borrower, the Collateral Agent shall not be named as an additional insured or loss payee) and stating that such insurance shall not be canceled without 30 days prior written notice to the Collateral Agent.

The Administrative Agent shall promptly notify the Borrowers and the Banks of the Restatement Effective Date, and such notice shall be conclusive and binding on all parties hereto.

SECTION 3.2. EACH BORROWING. The occurrence of the Initial Borrowing Date and the obligation of the Banks to make each Loan hereunder (including Loans made on the Initial Borrowing Date) is subject at the time of such Loan to the satisfaction of the following conditions:

(a) the fact that the Restatement Effective Date shall have occurred;

(b) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.2;

(c) the fact that, immediately after any Borrowing of Loans, the aggregate principal amount of all Loans of a particular Tranche made hereunder will not exceed the aggregate amount of the Commitments in effect with respect to such Tranche (or, in the case of Term Loans, the respective Commitment with respect to such Tranche of Term Loans immediately prior to giving effect to the reduction of the Commitments pursuant to Section 2.8(B)(a));

(d) the fact that, immediately before and after such Borrowing, no Default shall have occurred and be continuing;

(e) the fact that the representations and warranties of the Credit Parties contained in this Agreement shall be true and correct on and as of the date of such Borrowing;

(f) with respect to the transactions contemplated by the Credit Agreement, the Pledge Agreements, the Security Agreement and the Canadian Security Documents, each Credit Party shall have obtained any necessary consents, waivers, approvals, authorizations, registrations, filings, licenses and notifications (including, if necessary, qualifying to do business in, and qualifying under the applicable consumer laws of; each jurisdiction where the applicable party is then doing business, or is in the process of obtaining such qualification in each jurisdiction where the applicable party is expected to be doing business utilizing the proceeds of such Loan) and the same shall be in full force and effect; and

(g) The Security Documents shall be in full force and effect, the Collateral Agent shall have a first priority perfected security interest in all assets of the Borrowers and their respective Subsidiaries purported to be covered thereby, and all filings (including, without limitation, pursuant to the Uniform Commercial Code or foreign equivalent) and recordings shall have been accomplished with respect to the Security Agreement and the Canadian Security Documents in such jurisdictions as may be required by law to establish, perfect, protect and preserve the rights, titles, interests, remedies, powers, privileges, liens and security interests of the Collateral Agent in the Assigned Collateral covered by the Security Agreement and the Canadian Security Documents (except, in respect of the Canadian Security Documents, such filings with (x) Canadian trademark authorities to the extent the filing thereof is separately contemplated by the undertaking dated the Original Effective Date) and (y) land registry offices in connection with leased premises with respect to which landlord consent has not been obtained) and any giving of notice or the taking of any other action to such end (whether similar or dissimilar) required by law shall have been given or taken. The Administrative Agent and the Collateral Agent shall have received satisfactory evidence as to any such filing, recording, registration, giving of notice or other action so taken or made.

Each Borrowing hereunder shall be deemed to be a representation and warranty by the respective Borrowers on the date of such Borrowing as to the facts specified in clauses (c), (d), (e), (g) and (f) of this Section.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

The Borrowers represent and warrant, in each case after giving effect to the Acquisitions, that:

SECTION 4.1. CORPORATE EXISTENCE AND POWER. Each Credit Party is a corporation, duly organized and validly existing and, where applicable, in good standing under the laws of the jurisdiction of its incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

SECTION 4.2. CORPORATE AND GOVERNMENTAL AUTHORIZATION: NO CONTRAVENTION. The execution, delivery and performance by each Credit Party of the Credit Documents to which it is a party are within the corporate powers of such Credit Party, have been duly authorized by all necessary corporate action, require no action by or in respect of; or filing with, any governmental body, agency or official (other than a filing with the Canadian Federal Government in connection with the change of control of LMG, which filing has been made) and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the articles of association, the organizational certificate or bylaws of such Credit Party or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Borrowers or any of their Subsidiaries or result in the creation or imposition of any Lien on any asset of either Borrower or any of their Subsidiaries (other than Liens granted pursuant hereto).

SECTION 4.3. BINDING: EFFECT. This Agreement and the other Credit Documents constitute valid and binding agreements of the Borrowers and each other Credit Party which is a party thereto, and each Note, when executed and delivered in accordance with this Agreement, will constitute a valid and binding obligation of the respective Borrower, in each case enforceable in accordance with its terms.

SECTION 4.4. FINANCIAL INFORMATION. (a) The consolidated balance sheet of the US Borrower and its Consolidated Subsidiaries as of February 1, 1998 and the related consolidated statements of income, retained earnings and cash flows for the fiscal year then ended, reported on by Deloitte & Touche LLP, a copy of which has been delivered to each of the Banks, fairly present the consolidated financial position of the US Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year. The consolidated balance sheet of Loyalty and its Consolidated Subsidiaries as of April 30, 1998 and the related consolidated statements of income, retained earnings and cash flows for the fiscal year then ended, reported on by Ernst & Young, a copy of which has been delivered to each of the Banks, fairly present the consolidated financial position of Loyalty and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year. The consolidated balance sheet of Harmonic and its Consolidated Subsidiaries as of December 31, 1997 and the related consolidated statements of income, retained earnings and cash flows for the fiscal year then ended, reported on by Ernst & Young LLP, a copy of which has been delivered to each of the Banks, fairly present the consolidated financial

position of Harmonic and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) The unaudited consolidated and consolidating balance sheets of the US Borrower and its Consolidated Subsidiaries and the related unaudited consolidated statements of income, retained earnings and cash flows, each for the six months ended August 1, 1998, a copy of which has been delivered to each of the Banks, fairly present the consolidated financial position of the US Borrower and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such three month period (subject to normal year-end adjustments).

(c) Since February 1, 1998 there has been no material adverse change in the business, financial position, results of operations or prospects of the US Borrower and its Consolidated Subsidiaries, considered as a whole (after giving effect to the Acquisitions).

(d) On and as of the Restatement Effective Date, (a) the sum of the assets, at a fair valuation, of each of the Borrowers on a stand alone basis and of the US Borrower and its Subsidiaries taken as a whole will exceed its debts; (b) each of the Borrowers on a stand alone basis and the US Borrower and its Subsidiaries taken as a whole has not incurred and does not intend to incur debts beyond their ability to pay such debts as such debts mature; and (c) each of the Borrowers on a stand alone basis and the US Borrower and its Subsidiaries taken as a whole will have sufficient capital with which to conduct its business. For purposes of this Section 4.4(d), "debt" means any liability on a claim, and "claim" means (i) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured, or unsecured or (ii) right to an equitable remedy for breach of performance if such breach gives rise to a payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured, unmatured, disputed, undisputed, secured or unsecured.

(e) Except as fully disclosed in the financial statements delivered pursuant to Section 4.4(a) there were as of the Restatement Effective Date no liabilities or obligations with respect to the US Borrower or any of its Subsidiaries of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, either individually or in aggregate, could reasonably be expected to have a material and adverse effect on either Borrower or the US Borrower and its Subsidiaries taken as a whole. As of the Restatement Effective Date, neither Borrower knows of any basis for the assertion against it or any of its Subsidiaries of any liability or obligation of any nature whatsoever that is not fully disclosed in the financial statements delivered pursuant to Section 4.4(a) which, either individually or in the aggregate, could reasonably be expected to be material to either Borrower or the U.S. Borrower and its Subsidiaries taken as a whole.

(f) On and as of the Restatement Effective Date, the Projections delivered to the Administrative Agent and the Banks prior to the Restatement Effective Date have been prepared in good faith and are based on reasonable assumptions. On the Restatement Effective Date, the Borrowers believe that the Projections are reasonable and attainable, it being understood that the Projections include assumptions as to future events that are not to be viewed

as facts and that actual results may differ from the projected results and such differences may be material.

SECTION 4.5. LITIGATION. There is no action, suit or proceeding pending against, or to the knowledge of either Borrower threatened against or affecting, either Borrower or any of their respective Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of either Borrower and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity or enforceability of any Credit Document.

SECTION 4.6. COMPLIANCE WITH ERISA. (a) To the best of the Borrowers' knowledge, after reasonable investigation, each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code or (iii) incurred any liability under Title IV of ERISA other than a Liability to the PBGC for premiums under Section 4007 of ERISA.

(b) To the best of the Borrowers' knowledge, each Foreign Pension Plan has been maintained in substantial compliance with its terms and with the requirements of any and all applicable laws, statutes, rules, regulations and orders and has been maintained, where required, in good standing with applicable regulatory authorities. All material contributions required to be made with respect to a Foreign Pension Plan have been timely made. Neither the Borrowers nor any of their Subsidiaries has incurred any material obligation in connection with the termination of or withdrawal from any Foreign Pension Plan. The Borrowers and their Subsidiaries do not maintain or contribute to any Foreign Pension Plan the obligations with respect to which could reasonably be expected to have a material adverse effect on the ability of either Borrower or either Borrower and its Subsidiaries taken as a whole to perform their obligations under the Credit Documents.

SECTION 4.7. ENVIRONMENTAL MATTERS. To the best of the Borrowers' knowledge, after reasonable investigation, each of the Borrowers and their Subsidiaries has obtained all environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on itsbusiness as now being or as proposed to be conducted. Each of such permits, licenses and authorizations is in full force and effect and each of the Borrowers and their Subsidiaries is in material compliance with the terms and conditions thereof; and is also in material compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder. In addition, no notice, notification, demand, request for information, citations, summons or order has been issued, no complaint has

been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by either Borrower or any of their Subsidiaries to have any environmental, health or safety permit, license or other authorization required under any Environmental Law in connection with the conduct of the business of either Borrower or any of their Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, discharge or disposal, or any release of any Hazardous Substance generated or handled by either Borrower or any of their Subsidiaries. There have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by or that are in the possession of either Borrower or any of their Subsidiaries in relation to any site or facility now or previously owned, operated or leased by either Borrower or any of their Subsidiaries which have not been made available to the Administrative Agent and the Banks.

SECTION 4.8. TAXES. Each Borrower and its Subsidiaries have filed all United States Federal and Canadian income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by such Borrower or any Subsidiary. The charges, accruals and reserves on the books of the Borrowers and their Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the respective Borrowers, adequate.

SECTION 4.9. SUBSIDIARIES. Each of the Borrowers' corporate Subsidiaries, if any, is a corporation duly incorporated, validly existing and, where applicable, and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

SECTION 4.10. REGULATORY RESTRICTIONS ON BORROWING. Neither Borrower is an "investment company" within the meaning of the Investment Company Act of 1940, as amended, a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or otherwise subject to any regulatory scheme which restricts its ability to incur debt.

SECTION 4.11. FULL DISCLOSURE. All information heretofore furnished by either Borrower to the Administrative Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by either Borrower to the Administrative Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is stated or certified. Each Borrower has disclosed to the Banks in writing any and all facts which materially and adversely affect or may affect (to the extent such Borrower can now reasonably foresee), the business, operations or financial condition of such Borrower and its Consolidated Subsidiaries, taken as a whole, or the ability of such Borrower to perform its obligations under this Agreement or the other Credit Documents.

SECTION 4.12. INTELLECTUAL PROPERTY. The US Borrower and its Subsidiaries own or have the exclusive right in the United States and Canada to use and to license the patents, trade names, registered or unregistered trademarks, registered or unregistered service marks, and registered copyrights, all pending applications therefor and all know-how required to operate their respective businesses (collectively, the "Intellectual Property"), and each item constituting part of

the Intellectual Property has been duly registered with, filed with or issued by, as the case may be, the appropriate authorities in the United States and Canada and, to the knowledge of the Credit Parties, such registrations, filings and issuances remain in full force and effect. To the knowledge of the Credit Parties, there are no infringements of any proprietary rights (including, without limitation, the Intellectual Property, the License Agreements and any inventions and know-how owned or licensed by the US Borrower or its Subsidiaries) owned or licensed by the US Borrower or its Subsidiaries which could reasonably be expected to have a material adverse effect on the business, property, assets, liabilities, condition (financial or otherwise) or prospects of either Borrower taken individually or the US Borrower and its Subsidiaries taken as a whole. To the knowledge of the Credit Parties, the trademarks, service marks and trade names owned or licensed by the US Borrower or its Subsidiaries are enforceable by such entities and all patents (if any) comprising the Intellectual Property are believed valid and enforceable by the Credit Parties. No consent of third parties will be required for the use of any Intellectual Property as a consequence of the consummation of the transactions contemplated hereby. To the knowledge of any Credit Party, no claims are currently being asserted by any Person to the use of any of the Intellectual Property or challenging or questioning the validity or effectiveness of any License Agreement, and the use of the Intellectual Property by the US Borrower or any of its Subsidiaries does not infringe on the rights of any Person and no suits or proceedings are pending or threatened against the Seller, the US Borrower or any of their respective Subsidiaries with respect to the foregoing; and (ii) no claims are currently being asserted, and no conditions exist upon which such claims could be based, that the US Borrower or any of its Subsidiaries is in default or is not in full compliance with any License Agreement.

SECTION 4.13. YEAR 2000 COMPLIANCE. (a) The US Borrower has (i) initiated a review and assessment of all areas within its and each of its Subsidiaries' business and operations (including those affected by suppliers and vendors) that could be adversely affected by the Year 2000 Problem, (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis and (iii) to date, implemented such plan in accordance with such timetable. The US Borrower reasonably believes that all computer applications (including those of its suppliers and vendors) that are material to its or any of its Subsidiaries' business and operations will on a timely basis be able to perform properly date-sensitive functions for all dates before and after January 1, 2000, except to the extent that a failure to do so could not reasonably be expected to have material adverse effect on the business, operations, properties, assets, liabilities, condition (financial or otherwise) or prospects of the US Borrower and its Consolidated Subsidiaries, taken as a whole, or on the ability of the Borrowers to perform their respective obligations under the Credit Documents.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES OF EACH GUARANTOR

Each Guarantor represents and warrants for itself that:

SECTION 5.1. CORPORATE EXISTENCE AND POWER. The applicable Guarantor is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction

of its incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

SECTION 5.2. CORPORATE AND GOVERNMENTAL AUTHORIZATION: NO CONTRAVENTION. The execution, delivery and performance by the applicable Guarantor of this Agreement and each other Credit Document to which it is a party is within the corporate powers of the applicable Guarantor, have been duly authorized by all necessary corporate action, require no action by or in respect of; or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Guarantor or of any agreement, judgment, injunction, order, decree or other instrument binding upon the applicable Guarantor or any of its Subsidiaries or result in the creation or imposition of any Lien on any asset of the applicable Guarantor or any of its Subsidiaries (other than Liens granted pursuant hereto).

SECTION 5.3. BINDING: EFFECT. This Agreement and each other Credit Document to which it is a party constitutes a valid and binding agreement of the applicable Guarantor enforceable in accordance with its terms.

SECTION 5.4. FINANCIAL INFORMATION. (a) The unaudited consolidated balance sheets of the applicable Guarantor and its Consolidated Subsidiaries and the related unaudited consolidated statements of income, changes in common stockholders' equity and cash flows, each for the six months ended August 1, 1998, a copy of which has been delivered to each of the Banks, fairly present the consolidated financial position of the applicable Guarantor and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such three-month period (subject to normal year-end adjustments).

(b) Since the end of the fiscal quarter ending August 1, 1998 there has been no material adverse change in the business, financial position, results of operations or prospects of the applicable Guarantor and its Consolidated Subsidiaries, considered as a whole.

SECTION 5.5. LITIGATION. There is no action, suit or proceeding pending against, or to the knowledge of the applicable Guarantor threatened against or affecting, the applicable Guarantor or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the applicable Guarantor and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity or enforceability of this Agreement or the Notes.

SECTION 5.6. COMPLIANCE WITH ERISA. To the best of the applicable Guarantor's knowledge, after reasonable investigation, each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and is in compliance in all material respects with the presently applicable provisions of ERISA and the Code with respect to each Plan. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of

any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

SECTION 5.7. ENVIRONMENTAL MATTERS. Each of the applicable Guarantor and its Subsidiaries has obtained all environmental, health and safety permits, licenses and other authorizations required under all Environmental Laws to carry on its business as now being or as proposed to be conducted. Each of such permits, licenses and authorizations is in full force and effect and each of the applicable Guarantor and its Subsidiaries is in material compliance with the terms and conditions thereof; and is also in material compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder. In addition, no notice, notification, demand, request for information, citations, summons or order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or threatened by any governmental or other entity with respect to any alleged failure by the applicable Guarantor or any of its Subsidiaries to have any environmental, health or safety permit, license or other authorization required under any Environmental Law in connection with the conduct of the business of the applicable Guarantor or any of its Subsidiaries or with respect to any generation, treatment, storage, recycling, transportation, discharge or disposal, or any release of any Hazardous Substance generated or handled by the applicable Guarantor or any of its Subsidiaries. There have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by or that are in the possession of the applicable Guarantor or any of its Subsidiaries in relation to any site or facility now or previously owned, operated or leased by the applicable Guarantor or any of its Subsidiaries which have not been made available to the Administrative Agent and the Banks.

SECTION 5.8. TAXES. The applicable Guarantor and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the applicable Guarantor or any Subsidiary. The charges, accruals and reserves on the books of the applicable Guarantor and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the applicable Guarantor, adequate.

SECTION 5.9. SUBSIDIARIES. Each of the applicable Guarantor's corporate Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted.

SECTION 5.10. REGULATORY RESTRICTIONS ON BORROWING. The applicable Guarantor is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended, a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, or otherwise subject to any regulatory scheme which restricts its ability to incur debt.

SECTION 5.11. FULL DISCLOSURE. All information heretofore furnished by the applicable Guarantor to the Administrative Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the applicable Guarantor to the Administrative Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is stated or certified. The applicable Guarantor has disclosed to the Banks in writing any and all facts which materially and adversely affect or may affect (to the extent the applicable Guarantor can now reasonably foresee), the business, operations or financial condition of the applicable Guarantor and its Consolidated Subsidiaries, taken as a whole, or the ability of the applicable Guarantor to perform its obligations under this Agreement.

ARTICLE 6

COVENANTS

The Borrowers and each Guarantor, as the case may be, agree that, so long as any Bank has any Commitment hereunder or any amount payable hereunder or under any Note remains unpaid or any Letter of Credit remains outstanding:

SECTION 6.1. INFORMATION. The US Borrower will deliver to each of the Banks:

(a) as soon as available and in any event within 90 days after the end of each fiscal year of the US Borrower, consolidated and consolidating balance sheets of the US Borrower and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidating statements of income cash flows, changes in common stockholders' equity and retained earnings, each for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year and certified by Deloitte & Touche LLP or another independent public accounting firm of nationally recognized standing;

(b) as soon as available and in any event within 45 days after the end of each of the first three fiscal quarters of the US Borrower, consolidated and consolidating balance sheets of the US Borrower and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated and consolidating statements of income, changes in common stockholders' equity and cash flows for such quarter and for the portion of the US Borrower's fiscal year ended at the end of such quarter, setting forth in each case, in comparative form the figures for the corresponding quarter and the corresponding portion of the US Borrower's previous fiscal year, all certified (subject to normal year-end adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the treasurer or chief financial officer of the US Borrower;

(c) simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, (x) a certificate of the treasurer or chief financial officer of the US Borrower, (i) setting forth in reasonable detail the calculations required to establish whether the US Borrower was in compliance with the requirements of Sections 6. 11, 6.12, 6.13, 6.14, 6.15 and 6.17 on the date of such financial statements, (ii) comparing

such results to the comparable period of the prior fiscal year and the budgeted figures previously delivered for such period and (iii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the US Borrower is taking or proposes to take with respect thereto and (y) management's discussion and analysis of the important operational and financial developments during such quarterly and year-to-date periods;

(d) simultaneously with the delivery of each set of financial statements referred to in clause (a) above, a statement of the accounting firm which reported on such statements (i) as to whether anything has come to their attention to cause them to believe that any Default existed on the date of such statements and (ii) confirming the calculations set forth in the officer's certificate delivered simultaneously therewith pursuant to clause (c) above;

(e) within 45 days of the end of each fiscal year of the US Borrower, a budget in form reasonably satisfactory to the Administrative Agent (including budgeted statements of income and balance sheets) prepared by the US Borrower for each of the four quarters of such fiscal year, accompanied by a statement of the treasurer or chief financial officer of the US Borrower to the effect that, to the best of such officer's knowledge, the budget is a reasonable estimate for the period covered thereby;

(f) within five days after any officer of any Credit Party obtains knowledge of any Default, if such Default is then continuing, a certificate of the treasurer or chief financial officer of the US Borrower setting forth the details thereof and the action which the US Borrower or such Credit Party is taking or proposes to take with respect thereto;

(g) following any public equity offering consummated on or after the Original Effective Date promptly upon the mailing thereof to the shareholder:: of the US Borrower or any other Credit Party, as the case may be, copies of all financial statements, reports and proxy statements so mailed;

(h) promptly upon the filing thereof; copies of all registration statements (other than the exhibits thereto and any registration statements on Form 5-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) which the US Borrower or any other Credit Party shall have filed with the Securities and Exchange Commission;

(i) immediately upon discovery of the fact that any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section

4007 of ERISA) in respect of; or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan, Foreign Pension Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan, Foreign Pension Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the treasurer of the US Borrower setting forth details as to such occurrence and action, if any, which the US Borrower, the applicable Credit Party or the applicable member of the ERISA Group is required or proposes to take; and

(j) from time to time such additional information regarding the financial position or business of the Credit Parties and their Subsidiaries as the Administrative Agent, at the request of any Bank may reasonably request.

SECTION 6.2. PAYMENT OF OBLIGATIONS. Each Credit Party will pay and discharge, and will cause each Subsidiary to pay and discharge, at or before maturity, all their respective material obligations and liabilities (including, without limitation, tax liabilities and claims of materialmen, warehousemen and the like which if unpaid might by law give rise to a Lien), except where the same may be contested in good faith by appropriate proceedings, and will maintain, and will cause each Subsidiary to maintain, in accordance with generally accepted accounting principles, appropriate reserves for the accrual of any of the same.

SECTION 6.3. MAINTENANCE OF PROPERTY: INSURANCE. (a) Each Credit Party will keep, and will cause each Subsidiary to keep, all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

(b) Each Credit Party will, and will cause each Subsidiary to, maintain (either in the name of the US Borrower or in its own name) with financially sound and responsible insurance companies, insurance on all their respective properties in at least such amounts, against at least such risks and with such risk retention as are usually maintained, insured against or retained, as the case may be, in the same general area by companies of established repute engaged in the same or a similar business and will furnish to the Banks, upon request from the Administrative Agent, information presented in reasonable detail as to the insurance so carried.

(c) Each Credit party will at all times keep its property insured, with the Collateral Agent named as additional insured and loss payee (except that in the case of insurance policies covering property of the Canadian Borrower, the Collateral Agent shall not be named as an additional insured or loss payee) and all policies or certificates shall name the Collateral Agent as such (except that in the case of insurance policies covering property of the Canadian Borrower, the Collateral Agent shall not be named as an additional insured or loss payee) and state that such insurance policy may not be canceled without at least 30 days' prior written notice to the Collateral Agent (or such shorter period as a particular insurance company policy generally provides).

SECTION 6.4. CONDUCT OF BUSINESS AND MAINTENANCE OF EXISTENCE. Each Credit Party will continue, and will cause each Subsidiary to continue, to engage in business of the same general type as now conducted by such Credit Party, and will preserve, renew and keep in full force and effect, and will cause each Subsidiary to preserve, renew and keep in full force and effect their respective corporate existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business; PROVIDED, that nothing in this Section 6.4 shall prohibit (i) a merger or consolidation which is otherwise permitted by Section 6.7 or (ii) the termination of the corporate existence of any Subsidiary if the US Borrower in good faith determine that such termination is in the best interest of the Borrowers and is not materially disadvantageous to the Banks.

SECTION 6.5. COMPLIANCE WITH LAWS. Each Credit Party will comply, and cause each Subsidiary to comply, in all respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder) except (i) where the necessity of compliance therewith is contested in good faith by appropriate proceedings or (ii) to the extent that failure to comply therewith would not have a material adverse effect on (a) the property, business, operations, financial condition, prospects, liabilities or capitalization of any Credit Party and its Subsidiaries taken as a whole, (b)the ability of any Credit Party to perform its obligations under any of the Credit Documents to which it is a party, (c) the validity or enforceability of any of the Credit Documents, (d) the rights and remedies of the Banks and the Administrative Agent under any of the Credit Documents or (e) the timely payment of the principal of or interest on the Loans or the payment obligations of the Credit Parties under the Credit Documents.

SECTION 6.6. INSPECTION OF PROPERTY. BOOKS AND RECORDS. The Credit Parties will keep, and will cause each Subsidiary to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Subsidiary to permit, representatives of any Bank, at such Bank's expense, to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

SECTION 6.7. MERGERS AND SALES OF ASSETS. The Credit Parties will not (x) consolidate or merge with or into any other Person or (y) sell, lease or otherwise transfer, directly or indirectly, any substantial part of the assets of any Credit Party and its Subsidiaries, taken as a whole, to any other Person; except that the following shall be permitted: (a) (i) the Acquisitions, (ii) any Credit Party other than the Canadian Borrower may merge with the US Borrower or another Guarantor if after giving effect to such merger, no Default shall have occurred and be continuing and (iii) any Person may be merged with or into any Credit Party pursuant to an acquisition permitted by Section 6.22(b), provided that such Credit Party is the surviving corporation of such merger, (b) the sale of credit card receivables pursuant to (i) securitizations of such credit card receivables and (ii) the deferred billing program associated with Brylane, L.P. and (c) assets sold and leased back in the normal course of the Borrowers' business.

SECTION 6.8. USE OF PROCEEDS. The proceeds of the Revolving Loans made under this Agreement will be used by the US Borrower to finance the general corporate and working capital needs of the US Borrower and its Subsidiaries. None of the proceeds of any Loan made hereunder will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of buying or carrying any "margin stock" within the meaning of Regulation U.

SECTION 6.9. NEGATIVE PLEDGE. Neither a Credit Party nor any Subsidiary will create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

(a) Liens pursuant to the Security Documents;

(b) Liens existing on the Original Effective Date securing Debt outstanding on the Original Effective Date in an aggregate principal or face amount not exceeding $5,000,000;

(c) any Lien existing on any asset of any person at the time such person becomes a Subsidiary and not created in contemplation of such event;

(d) any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring such asset, provided that such Lien attaches only to such asset acquired and attaches concurrently with or within 90 days after the acquisition thereof;

(e) any Lien on any asset of any Person existing at the time such Person is merged or consolidated with or into a Credit Party or its Subsidiary and not created in contemplation of such event, so long as such Lien does not attach to any other asset of such Credit Party or its Subsidiaries;

(f) any Lien existing on any asset prior to the acquisition thereof by a Credit Party or a Subsidiary and not created in contemplation of such acquisition;

(g) any Lien arising out of the refinancing, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section, provided that the amount of such Debt is not increased and is not secured by any additional assets;

(h) Liens arising in the ordinary course of its business which (i) do not secure Debt or Derivatives obligations, (ii) do not secure any obligation in an amount exceeding $5,000,000 (iii) do not in the aggregate materially detract from the value of the assets secured or materially impair the use thereof in the operation of such Credit Party or Subsidiary's business;

(i) any Lien on any credit card receivable subject to a sale of credit card receivables pursuant to securitizations of such credit card receivables.

(j) Liens not otherwise permitted by the foregoing clauses of this Section securing Debt in an aggregate principal or face amount at any date not to exceed 2% of Consolidated Net Worth of the US Borrower; and

SECTION 6.10. END OF FISCAL YEARS AND FISCAL QUARTERS. The US Borrower shall and shall cause each of its Subsidiaries' fiscal years to end on the Saturday closest to January 31 and its and each of its Subsidiaries' fiscal quarters to end on quarterly dates consistent with such fiscal year end and in accordance with past practice, PROVIDED that a one time adjustment of such dates shall be permitted so long as the financial calculations made during any period which includes the quarterly period of such adjustment shall be adjusted accordingly in a manner reasonably acceptable to the US Borrower and the Administrative Agent.

SECTION 6.11. MINIMUM CONSOLIDATED EBITDA. The US Borrower will not permit its Consolidated EBITDA for any four fiscal quarter period of the US Borrower, determined on the last day of each fiscal quarter below, to be less than the respective amount set forth opposite such fiscal quarter below:

Fiscal Quarter Ended Closest to	Minimum Consolidated EBITDA
October 31, 1998	$60,000,000
January 31, 1999	$60,000,000
April 30, 1999	$70,000,000
July 31, 1999	$70,000,000
October 31, 1999	$75,000,000
January 31, 2000	$75,000,000
April 30, 2000	$90,000,000
July 31, 2000	$90,000,000
October 31, 2000	$105,000,000
January 31, 2001	$103,000,000
April 30, 2001	$115,000,000
July 31, 2001	$115,000,000
October 31, 2001	$125,000,000
January 31, 2002	$125,000,000
April 30, 2002	$125,000,000
July 31,2002	$125,000,000
October 31, 2002	$125,000,000
January 31, 2003	$125,000,000
April 30, 2003	$125,000,000
July 31, 2003	$125,000,000
October 31, 2003	$125,000,000

Fiscal Quarter Ended Closest To	Ratio
January 31, 2004	$125,000,000
April 30, 2004	$125,000,000
July 31, 2004	$125,000,000
October 31, 2004	$125,000,000
January 31, 2005	$125,000,000
April 30, 2005	$125,000,000
Thereafter	$125,000,000

SECTION 6. 12. LEVERAGE RATIO. The US Borrower shall not permit its Leverage Ratio at any time to exceed the ration set forth below opposite such fiscal quarter below:

Fiscal Quarter Ended Closest To	Ratio
October 31, 1998	6.25:1.0
January 31, 1999	6.25:1.0
April 30, 1999	5.25:1.0
July 31, 1999	5.25:1.0
October 31, 1999	5.25:1.0
January 31, 2000	5.25:1.0
April 30, 2000	4.00:1.0
July 31, 2000	4.00:1.0
October 31, 2000	4.00:1.0
January 31, 2001	4.00:1.0
April 30, 2001	3.00:1.0
July 31, 2001	3.00:1.0
October 31,2001	3.00:1.0
January 31, 2002	3.00:1.0
April 30, 2002	2.5:1.0
July 31, 2002	2.5:1.0
October 31, 2002	2.5:1.0
January 31, 2003	2.5:1.0
April 30, 2003	2.5:1.0
July 31, 2003	2.5:1.0
October 31, 2003	2.5:1.0
January 31, 2004	2.5:1.0

Fiscal Quarter Ended Closest To	Ratio
April 30, 2004	2.5:1.0
July 31, 2004	2.5:1.0
October 31, 2004	2.5:1.0
January 31, 2005	2.5:1.0
April 30, 2005	2.5:l.0
Thereafter	2.5:1.0

SECTION 6.13. ADJUSTED CONSOLIDATED NET WORTH. Adjusted Consolidated Net Worth of the US Borrower will at no time be less than the sum of (i) $250,000,000, plus (ii) an amount equal to 50% of the amount by which the Borrower's Consolidated Net Income (determined at the end of each fiscal quarter) exceeds zero, plus (iii) 100% if any proceeds from equity issuances of capital stock of the US Borrower.

SECTION 6.14. CAPITALIZATION OF INSURED SUBSIDIARIES. The US Borrower shall, at all times, cause all Insured Subsidiaries to be "well capitalized" within the meaning of 12 C.F.R. 208.33(b)(1) or any successor regulation and such Insured Subsidiaries at no time be reclassified by any relevant agency as anything other than "well capitalized".

SECTION 6.15. DELINQUENCY RATIO. The US Borrower shall not permit the average of the Delinquency Ratios for WFNB for the most recently ended three consecutive calendar months to exceed 4.5%.

SECTION 6.16. DEBT LIMITATION. The US Borrower shall not, and shall not permit any of its Subsidiaries, whether now existing or created in the future, to create or retain any Debt other than (i) any Debt created or retained by the US Borrower or such Subsidiary on or before May 2, 1998, (ii) any Debt created or retained by the US Borrower or such Subsidiary in connection with the funds made available to the Borrowers pursuant to this Agreement (including any intercompany loans of such funds), PROVIDED that such loans made by the US Borrower and its Subsidiaries to (x) the Canadian Borrower shall not exceed $20,000,000 and (y) ADSNZ shall not exceed $1,500,000 in aggregate principal amount outstanding at any time, and all such loans from the US Borrower to WFNB shall be made pursuant to and evidenced by the WFNB Note, (iii) issuances by WFNB of certificates of deposit to the extent no Default results therefrom pursuant to the other covenants contained in this Article 6, (iv) intercompany loans not otherwise permitted by clause (ii) of this Section 6.16 made by the US Borrower to ADSI and WFNB, PROVIDED that any such intercompany loans to WFNB shall be made pursuant to and evidenced by the WFNB Note, (v) Debt consisting of amounts in excess of $100,000,000 owing to Brylane, L.C. pursuant to the US Borrower's deferred payment plan with Brylane, L.C. as in effect on the Original Effective Date, (vi) Debt of the US Borrower outstanding pursuant to the WCAS Subordinated Note in an aggregate principal amount not to exceed $52,000,000, less all repayments of principal thereof and (vii) other unsecured Debt of the US Borrower and/or its Subsidiaries not to exceed $10,000,000 in the aggregate outstanding at any time. Notwithstanding anything to the contrary above in this Section 6.16, the US Borrower may, subject to the applicability of the other covenants contained in this Agreement, issue Permitted Subordinated Debt.

SECTION 6.17. INTEREST COVERAGE RATIO. As of the last day of each fiscal quarter of the US Borrower, the Interest Coverage Ratio of the US Borrower, determined on a rolling four quarter basis, will not be less than the ratio set forth below opposite such fiscal quarter below:

Fiscal Quarter Ended Closest to	Ratio
October 31, 1998	2.00:1.0
January 31, 1999	2.00:1.0
April 30, 1999	2.25:1.0
July 31, 1999	2.25:1.0
October 31, 1999	2.50:1.0
January 31, 2000	2.50:1.0
April 30, 2000	3.00:1.0
July 31, 2000	3.00:1.0
October 31,2000	3.75:1.0
January 31, 2001	3.75:1.0
April 30, 2001	4.25:1.0
July 31, 2001	4.50:1.0
October 31, 2001	4.50:1.0
January 31, 2002	4.50:1.0
April 30, 2002	4.50:1.0
July 31, 2002	4.50:1.0
October 31, 2002	4.50:1.0
January 31, 2003	4.50:1.0
April 30, 2003	4.50:1.0
July 31, 2003	4.50:1.0
October 31, 2003	4.50:1.0
January 31, 2004	4.50:1.0
April 30, 2004	4.50:1.0
July 31, 2004	4.50:1.0
October 31, 2004	4.50:1.0
January 31, 2005	4.50:1.0
April 30, 2005	4.50:1.0
Thereafter	4.50:1.0

SECTION 6.18. RESTRICTED PAYMENTS: REQUIRED DIVIDENDS. (a) Other than payments made in accordance with the terms of subsection (b) below, neither the US Borrower

nor any of its Subsidiaries will declare or make any Restricted Payment unless, after giving effect thereto, the aggregate of all Restricted Payments declared or made does not exceed the sum of (i) $20,000,000 plus (ii) 25% of the amount by which the consolidated Net Income of the US Borrower exceeds zero (or minus 100% of the amount by which the Consolidated Net Income of the US Borrower is less than zero) for the period from January 30, 1999 through the end of the US Borrower's then most recent fiscal quarter (treated for this purpose as a single accounting period).

(b) The US Borrower shall cause each Domestic Subsidiary (to the extent permitted under any applicable law, rule or regulation, judgment, injunction, order or decree of any governmental authority) to take all such necessary corporate actions to declare cash dividends, payable to the shareholder of such Subsidiary, in an aggregate amount, if any, equal to all amounts that are then due and owing and remain outstanding after the date of payment therefor pursuant to the terms of this Agreement.

SECTION 6.19. EQUITY OWNERSHIP: LIMITATION ON CREATION OF SUBSIDIARIES. Notwithstanding anything to the contrary contained in this Agreement, the US Borrower will not, and will not permit any of its Subsidiaries to, establish, create or acquire after the Restatement Effective Date any Subsidiary; PROVIDED that (A) the US Borrower and its Wholly-Owned Subsidiaries shall be permitted to establish or create Wholly-Owned Subsidiaries so long as, in each case, (i) at least 30 days' prior written notice thereof is given to the Administrative Agent (or such shorter period of time as is acceptable to the Administrative Agent), (ii) all of the capital stock of such new Subsidiary (or 65% of the outstanding capital stock of a Foreign Subsidiary) is promptly pledged pursuant to, and to the extent required by, this Agreement and the Pledge Agreement and the certificates, if any, representing such stock, together with stock powers duly executed in blank, are delivered to the Collateral Agent and (iii) such new Subsidiary (except, with respect to the Obligations of the US Borrower, a Foreign Subsidiary) promptly executes a counterpart to this Agreement in form and substance reasonably acceptable to the Administrative Agent to become a Guarantor pursuant to Article 10, and becomes a party to the Pledge Agreement and the Security Agreement (or similar documents satisfactory to the Administrative Agent) and (B) Subsidiaries may be acquired to the extent such acquisition does not give rise to a Default hereunder so long as (x) in each such case involving the acquisition of a Wholly-Owned Subsidiary, the actions specified in preceding clause (A) shall be taken and (y) in each such case involving the acquisition of a non Wholly-Owned Subsidiary, the stock of such Subsidiary held by the Credit Parties shall be pledged to the extent required by the Pledge Agreement. In addition, each new Subsidiary that is required to execute any Credit Document shall execute and deliver, or cause to be executed and delivered, all other relevant documentation of the type described in Section 3. 1 as such new Subsidiary would have had to deliver if such new Subsidiary were a Credit Party on the Initial Borrowing Date.

SECTION 6.20. CHANCE OF BUSINESS. The US Borrower will not, and will not permit any of its Subsidiaries to, materially alter the character of the business of the US Borrower and its Subsidiaries from that conducted on the Restatement Effective Date.

SECTION 6.21. LIMITATION ON ISSUANCE OF CAPITAL STOCK. (a) The US Borrower will not, and will not permit any of its Subsidiaries to, issue (i) any preferred stock or (ii) any common stock redeemable at the option of the holder thereof.

(b) The US Borrower will not permit any of its Subsidiaries to issue any capital stock (including by way of sales of treasury stock) or any options or warrants to purchase, or securities convertible into, capital stock except (i) for transfers and replacements of then outstanding shares of capital stock, (ii) for stock splits, stock dividends and issuances which do not decrease the percentage ownership of the US Borrower or any of its Subsidiaries in any class of the capital stock of such Subsidiary, (iii) to qualify directors to the extent required by applicable law and (iv) for issuances by newly created or acquired Subsidiaries in accordance with the terms of this Agreement.

SECTION 6.22. INVESTMENTS: RESTRICTED ACQUISITIONS. (a) The US Borrower shall not, and shall. not permit any Subsidiary to hold, make or acquire any Investment in any Person other than:

(i) Investments by the US Borrower or its Subsidiaries in Persons which are Domestic Subsidiaries on the Original Effective Date, PROVIDED that (x) in the case of any Investment in Foreign Subsidiaries of the US Borrower, such Investment shall not exceed 5% of Adjusted Consolidated Net Worth plus the amount invested on the Original Effective Date and (y) any Investments by the US Borrower in WFNB which are in the form of intercompany loans shall be made pursuant to and evidenced by the WFNB Note;

(ii) the Acquisitions;

(iii) Investments consistent with the investment policy attached hereto as Schedule II;

(iv) Investments currently held by WFNB to comply with the provisions of the Community Reinvestment Act as such Investments are set forth on Schedule III attached hereto;

(v) Investments consisting of credit card loans made by WFNB pursuant to the terms of any applicable credit card accounts owned by WFNB; and

(vi) any Investment not otherwise permitted by the foregoing clauses of this Section if, immediately after such Investment is made or acquired, the aggregate net book value of all Investments permitted by this clause (f) does not exceed 5% of Adjusted Consolidated Net Worth of the US Borrower.

(b) The US Borrower shall not, and shall not permit any of its Subsidiaries to, make (or agree to make, whether or not subject to conditions) any Restricted Acquisition prior to the Syndication Date. The US Borrower and its Subsidiaries may make Restricted Acquisitions after the Syndication Date so long as:

(i) the US Borrower and its Subsidiaries shall be in compliance with all provisions of this Agreement, including all financial covenants, both before and after giving effect thereto, with such financial covenants to be calculated on a PRO FORMA basis as if such Restricted Acquisition had been consummated on the first day of the then most recently ended period of four consecutive fiscal quarters and giving effect to (x) the actual historical financial performance (including EBITDA) of such acquired entity (y) identifiable cost savings associated with providing data processing services to such acquired entities; and

(ii) the total consideration paid (including equity issued and Debt assumed) in connection with any Restricted Acquisition of a Person which as a result thereof does not become a Wholly-Owned Subsidiary shall not exceed 10% of Adjusted Consolidated Net Worth.

SECTION 6.23. CONSOLIDATED CAPITAL EXPENDITURES. The US Borrower shall not, and shall not permit its Subsidiaries to make Consolidated Capital Expenditures in any fiscal year exceeding 50% of the US Borrower's previous fiscal year's Consolidated EBITDA.

SECTION 6.24. LIMITATION ON VOLUNTARY PAYMENTS AND MODIFICATIONS OF INDEBTEDNESS: MODIFICATIONS OF CERTAIN OTHER AGREEMENTS: ETC. The US Borrower will not, and will not permit any of its Subsidiaries to, (i) make (or give any notice in respect of) any voluntary or optional payment or prepayment on or redemption or acquisition for value of; or make any prepayment or redemption as a result of any asset sale, change of control or similar event of (including, in each case, without limitation, by way of depositing with the trustee with respect thereto or any other Person, money or securities before due for the purpose of paying when due) the Subordinated Note, the WCAS Subordinated Note or any Permitted Subordinated Debt or (ii) amend or modify or permit the amendment or modification of; any provision of the Equity Issuance Documents, the Subordinated Note (other than any amendments thereto made in accordance with Section 6.25), the WCAS Subordinated Note, the License Agreements or the WFNB Note.

SECTION 6.25. CONTINUING OBLIGATIONS. On or before December 31, 1998, the Subordinated Note Documents shall have either been amended to extend the maturity of the Subordinated Note to a date not earlier than 90 days after the Final Maturity Date or refinanced by the Welsh, Carson, Anderson & Stowe Partnerships on substantially the same terms as the existing Subordinated Note, except that such replacement note shall have a maturity not earlier than the date which is 90 days after the Final Maturity Date. If such refinancing of the Subordinated Note occurs, the replacement note shall become the Subordinated Note for all purposes hereunder.

SECTION 6.26. YEAR 2000 COMPLIANCE. Any reprogramming required to permit the proper functioning, in and following year 2000, of (i) the computer systems of the US Borrower and its Subsidiaries and (ii) equipment containing embedded microchips (including, to the knowledge of the US Borrower, systems and equipment supplied by others or with which the systems interface) and the testing of all such systems and equipment, as so reprogrammed, will be completed by June 30, 1999. The cost to the US Borrower and its Subsidiaries of such reprogramming and testing and of the reasonably foreseeable consequences of the Year 2000 Problem

to the US Borrower and its Subsidiaries (including, without limitation, reprogramming errors) will not result in a Default or a material adverse effect on the properties, assets, liabilities, condition (financial or otherwise) or prospects of the US Borrower and its Subsidiaries taken as a whole. Except for such of the reprogramming referred to above in this Section 6.26, the computer and management information systems of the US Borrower and its Subsidiaries are and, with ordinary course upgrading and maintenance, will continue to be sufficient to permit the US Borrower and its Subsidiaries to conduct its business as presently conducted for the term of this Agreement.

ARTICLE 7

DEFAULTS

SECTION 7. 1. EVENTS OF DEFAULT. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) either Borrower shall fail to pay when due any principal of any Loan or shall fail to pay within 3 Business Days from the date due any interest, any fees or any other amount payable hereunder;

(b) any Credit Party shall fail to observe or perform any covenant contained in Article 6 (other than those contained in Sections 6.1 through 6.3 inclusive, Section 6.5 or Section 6.6) or contained in subsection 3.02(d)(i) or (ii) of the Security Agreement (to the extent such provisions contain on-going obligations of the Credit Parties) or Section 12.01 of the Security Agreement;

(c) any Credit Party shall fail to observe or perform any covenant or agreement contained in this Agreement, the Pledge Agreements, the Security Agreement and the Canadian Security Documents (other than those covered by clause (a) or (b) above) for 30 days after notice thereof has been given to the applicable Credit Party by the Administrative Agent at the request of the Required Banks;

(d) any representation, warranty, certification or statement made by any Credit Party in any Credit Document or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(e) any Credit Party or any Subsidiary of any of them shall fail to make any payment in respect of any Material Financial Obligations when due or within any applicable grace period;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt of any Credit Party or any Subsidiary of a Credit Party or enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such Debt or any Person acting on such holder's behalf to accelerate the maturity thereof;

(g) any Credit Party or any Subsidiary of any of them shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of; or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against any Credit Party or any Subsidiary of any of them seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against any Credit Party or any Subsidiary of either of them under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of $5,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of; or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of $5,000,000;

(j) judgments or orders for the payment of money aggregating in excess of $5,000,000 shall be rendered against the US Borrower or any of its Subsidiaries and such judgments or orders shall continue unsatisfied and unstayed for a period of 30 days;

(k) a Change of Control shall occur;

(l) any Credit Party shall assert any claim that the security interest in the Collateral granted by such Credit Party to the Collateral Agent pursuant to the Security Agreement, the Canadian Security Documents or the Pledge Agreements is unenforceable, is other than first-priority or is otherwise invalid;

(m) any Guarantor shall revoke its guaranty provided for in Article 10 of this Agreement or assert that its guaranty provided for in Article 10 of this Agreement is unenforceable or otherwise invalid;

(n) at any time, the Collateral is transferred by either Borrower in violation of the terms of the Pledge Agreements, Security Agreement or the Canadian Security Documents;

(o) any License Agreement shall terminate or any arbitration or litigation shall be commenced in respect thereof (except that any litigation or arbitration commenced by a Person who is not a party to such License Agreement shall not result in an Event of Default hereunder unless such action is not stayed or dismissed within 60 days of the commencement thereof), or any party shall assert that any termination thereof; or any party to any License Agreement shall default in any of its obligations thereunder beyond the period of grace (if any) therein provided;

then, and in every such event, the Administrative Agent shall (i) if requested by Banks having more than 50% in aggregate amount of the Commitments, by notice to the Borrowers terminate the Commitments and they shall thereupon terminate, (ii) if requested by Banks holding more than 50% of the aggregate principal amount of the Loans, by notice to the Borrowers declare the Loans (together with accrued interest thereon and any commitment fee) to be, and the Loans shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers; PROVIDED, that in the case of any of the Events of Default specified in clause 7.1(g) or 7.1(h) above with respect to the Borrowers, without any notice to the Borrowers or any other act by the Administrative Agent or the Banks, the Commitments shall thereupon terminate and the Loans (together with accrued interest thereon and any commitment fee) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers and (iii) if requested by the Required Banks enforce, as Collateral Agent, any or all of the Liens and security interests created pursuant to the Security Documents; (x) terminate any Letter of Credit which may be terminated in accordance with its terms; (y) direct the US Borrower to pay (and the US Borrower hereby agrees upon receipt of such notice, or upon the occurrence of any Event of Default specified in clauses 7.1(g) and 7.1(h) in respect of the US Borrower, it will pay) to the Collateral Agent at the Payment Office such additional amounts of cash, to be held as security for the US Borrower's reimbursement obligations in respect of Letters of Credit then outstanding equal to the aggregate Stated Amount of all Letters of Credit then outstanding; and (z) apply any cash collateral held pursuant to this Agreement to repay the Obligations.

SECTION 7.2. NOTICE OF DEFAULT. (a) Promptly upon becoming aware that any Default exists, the Borrowers shall provide notice thereof to the Administrative Agent and each of the Banks stating the nature of the Default, setting forth the details thereof and the action which the respective Borrower is taking or proposes to take with respect thereto.

(b) The Administrative Agent shall give notice to the Borrowers under Section 7.1(c) promptly upon being requested to do so by the Banks and shall thereupon notify all the Banks thereof.

ARTICLE 8

THE AGENT

SECTION 8. 1. APPOINTMENT AND AUTHORIZATION. (a) Each Bank irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to the Administrative Agent by the terms hereof or thereof; together with all such powers as are reasonably incidental thereto. For greater certainty, and without limiting the powers of the Administrative Agent hereunder or under any of the Security Documents, the Borrowers hereby acknowledge that the Administrative Agent shall, for purposes of holding any security granted by the Borrowers on the Borrowers' property pursuant to the laws of the Province of Quebec, the holder of an irrevocable power of attorney (within the meaning of the Civil Code of Quebec) for all present and future Banks. Each of the Banks hereby irrevocably constitutes, to the extent necessary, the Administrative Agent, in its capacity as Collateral Agent, as the holder of an irrevocable power of attorney (within the meaning of Article 2692 of the Civil Code of Quebec) in order to hold security granted by the Borrowers in the Province of Quebec. Any assignee shall be deemed to have confirmed and ratified the constitution of the Administrative Agent as the holder of such irrevocable power of attorney by execution of the relevant assignment and assumption agreement substantially in the form of Exhibit B. Notwithstanding the provisions of Section 32 of the Special Corporate Powers Act (Quebec), the Administrative Agent may acquire and be the holder of any debenture issued by a Borrower as contemplated under any of the Security Documents at any time and from time to time. The Borrowers hereby acknowledge that any such debenture constitutes a title of indebtedness, as such term is used in Article 2692 of the Civil Code of Quebec.

SECTION 8.2. ADMINISTRATIVE AGENT AND AFFILIATES. Morgan Guaranty Trust Company of New York shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the Administrative Agent, and Morgan Guaranty Trust Company of New York and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Borrowers or any Subsidiary or affiliate of the respective Borrower as if it were not the Administrative Agent.

SECTION 8.3. ACTION BY ADMINISTRATIVE AGENT. The obligations of the Administrative Agent hereunder are only those expressly set forth herein. Without limiting the

generality of the foregoing, the Administrative Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article 7.

SECTION 8.4. CONSULTATION WITH EXPERTS. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrowers and/or any Guarantor), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 8.5. LIABILITY OF ADMINISTRATIVE AGENT. Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks (or, when expressly required hereby, such different number of Banks required to consent to or request such action or inaction) or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Administrative Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any Borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Borrowers or any Guarantor; (iii) the satisfaction of any condition specified in Article 3, except receipt of items required to be delivered to the Administrative Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Administrative Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, facsimile transmission or similar writing) believed by it to be genuine or to be signed by the proper party or parties. Without limiting the generality of the foregoing, the use of the term "agent" in this Agreement with reference to the Administrative Agent is not intended to connote any fiduciary or other implied (or express) obligations arising under agency doctrine of any applicable law. Instead, such term is used merely as a matter of market custom and is intended to create or reflect only an administrative relationship between independent contracting parties.

SECTION 8.6. INDEMNIFICATION. Each Bank shall, ratably in accordance with its Commitment, indemnify the Administrative Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Borrowers) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnities, gross negligence or willful misconduct) that such indemnities may suffer or incur in connection with this Agreement or any action taken or omitted by such indemnities hereunder.

SECTION 8.7. CREDIT DECISION. Each Bank acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

SECTION 8.8. SUCCESSOR ADMINISTRATIVE AGENT. The Administrative Agent may resign at any time by giving notice thereof to the Banks and the Borrower. Upon any such resignation, the Required Banks shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Banks, appoint a successor Administrative Agent, which shall be a commercial bank organized or Licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least $100,000,000. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

ARTICLE 9

CHANGE IN CIRCUMSTANCES

SECTION 9. 1. BASIS FOR DETERMINING: INTEREST RATE INACCURATE OR UNFAIR. If on, or prior to, the first day of any Interest Period for a Euro-Dollar Loan:

(a) the Administrative Agent determines that deposits in dollars (in the applicable amounts) are not being offered to the Administrative Agent in the Euro-Dollar market for such Interest Period, or

(b) in the case of Euro-Dollar Loans, Banks having 50% or more of the aggregate principal amount of the affected Loans advise the Administrative Agent that the London Interbank Offered Rate, as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Banks of funding their Euro-Dollar Loans for such Interest Period,

the Administrative Agent shall forthwith give notice thereof to the Borrowers and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Banks to make Euro-Dollar Loans or to continue or convert outstanding Loans as or into Euro-Dollar Loans shall be suspended and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Should either of the events set forth in subclause (a) or (b) above occur, unless the Borrowers notify the Administrative Agent at least two Domestic Business Days before the date of any Fixed Rate Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Base Rate Borrowing.

SECTION 9.2. ILLEGALITY. If; on or after the Restatement Effective Date, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof; or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central Bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Borrowers, whereupon until such Bank notifies the Borrowers and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such notice is given, each Euro-Dollar Loan of such Bank then outstanding shall be converted to a Base Rate Loan either (a) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Bank may lawfully continue to maintain and fund such Loan to such day or (b) immediately if such Bank shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

SECTION 9.3. INCREASED COST AND REDUCED RETURN. (a) If on or after the Restatement Effective Date, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof; or compliance by any Bank (or its Applicable Lending office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan any such requirement with respect to which such Bank is entitled to compensation during the relevant Interest Period under Section 2. 15), special deposit, insurance assessment or similar requirement against assets of; deposits with or for the account of; or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or the London interbank market any other condition affecting its Loans, its Note or its obligation to make Loans and the result of any of the foregoing his to increase the cost to such Bank (or its Applicable Lending office) of making or maintaining any Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending office) under this Agreement or under its Note with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Borrowers shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that after the Restatement Effective Date, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration

thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Administrative Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction.

(c) Each Bank will promptly notify the Borrowers and the Administrative Agent of any event of which it has knowledge, occurring after the Restatement Effective Date, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of; such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

SECTION 9.4. TAXES. (a) For the purposes of this Section 9.4, the following terms have the following meanings:

"Taxes" means any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings with respect to any payment by a Borrower or the applicable Guarantor, as the case may be, pursuant to this Agreement or under any Note, and all liabilities with respect thereto, EXCLUDING (i) in the case of each Bank and the Administrative Agent, taxes imposed on its income, and franchise or similar taxes imposed on it, by a jurisdiction under the laws of which such Bank or the Administrative Agent (as the case may be) is organized or in which its principal executive office is located or, in the case of each Bank, in which its Applicable Lending Office is located and (ii) in the case of each Bank, any United States withholding tax imposed on such payments but only to the extent that such Bank is subject to United States withholding tax at the time such Bank first becomes a party to this Agreement.

"Other Taxes" means any present or future stamp or documentary taxes and any other excise or property taxes, or similar charges or levies, which arise from any payment made pursuant to this Agreement or under any Note or from the execution or delivery of; or otherwise with respect to, this Agreement or any Note.

(b) Any and all payments by a Borrower or the applicable Guarantor, as the case may be, to or for the account of any Bank or the Administrative Agent hereunder or under any Note shall be made without deduction for any Taxes or Other Taxes; PROVIDED, that, if a Borrower or the applicable Guarantor, as the case may be, shall be required by law to deduct any Taxes or Other Taxes from any such payments (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums

payable under this Section) such Bank or the Administrative Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower or the applicable Guarantor, as the case may be, shall make such deductions, (iii) such Borrower or the applicable Guarantor, as the case may be, shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) such Borrower or the applicable Guarantor, as the case may be, shall furnish to the Administrative Agent, at its address referred to in Section 11.1, the original or a certified copy of a receipt evidencing payment thereof.

(c) The Borrowers agree to indemnify each Bank and the Administrative Agent for the full amount of Taxes or other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by such Bank or the Administrative Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be paid within 15 days after such Bank or the Administrative Agent (as the case may be) makes demand therefor.

(d) Each Bank organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank listed on the signature pages hereof and on or prior to the date on which it becomes a Bank in the case of each other Bank, and from time to time thereafter if requested in writing by a Borrower (but only so long as such Bank remains lawfully able to do so), shall provide such Borrower and the Administrative Agent with Internal Revenue Service form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank is entitled to benefits under an income tax treaty to which the United States is a party which exempts the Bank from United States withholding tax or reduces the rate of withholding tax on payments of interest for the account of such Bank or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States.

(e) For any period with respect to which a Bank has failed to provide a Borrower or the Administrative Agent with the appropriate form pursuant to Section 9.4(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which such form originally was required to be provided), such Bank shall not be entitled to indemnification under Section 9.4(b) or (c) with respect to Taxes imposed by the United States; PROVIDED that if a Bank, which is otherwise exempt from or subject to a reduced rate of withholding tax, becomes subject to Taxes because of its failure to deliver a form required hereunder, the Borrowers shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(f) If a Borrower is required to pay additional amounts to or for the account of any Bank pursuant to this Section, then such Bank will change the jurisdiction of its Applicable Lending office if; in the judgment of such Bank, such change (i) will eliminate or reduce any such additional payment which may thereafter accrue and (ii) is not otherwise disadvantageous to such Bank.

SECTION 9.5. BASE RATE LOANS SUBSTITUTED FOR AFFECTED FIXED RATE LOANS. If (i) the obligation of any Bank to make, or convert outstanding Loans to, Euro.Dollar Loans has been suspended pursuant to Section 9.2 or (ii) any Bank has demanded compensation under Section 9.3 or 9.4 with respect to its Euro-Dollar Loans and a Borrower shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Administrative Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies such Borrower that the circumstances giving rise to such suspension or demand for compensation no longer exist:

(a) all Loans which would otherwise be made by such Bank as (or continued as or converted into) Euro-Dollar Loans shall instead be Base Rate Loans (on which interest and principal shall be payable contemporaneously with the related Fixed Rate Loans of the other Banks); and

(b) after each of its Euro-Dollar Loans has been repaid (or converted to a Base Rate Loan), all payments of principal which would otherwise be applied to repay such Fixed Rate Loans shall be applied to repay its Base Rate Loans instead.

If such Bank notifies a Borrower that the circumstances giving rise to such notice no longer apply, the principal amount of each such Base Rate Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans of the other Banks.

ARTICLE 10

PERFORMANCE AND PAYMENT GUARANTY

SECTION 10.1. UNCONDITIONAL AND IRREVOCABLE GUARANTY. (a) The Guarantors hereby jointly and severally, unconditionally and irrevocably undertake and agree with and for the benefit of the Administrative Agent and the Banks and each of their respective permitted assignees (collectively, the "Beneficiaries") to cause the due payment, performance and observance by the Borrowers and their assigns of all of the Obligations, terms, covenants, conditions, agreements and undertakings on the part of the Borrowers, to be paid, performed or observed under any Credit Document in accordance with the terms thereof including, without limitation, any agreement of a Borrower to pay any amounts due with respect to the Loans, under this Agreement or any other amounts due and owing under any Credit Document (all such Obligations, terms, covenants, conditions, agreements and undertakings on the part of the Borrowers to be paid, performed or observed by the Borrowers being collectively called the "Guaranteed Obligations" provided that with respect to any Foreign Subsidiary, "Guaranteed Obligations" shall not be deemed to include any obligations of the US Borrower). In the event that the Borrowers shall fail in any manner whatsoever to pay, perform or observe any of the Guaranteed Obligations when the same shall be required to be paid, performed or observed under such Credit Document (after giving effect to any cure period), then each of the Guarantors (provided that it is expressly understood that no Foreign Subsidiary shall be deemed to be a

Guarantor in respect of the Obligations of the US Borrower) will itself jointly and severally duly pay, perform or observe, or cause to be duly paid, performed or observed, such Guaranteed Obligation, and it shall not be a condition to the accrual of the obligation of any Guarantor hereunder to pay, perform or observe any Guaranteed Obligation (or to cause the same to be paid, performed or observed) that the Administrative Agent, the Banks or any of their permitted assignees shall have first made any request of or demand upon or given any notice to any Guarantor or to the Borrower or its successors or assigns, or have instituted any action or proceeding against any Guarantor or the Borrower or its successors or assigns in respect thereof Notwithstanding anything to the contrary contained in this Section 10. 1 the obligations of the respective Guarantors hereunder in respect of the Borrowers are expressly limited to the Guaranteed Obligations.

(b) IRREVOCABILITY. The Guarantors each agree that its obligations under this Agreement shall be joint and several and irrevocable. In the event that under applicable law (notwithstanding the Guarantors' agreement regarding the joint and several and irrevocable nature of its obligations hereunder) any Guarantor shall have the right to revoke its guaranty under this Agreement, this Agreement shall continue in full force and effect as to such Guarantor until a written revocation hereof specifically referring hereto, signed by such Guarantor, is actually received by the Administrative Agent, delivered as provided in Section 11. 1 hereof Any such revocation shall not affect the right of the Administrative Agent or any other Beneficiary to enforce their respective rights under this Agreement with respect to (i) any Guaranteed Obligation (including any Guaranteed Obligation that is contingent or unmatured) which arose on or prior to the date the aforementioned revocation was received by the Administrative Agent, (ii) any Assigned Collateral in which a security interest was acquired by the Administrative Agent or its permitted assignees on or prior to the date the aforementioned revocation was received by the Administrative Agent or (iii) any other Guarantor. If the Administrative Agent, or its permitted assignees takes any action in reliance on this Agreement after any such revocation by a Guarantor but prior to the receipt by the Administrative Agent of said written notice, the rights of the Administrative Agent, any other Beneficiary or such permitted assignee with respect thereto shall be the same as if such revocation had not occurred.

SECTION 10.2. ENFORCEMENT. The Administrative Agent and its permitted assignees may proceed to enforce the obligations of the Guarantors under this Agreement without first pursuing or exhausting any right or remedy which the Administrative Agent or its permitted assignees may have against the respective Borrower, any other Person or the Assigned Collateral.

SECTION 10.3. OBLIGATIONS ABSOLUTE. To the extent permitted by law, the applicable Guarantor will perform its obligations under this Agreement regardless of any law now or hereafter in effect in any jurisdiction affecting any of the terms of this Agreement or any document delivered in connection with this Agreement or the rights of the Administrative Agent or its permitted assignees with respect thereto. The obligations of each Guarantor under this Agreement shall be absolute and unconditional irrespective of;

(a) any lack of validity or enforceability or the discharge or disaffirmance (by any Person, including a trustee in bankruptcy) of the Guaranteed Obligations, the Loans,

any Credit Document or any Assigned Collateral or any document, or any other agreement or instrument relating thereto;

(b) any exchange, release or non-perfection of any Assigned Collateral or any release or amendment or waiver of or consent to departure from any other guaranty, for all or any of the Guaranteed Obligations;

(c) any failure to obtain any authorization or approval from or other action by, or to notify or file with, any governmental authority or regulatory body required in connection with the performance of such obligations by the Borrowers or any Guarantor; or

(d) any impossibility or impracticality of performance, illegality, force majeure, any act of any government or any other circumstance which might constitute a legal or equitable defense available to, or a discharge of, a Borrower or any Guarantor, or any other circumstance, event or happening whatsoever, whether foreseen or unforeseen and whether similar or dissimilar to anything referred to above in this Section 10.3.

Each Guarantor further agrees that its obligations under this Agreement shall not be limited by any valuation or estimation made in connection with any proceedings involving a Borrower or any Guarantor filed under the Bankruptcy Code of 1978, as amended (the "Bankruptcy Code"), whether pursuant to Section 502 of the Bankruptcy Code or any other Section thereof Each Guarantor further agrees that the Administrative Agent shall be under no obligation to marshall any assets in favor of or against or in payment of any or all of the Guaranteed Obligations. Each Guarantor further agrees that, to the extent that a payment or payments are made by or on behalf of a Borrower to the Administrative Agent, which payment or payments or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to such Borrower, the estate, trustee, receiver or any other party relating to such Borrower, including, without limitation, any Guarantor, under any bankruptcy law, state or federal law, common law or equitable cause then, to the extent of such payment or repayment, the Guaranteed Obligations or part thereof which had been paid, reduced or satisfied by such amount shall be reinstated and continued in full force and effect as of the date such initial payment, reduction or satisfaction occurred. The obligations of any Guarantor under this Agreement shall not be discharged except by performance as provided herein.

SECTION 10.4. WAIVER. Each Guarantor hereby waives promptness, diligence, notice of acceptance and any other notice with respect to any of the Guaranteed Obligations and any Credit Document and any requirement that the Administrative Agent or its permitted assignees exhaust any right or take any action against a Borrower, any other Person or any Assigned Collateral.

SECTION 10.5. SUBROGATION. No Guarantor will exercise or assert any rights which it may acquire by way of subrogation under this Agreement unless and until all of the Guaranteed Obligations shall have been paid and performed in full. If any payment shall be made to any Guarantor on account of any subrogation rights at any time when all of the Guaranteed Obligations shall not have been paid and performed in full each and every amount so paid will be

held in trust for the benefit of the Beneficiaries and forthwith be paid to the appropriate Beneficiary in accordance with this Agreement and the appropriate Credit Document, to be credited and applied to the Guaranteed Obligations to the extent then unsatisfied, in accordance with the terms of this Agreement or any document delivered in connection with this Agreement, as the case may be. In the event (i) the Guarantors shall have satisfied any of the Guaranteed Obligations and (ii) all of the Guaranteed Obligations shall have been paid and performed in full, the Administrative Agent will, at the Guarantors' request and expense, execute and deliver to the Guarantors appropriate documents, without recourse and without representation or warranty of any kind, necessary to evidence or confirm the transfer by way of subrogation to the Guarantors of the rights of the Beneficiaries or any permitted assignee, as the case may be, with respect to the Guaranteed Obligations to which the Guarantors shall have become entitled by way of subrogation, and thereafter the Beneficiaries and their respective permitted assignees shall have no responsibility to the Guarantors or any other person with respect thereof.

SECTION 10.6. SURVIVAL. All covenants made by the Guarantors herein shall be considered to have been relied upon by the Administrative Agent and the Banks and shall survive regardless of any investigation made by the Administrative Agent or any Bank or on the Administrative Agent's behalf.

SECTION 10.7. GUARANTORS' CONSENT TO ASSIGNS. Each Bank may assign or participate out all or any portion of its Commitment or the Loans in accordance with Section 11.6 of this Agreement, and each Guarantor agrees to recognize any such Assignee or participant as a successor and assignee of such Bank hereunder, with all rights of such Bank hereunder.

SECTION 10.8. CONTINUING AGREEMENT. Article 10 under this Agreement is a continuing agreement and shall remain in full force and effect until all of the Borrowers' Obligations have been satisfied in full.

ARTICLE 11

MISCELLANEOUS

SECTION 11.1. NOTICES. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, facsimile transmission or similar writing) and shall be given to such party: (a) in the case of a Credit Party or the Administrative Agent, at its address or facsimile number set forth on the signature pages hereof; (b) in the case of any Bank, at its address or facsimile number set forth on the signature pages hereof or (c) in the case of any party, such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrowers. Each such notice, request or other communication shall be effective (i) if given by facsimile transmission, when transmitted to the facsimile number specified in this Section and confirmation of receipt is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; PROVIDED that notices to the Administrative Agent under Article 2 or Article 9 shall not be effective until received.

SECTION 11.2. NO WAIVERS. No failure or delay by the Administrative Agent or any Bank in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 11.3. EXPENSES: INDEMNIFICATION. (a) The Borrowers shall pay (i) all out-of-pocket expenses of the Administrative Agent, including fees and disbursements of White & Case LLP, special counsel for the Administrative Agent, in connection with the preparation and administration of this Agreement and the other Credit Documents, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Administrative Agent and each Bank including (without duplication) the fees and disbursements of outside counsel and the allocated cost of inside counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Borrowers agree to indemnify the Administrative Agent and each Bank, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "Indemnitee") and hold each Indemnitee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnitee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnitee shall be designated a party thereto) brought or threatened relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; PROVIDED, that no Indemnitee shall have the right to be indemnified hereunder for such Indemnitee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction.

SECTION 11.4. SHARING: OF SET-OFFS. Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Notes held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes held by the Banks shall be shared by the Banks in accordance with the provisions of Section 2.12(B); PROVIDED, that nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of a Borrower other than its indebtedness hereunder. Each Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of such Borrower in the amount of such participation.

SECTION 11.5. AMENDMENT OR WAIVER: ETC. Neither this Agreement nor any other Credit Document nor any terms hereof or thereof may be changed, waived, discharged or

terminated unless such change, waiver, discharge or termination is in writing signed by the respective Credit Parties party thereto and the Required Banks, PROVIDED that no such change, waiver, discharge or termination shall, without the consent of each Bank (with Obligations being directly affected in the case of following clause (i) and (ii)), (i) extend the final scheduled maturity of any Loan or Note, or reduce the rate of interest or fees or extend the time of payment of interest or fees, or reduce the principal amount thereof (except to the extent repaid in cash) (provided that any amendment or modification to the financial definitions in this Agreement or to Section 2. 14 shall not constitute a reduction in the rate of interest or any fees for purposes of this clause (i)), (ii) release all or substantially all of the Collateral, (iii) release a Guarantor from its Guaranty of the Obligations of the Borrowers (except in connection with the sale of a Subsidiary which is a Guarantor in accordance with the terms of this Agreement), (iv) amend, modify or waive any provision of this Section 11.5, (v) reduce the percentage specified in the definition of Required Banks (it being understood that, with the consent of the Required Banks, additional extensions of credit pursuant to this Agreement may be included in the determination of the Required Banks on substantially the same basis as the extensions of Term Loans and Revolving Loan Commitments are included on the Restatement Effective Date) or (vi) consent to the assignment or transfer by a Borrower of any of its rights and obligations under this Agreement; PROVIDED FURTHER, that no such change, waiver, discharge or termination shall (u) without the consent of each Letter of Credit Issuer amend, modify or waive any provision of Article 2A or alter its rights or obligations with respect to Letters of Credit, (v) increase the Commitments of any Bank over the amount thereof then in effect without the consent of such Bank (it being understood that waivers or modifications of conditions precedent, covenants, Defaults or of a mandatory reduction in the Total Commitments shall not constitute an increase of the Commitment of any Bank, and that an increase in the available portion of any Commitment of any Bank shall not constitute an increase of the Commitment of such Bank), (w) without the consent of the Administrative Agent, amend, modify or waive any provision of Article 8 or any other provision as same relates to the rights or obligations of the Administrative Agent, (x) without the consent of the Collateral Agent, amend, modify or waive any provision relating to the rights or obligations of the Collateral Agent, (y) without the consent of the Majority Banks of each Tranche which is being allocated a lesser prepayment, repayment or commitment reduction as a result of the actions described below (or without the consent of the Majority Banks of each Tranche in the case of an amendment to the definition of Majority Banks), amend the definition of Majority Banks (provided that, with the consent of the Required Banks, additional extensions of credit pursuant to this Agreement may be included in the determination of the Majority Banks on substantially the same basis as the extensions of Term Loans and Revolving Loan Commitments are included on the Restatement Effective Date) or alter the required application of any prepayments or repayments (or commitment reductions), as between the various Tranches, pursuant to Section 2.12(B) (although the Required Banks may waive, in whole or in part, any such prepayment, repayment or commitment reduction, so long as the application, as amongst the various Tranches, of any such prepayment, repayment or commitment reduction which is still required to be made is not altered) or (z) without the consent of the Supermajority Banks of the respective Tranche, reduce the amount of; or extend the date of; any Scheduled Repayment or without the consent of the Supermajority Banks of each Tranche, amend the definition of Supermajority Banks (it being understood that, with the consent of the Required Banks, additional extensions of credit pursuant to this Agreement may be included in the determination of the Supermajority Banks on

substantially the same basis as the extensions of Term Loans and Revolving Loan Commitments are included on the Restatement Effective Date).

SECTION 11.6. SUCCESSORS AND ASSIGNS. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that neither the Borrowers nor any Guarantor may assign or otherwise transfer any of their respective rights under this Agreement without the prior written consent of all Banks.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Loans. In the event of any such Want by a Bank of a participating interest to a Participant, whether or not upon notice, to the respective Borrower and the Administrative Agent, such Bank shall remain responsible for the performance of its obligations hereunder, and the Borrowers and the Administrative Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Borrowers hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement except to the extent such amendment or waiver would (i) extend the final scheduled maturity of any Loan or Note in which such participant is participating, or reduce the rate or extend the time of payment of interest, or fees thereon (except in connection with a waiver of applicability of any post-default increase in interest rates) or reduce the principal amount thereof; or increase the amount of the participant's participation over the amount thereof then in effect (it being understood that a waiver of any Default or of a mandatory reduction in the Total Commitment, shall not constitute a change in the terms of such participation, and that an increase in any Commitment or Loan shall be permitted without the consent of any participant if the participant's participation is not increased as a result thereof), (ii) consent to the assignment or transfer by the respective Borrower of any of its rights and obligations under this Agreement or (iii) release all or substantially all of the Collateral under the Security Documents (except as expressly provided in the Credit Documents). In the case of any such participation, the participant shall not have any rights under this Agreement or any of the other Credit Documents (the participant's rights against such Bank in respect of such participation to be those set forth in the agreement executed by such Bank in favor of the participant relating thereto) and all amounts payable by the Borrowers hereunder shall be determined as if such Bank had not sold such participation. The Borrowers agree that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article 9 with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank (or any Bank together with one or more other Banks) may (A) assign all or a portion of its Commitments and related outstanding Obligations hereunder to (i) its parent company and/or any affiliate of such Bank which is at least 50% owned by such Bank or its parent company, (ii) to one or more Banks or (iii) in the case of a Bank that is a fund that invests in bank loans, any other fund that invests in bank loans and is managed or advised by the same

investment advisor of such Bank or by an Affiliate of such investment advisor or (B) assign all, or if less than all, a portion equal to at least $5,000,000 in the aggregate for the assigning Bank or assigning Banks, of such Commitments and related outstanding Obligations hereunder to one or more Eligible Transferees, each of which assignees shall become a party to this Agreement as a Bank by execution of an Assignment and Assumption Agreement, PROVIDED that, (i) at such time Schedule I shall be deemed modified to reflect the Commitments (or outstanding Term Loans, as the case may be) of such new Bank and of the existing Banks, (ii) upon the surrender of the relevant Notes by the assigning Bank (or, upon such assigning Bank's indemnifying the Borrower for any lost Note pursuant to a customary indemnification agreement) new Notes will be issued, at the respective Borrower's expense, to such new Bank and to the assigning Bank upon the request of such new Bank or assigning Bank, such new Notes to be in conformity with the requirements of Section 2.4 (with appropriate modifications) to the extent needed to reflect the revised Commitments (or outstanding Term Loans, as the case may be), (iii) the consent of the Administrative Agent shall be required in connection with any assignment to an Eligible Transferee pursuant to clause (B) above (which consent shall not be unreasonably withheld or delayed), (iv) so long as no Default or Event of Default exists, the consent of the respective Borrower shall be required in connection with any assignment to an Eligible Transferee pursuant to clause (B) above (which consent shall not be unreasonably withheld or delayed, (v) the Administrative Agent shall receive at the time of each such assignment, from the assigning or assignee Bank, the payment of a non-refundable assignment fee of $3,500, which fee shall not be subject to reimbursement from the respective Borrower and (vi) no such transfer or assignment will be effective until recorded by the Administrative Agent. To the extent of any assignment pursuant to this Section 13.04(b), the assigning Bank shall be relieved of its obligations hereunder with respect to its assigned Commitments. At the time of each assignment pursuant to this Section 11.6(c) to a Person which is not already a Bank hereunder and which is not a United States person (as such term is defined in Section 7701(a)(30) of the Code) for Federal income tax purposes, the respective assignee Bank shall, to the extent legally entitled to do so, provide to the respective Borrower the appropriate Internal Revenue Service forms described in Section 9.4(b).

(d) Any Bank may at any time assign all or any portion of its rights under this Agreement and its Note to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

(e) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 9.3 or 9.4 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made (i) with the respective Borrower's prior written consent or (ii) by reason of the provisions of Section 9.2, 9.3 or 9.4 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or (iii) at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 11.7. COLLATERAL. Each of the Banks represents to the Administrative Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided for in this Agreement.

SECTION 11.8. GOVERNING: LAW: SUBMISSION TO JURISDICTION: JUDGMENT CURRENCY. (a) THIS AGREEMENT AND EACH NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK. The Borrowers hereby submit to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby. The Borrowers irrevocably waive, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

(b) (i) If; for the purposes of obtaining judgment in any court, it is necessary to convert a sum due to a Bank in any currency (the "Original Currency") into another currency (the "Other Currency"), the parties agree, to the fullest extent that they may effectively do so, that the rate of exchange used shall be that at which, in accordance with normal banking procedures, such Bank could purchase the Original Currency with the Other Currency on the Domestic Business Day preceding the day on which final judgment is given or, if permitted by applicable law, on the day on which the judgment is paid or satisfied.

(ii) The obligations of the Borrowers in respect of any sum due in the Original Currency from it to the Banks under any of the Credit documents shall, notwithstanding any judgment in any Other Currency, be discharged only to the extent that on the Domestic Business Day following receipt by the Banks of any sum adjudged to be so due in the Other Currency, the Banks may, in accordance with normal banking procedures, purchase the Original Currency with such Other Currency. If the amount of the Original Currency so purchased is less than the sum originally due to the Banks in the Original Currency, the Borrowers agree, as a separate obligation and notwithstanding the judgment, to indemnify the Banks against any loss, and, if the amount of the Original Currency so purchased exceeds the sum originally due to the Banks in the Original Currency, the Banks shall remit such excess to the respective Borrower.

SECTION 11.9. COUNTERPARTS: INTEGRATION: EFFECTIVENESS. 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. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective upon receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, facsimile or other written confirmation from such party of execution of a counterpart hereof by such party) and each of the other conditions specified in Section 3. 1 have been satisfied.

SECTION 11.10. WAIVER OF JURY TRIAL. EACH OF THE BORROWERS, THE AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR

RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

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

ALLIANCE DATA SYSTEMS CORPORATION,
as a Borrower and Guarantor

By /s/ Edward K. Mims

Title: Executive Vice President &
Chief Financial Officer
Address: 17655 Waterview Parkway,
Dallas, TX 75252
Telephone: (972) 348-5135
Facsimile: (972) 348-5330

LOYALTY MANAGEMENT GROUP CANADA INC.,
as a Borrower

By /s/ Carolyn S. Melvin

Title: Secretary
Address: 800 TechCenter Drive,
Gahanna, OH 43230
Telephone: (614) 729-4900
Facsimile: (614)729-4949

ADS ALLIANCE DATA SYSTEMS, INC.
as a Guarantor

By /s/ Edward K. Mims

Title: Executive Vice President &
Chief Financial Officer
Address: 17655 Waterview Parkway,
Dallas, TX 75252
Telephone: (972) 348-5135
Facsimile: (972) 348-5330

HARMONIC SYSTEMS INCORPORATED,
as a Guarantor

By /s/ Edward K. Mims

Title: Chief Financial Officer
Address: 17655 Waterview Parkway,
Dallas, TX 75252
Telephone: (972) 348-5135
Facsimile: (972) 348-5330

HARMONIC TECHNOLOGY LICENSING, INC.,
as a Guarantor

By /s/ Edward K. Mims

Title: Chief Financial Officer
Address: 17655 Waterview Parkway,
Dallas, TX 75252
Telephone: (972) 348-5135
Facsimile: (972) 348-5330

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, Individually and as Administrative Agent

By /s/ David Koran

Title: Vice President
Address: 60 Wall Street
New York, NY 10260
Telephone: (212) 648-7679
Facsimile: (212) 648-5005

Domestic Lending Office
60 Wall Street
New York, NY 10260

Euro-Dollar Lending Office
60 Wall Street
New York, NY 10260

EXECUTION COPY

WORLD FINANCIAL NETWORK NATIONAL BANK,
Transferor and Servicer

and

THE BANK OF NEW YORK,
Trustee

WORLD FINANCIAL NETWORK CREDIT CARD MASTER TRUST III
POOLING AND SERVICING AGREEMENT

Dated as of January 30, 1998

TABLE OF CONTENTS

EXHIBITS

POOLING AND SERVICING AGREEMENT, dated as of January 30, 1998 between WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association ("WFN"), as Transferor and as Servicer, and THE BANK OF NEW YORK, a New York banking corporation, as Trustee.

In consideration of the mutual agreements herein contained, each party agrees as follows for the benefit of the other parties, the Holders and any Enhancement Provider to the extent provided herein and in any Supplement:

ARTICLE I DEFINITIONS

SECTION I.1. DEFINITIONS. When used in this Agreement, the following words and phrases have the following meanings. The definitions of such terms are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

"ACCOUNT" means each Initial Account, each Automatic Additional Account and each Supplemental Account, but excludes any Account all the Receivables in which are either reassigned or assigned to Transferor or its designee or Servicer in accordance with this Agreement and any inactive Accounts which in accordance with the Credit Card Guidelines have been removed from the computer records of the Credit Card Originator. The term "Account" includes each account into which an Account is transferred (a "TRANSFERRED ACCOUNT") so long as (a) such transfer is made in accordance with the Credit Card Guidelines and (b) such Transferred Account can be traced or identified, by reference to or by way of the Account Schedule delivered to Trustee pursuant to SECTION 2.1 or 2.8(d), as an account into which an Account has been transferred. The term "Account" includes an Automatic Additional Account or a Supplemental Account only from and after its Addition Date and includes any Removed Account only prior to its Removal Date.

"ACCOUNT SCHEDULE" means a computer file or microfiche list containing a true and complete list of Accounts, identified by account number and setting forth the Receivable balance as of (a) the Trust Cut Off Date (for the Account Schedule delivered on the Initial Closing Date), (b) the end of the related Monthly Period (for any Account Schedule relating to Automatic Additional Accounts) or (c) the related Addition Cut Off Date (for any Account Schedule delivered in connection with any designation of Supplemental Accounts).

"ACQUIRED PORTFOLIO RECEIVABLE" means any receivable acquired by Transferor from an Other Originator in connection with Transferor's acquisition of a portfolio of revolving credit card accounts from such Other Originator (prior to the transfer of such receivable to the Trust pursuant to this Agreement).

"ADDITION" means the designation of additional Eligible Accounts to be included as Accounts pursuant to SECTION 2.8(a), (b) or (c) or of Participation Interests to be included as Trust Assets pursuant to SECTION 2.8(b) or (c), as applicable.

"ADDITION CUT OFF DATE" means the date as of which any Supplemental Accounts or Participation Interests are designated for inclusion in the Trust, as specified in the related Assignment.

"ADDITION DATE" means (a) as to Supplemental Accounts, the date on which the Receivables in such Supplemental Accounts are conveyed to the Trust pursuant to SECTION 2.8(b) or (c), as applicable, (b) as to Automatic Additional Accounts, the date on which such accounts are created or otherwise become Automatic Additional Accounts and (c) as to Participation Interests, the date from and after which such Participation Interests are to be included as Trust Assets pursuant to SECTION 2.8(b) or (c).

"ADDITIONAL ACCOUNT" means an Automatic Additional Account or a Supplemental Account.

"ADJUSTED INVESTED AMOUNT" is defined, as to any Series, in the related Supplement.

"AFFILIATE" means, as to any specified Person, any other Person controlling or controlled by or under common control with such specified Person. For this purpose, "control" means the power to direct the management and policies of a Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and "controlling" and "controlled" have correlative meanings.

"AGREEMENT" means this Pooling and Servicing Agreement and, for purposes of any Series, the related Supplement.

"AMORTIZATION PERIOD" means, as to any Series or any Class within a Series, any period specified in the related Supplement during which a share of principal collections is set aside to repay the principal investment in that Series (excluding repayments of a Variable Interest during its revolving period).

"APPLICANTS" is defined in SECTION 6.8.

"APPOINTMENT DATE" is defined in SECTION 9.2(a).

"APPROVED PORTFOLIO" means any Identified Portfolio and any additional portfolio that is designated as an Approved Portfolio pursuant to SECTION 2.8(e).

"ASSIGNMENT" is defined in SECTION 2.8(d)(ii).

"AUTHORIZED NEWSPAPER" means any newspaper or newspapers of general circulation in the Borough of Manhattan, The City of New York printed in the English language (and, with respect to any Series or Class, if and so long as the Investor Certificates of such Series or Class are listed on the Luxembourg Stock Exchange and such exchange shall so require, in Luxembourg, printed in any language satisfying the requirements of such exchange) and customarily published on each business day at such place, whether or not published on Saturdays, Sundays or holidays.

"AUTOMATIC ADDITION SUSPENSION DATE" is defined in SECTION 2.8(a).

"AUTOMATIC ADDITION TERMINATION DATE" is defined in SECTION 2.8(a).

"AUTOMATIC ADDITIONAL ACCOUNT" means each open end credit card account in any Approved Portfolio that is established pursuant to a Credit Card Agreement coming into existence after (a) the Trust Cut Off Date (in the case of an account in the Identified Portfolio) or (b) the Addition Cut Off Date relating to the first Addition Date on which receivables from accounts in the applicable portfolio are transferred to the Trust (in the case of an account in any other Approved Portfolio) and, in either case, prior to the Automatic Addition Termination Date or an Automatic Addition Suspension Date, or subsequent to a Restart Date. In addition, accounts in an Approved Portfolio that were in existence, but were not Eligible Accounts, on (x) the Trust Cut Off Date (in the case of an account in the Identified Portfolio) or (y) the Addition Cut Off Date relating to the first Addition Date on which receivables from accounts in the applicable portfolio are transferred to the Trust (in the case of an account in any other Approved Portfolio) but which, in either case, become Eligible Accounts prior to the Automatic Addition Termination Date or an Automatic Addition Suspension Date, or subsequent to a Restart Date, shall also be "Automatic Additional Accounts" and shall be deemed, for purposes of the definition of "Eligible Account" and SECTION 2.8(a), to have been created on the first day after the Trust Cut Off Date or applicable Addition Cut Off Date on which they are Eligible Accounts.

"BANC ONE" means Banc One, Dayton, N.A., a national banking association.

"BASE RATE" is defined, as to any Series, in the related Supplement.

"BEARER CERTIFICATE" is defined in SECTION 6.1.

"BENEFIT PLAN" is defined in SECTION 6.4(c).

"BOOK-ENTRY CERTIFICATES" means beneficial interests in the Investor Certificates, ownership and transfers of which shall be made through book entries by a Clearing Agency as described in SECTION 6.10.

"BUSINESS DAY" means any day other than (a) a Saturday or Sunday, (b) any other day on which national banking associations or state banking institutions in New York, New York or

Columbus, Ohio are authorized or obligated by law, executive order or governmental decree to be closed or (c) for purposes of any particular Series, any other day specified in the related Supplement.

"CERTIFICATE" means an Investor Certificate, a Supplemental Certificate or the Transferor Certificate.

"CERTIFICATE OWNER" means, with respect to a Book-Entry Certificate, the Person who is the owner of such Book-Entry Certificate, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly or as an indirect participant, in accordance with the rules of such Clearing Agency).

"CERTIFICATE REGISTER" is defined in SECTION 6.4.

"CLASS" means any class of Investor Certificates of any Series.

"CLEARING AGENCY" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"CLEARING AGENCY PARTICIPANT" means a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

"CLOSING DATE" means, as to any Series, the date on which that Series is issued.

"CO-BRANDING AGREEMENT" means an agreement entered into by Transferor with Service Merchandise, relating to the origination by Transferor of MasterCard and/or VISA credit card accounts and which includes benefits for the obligors of such accounts provided by Service Merchandise.

"COLLECTION ACCOUNT" is defined in SECTION 4.2.

"COLLECTIONS" means all payments (including Recoveries of Principal Receivables or Finance Charge Receivables and Insurance Proceeds, whether or not treated as Recoveries) received by Servicer with respect to the Receivables, including In-Store Payments, in the form of cash, checks (to the extent collected), wire transfers or other form of payment in accordance with the Credit Card Agreement in effect from time to time on any Receivables. If so specified in any Supplement, Collections shall also include any payments received by Servicer with respect to Participation Interests.

"COMMISSION" means the Securities and Exchange Commission.

"CONFIDENTIAL INFORMATION" is defined in SECTION 11.17.

"CORPORATE TRUST OFFICE" is defined in SECTION 11.16.

"COUPON" is defined in SECTION 6.1.

"CREDIT CARD AGREEMENT" means, as to any Account, the agreements between the Credit Card Originator that owns the Account (including WFN as assignee of an Other Originator) and the related Obligor that govern the Account, as amended or otherwise modified from time to time.

"CREDIT CARD GUIDELINES" means the written policies and procedures of the Credit Card Originator relating to the operation of its consumer revolving lending business, including written policies and procedures for determining the creditworthiness of credit card customers, the extension of credit to credit card customers and the maintenance of credit card accounts and collection of related receivables, as amended or otherwise modified from time to time.

"CREDIT CARD ORIGINATOR" means (i) WFN and/or any transferee of the Accounts from WFN or (ii) any other originator of Accounts which is designated from time to time pursuant to SECTION 2.12 and, directly or indirectly, enters into a receivables purchase agreement with Transferor.

"CREDIT CARD PROCESSING AGREEMENT" means one or more agreements between the Credit Card Originator (including WFN as assignee of an Other Originator) and a Merchant pursuant to which the Credit Card Originator agrees to extend open end credit card accounts to customers of the Merchant and the Merchant agrees to allow purchases to be made at its retail establishments, or in its catalogue sales business, under such accounts.

"DAILY REPORT" is defined in SECTION 3.4(a).

"DATE OF PROCESSING" means, as to any transaction, the Business Day on which the transaction is first recorded on Servicer's computer file of consumer revolving accounts (without regard to the effective date of such recordation).

"DEBTOR RELIEF LAWS" means Title 11 of the United States Code and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, suspension of payments, readjustment of debt, marshalling of assets or similar debtor relief laws of the United States, any state or any foreign country from time to time in effect, affecting the rights of creditors generally.

"DEFAULTED RECEIVABLE" means, as to any date of determination, all Principal Receivables in any Account which are charged off as uncollectible on that date in accordance with the Credit Card Guidelines and Servicer's customary and usual servicing procedures for servicing open end credit card account receivables comparable to the Receivables. A Principal Receivable in any Account shall

become a Defaulted Receivable on the day on which such Principal Receivable is recorded as charged off in accordance with the Credit Card Guidelines.

"DEFERRED PAYMENT RECEIVABLES" means any amount owed by any Merchant to Transferor in respect of accrued finance charges on any Principal Receivable incurred in connection with a deferred payment plan.

"DEFINITIVE CERTIFICATES" is defined in SECTION 6.10.

"DEFINITIVE EURO-CERTIFICATES" is defined in SECTION 6.13.

"DEPOSITORY AGREEMENT" means, as to any Series or Class, any agreement among Transferor, Trustee and any applicable Clearing Agency.

"DETERMINATION DATE" means, unless otherwise specified in any Supplement with respect to the related Series, the second Business Day preceding each Distribution Date.

"DISCOUNT OPTION RECEIVABLES" means, on any Date of Processing on and after the date on which Transferor's exercise of its discount option pursuant to SECTION 2.10 takes effect, the sum of (a) the product of the Discount Percentage and the aggregate Principal Receivables (before subtracting Finance Charge Receivables which are Discount Option Receivables) at the end of the prior day (which amount, prior to the date on which Transferor's exercise of its discount option takes effect and with respect to Receivables generated prior to such date, shall be zero), plus (b) any New Discount Option Receivables created on such day, minus (c) any Discount Option Receivables Collections received on such Date of Processing.

"DISCOUNT OPTION RECEIVABLES COLLECTIONS" means on any Date of Processing on and after the date on which Transferor's exercise of its discount option pursuant to SECTION 2.10 takes effect, the product of (a) a fraction the numerator of which is the amount of the Discount Option Receivables and the denominator of which is the sum of the Principal Receivables plus the amount of Discount Option Receivables in each case (for both numerator and denominator) at the end of the prior Monthly Period and (b) Collections of Principal Receivables, prior to any reduction for Finance Charge Receivables which are Discount Option Receivables, received on such Date of Processing.

"DISCOUNT PERCENTAGE" is defined in SECTION 2.10.

"DISTRIBUTION DATE" means, with respect to any Series, the date specified in the related Supplement.

"DOCUMENT DELIVERY DATE" means the Initial Closing Date in the case of Initial Accounts, the Addition Date in the case of Supplemental Accounts and the Removal Date in the case of Removed Accounts.

"EARLY AMORTIZATION EVENT" means, as to any Series, each event specified in SECTION 9.1 and each additional event, if any, specified in the relevant Supplement as an Early Amortization Event for that Series.

"ELIGIBLE ACCOUNT" means an open end credit card account in an Approved Portfolio owned by the Credit Card Originator that, as of the Trust Cut Off Date (in the case of an Initial Account), the date of creation thereof (in the case of an Automatic Additional Account) or the related Addition Cut Off Date (in the case of a Supplemental Account):

(a) is in existence and is serviced by the Credit Card Originator, any Affiliate of the Credit Card Originator or an Other Originator;

(b) is payable in United States dollars;

(c) except as provided below, has not been identified as an account (i) the credit cards for which have been reported to the Credit Card Originator or the related Other Originator (if any) as lost or stolen or (ii) the Obligor of which is the subject of a bankruptcy proceeding;

(d) none of the Receivables in which have been, sold, pledged, assigned or otherwise conveyed to any Person (except by an Other Originator to Transferor or otherwise pursuant to this Agreement), unless any such pledge or assignment is released on or before the Initial Closing Date or the Addition Date, as applicable;

(e) except as provided below, none of the Receivables in which are Defaulted Receivables or have been identified by the Credit Card Originator or the related Other Originator (if any), or by the relevant Obligor to the Credit Card Originator or the related Other Originator (if any), as having been incurred as a result of fraudulent use of a credit card; and

(f) has an Obligor who has provided as his or her most recent billing address, an address located in the United States or a United States military address, PROVIDED that an account shall not fail to be an "Eligible Account" solely due to the Obligor having provided a billing address not satisfying the foregoing if as of the Trust Cut Off Date (in the case of an Initial Account), the end of the most recently ended Monthly Period (in the case of an Automatic Additional Account) or the related Addition Cut Off Date (in the case of a Supplemental Account) the aggregate Principal Receivables in Accounts the most recent billing address for which does not satisfy the foregoing made up less than 2% (or any higher percentage as to which the Rating Agency Condition has been satisfied) of the aggregate Principal Receivables.

Notwithstanding the foregoing, Eligible Accounts may include accounts, the receivables in which have been written off, or as to which the Credit Card Originator or related Other Originator (if any) believes the related Obligor is bankrupt and certain receivables that have been identified by the Obligor as having been incurred as a result of fraudulent use of credit cards or any credit cards have been reported to the Credit Card Originator or the related Other Originator (if any) as lost or stolen, so long as (1) the balance of all receivables included in such accounts is reflected on the books and records of the Credit Card Originator (and is treated for purposes of this Agreement) as "zero" and (2) charging privileges with respect to all such accounts have been canceled and are not reinstated.

"ELIGIBLE DEPOSIT ACCOUNT" means either (a) a segregated account with an Eligible Institution or (b) a segregated trust account with the corporate trust department of a depository institution organized under the laws of the United States or any one of the states thereof, including the District of Columbia (or any domestic branch of a foreign bank), and acting as a trustee for funds deposited in such account, so long as any of the securities of such depository institution shall have a credit rating from each of Moody's, S&P and, if rated by Fitch, Fitch in one of its generic credit rating categories that signifies investment grade.

"ELIGIBLE INSTITUTION" means (a) a depository institution (which may be Trustee or an affiliate) organized under the laws of the United States or any one of the states thereof (i) that has either (A) a long-term unsecured debt rating of "A2" or better by Moody's or (B) a certificate of deposit rating of "P-1" by Moody's, (ii) that has either (A) a long-term unsecured debt rating of "AAA" by S&P or (B) a certificate of deposit rating of at least "A-1" by S&P, (iii) that, if rated by Fitch, has either (A) a long-term unsecured debt rating of "AAA" by Fitch or (B) a certificate of deposit rating of at least "F-1" by Fitch and (iv) the deposits of which are insured by the FDIC or (b) any other institution that is acceptable to each Rating Agency, Servicer and Trustee.

"ELIGIBLE INVESTMENTS" means book-entry securities, negotiable instruments or securities represented by instruments in bearer or registered form which evidence:

(a) direct obligations of, and obligations fully guaranteed as to timely payment of principal and interest by, the United States of America;

(b) demand deposits, time deposits or certificates of deposit (having original maturities of no more than 365 days) of depository institutions or trust companies incorporated under the laws of the United States of America or any state thereof (or domestic branches of foreign banks) and subject to supervision and examination by federal or state banking or depository institution authorities; PROVIDED that at the time of the Trust's investment or contractual commitment to invest therein, the short-term debt rating of such depository institution or trust company shall be in the highest investment category of each of Moody's, S&P and, if rated by Fitch, Fitch;

(c) commercial paper or other short-term obligations having, at the time of the Trust's investment or contractual commitment to invest therein, a rating from each of Moody's, S&P and, if rated by Fitch, Fitch in its highest investment category;

(d) demand deposits, time deposits and certificates of deposit which are fully insured by the FDIC, with a Person the commercial paper of which has a credit rating from each of Moody's, S&P and, if rated by Fitch, Fitch in its highest investment category;

(e) notes or bankers acceptances (having original maturities of no more than 365 days) issued by any depository institution or trust company referred to in CLAUSE (b);

(f) investments in money market funds (including funds of Trustee or its affiliates as well as funds for which Trustee and its affiliates may receive compensation) rated in the highest investment category by each of Moody's, S&P and, if rated by Fitch, Fitch or otherwise approved in writing by each Rating Agency;

(g) time deposits, other than as referred to in CLAUSE (d), with a Person the commercial paper of which has a credit rating from each of Moody's, S&P and, if rated by Fitch, Fitch in its highest investment category; or

(h) any other investments approved in writing by each Rating Agency, PROVIDED that making such investments shall not cause the Trust to be required to register as an investment company within the meaning of the Investment Company Act.

"ELIGIBLE RECEIVABLE" means a Receivable:

(a) that has arisen under an Eligible Account;

(b) that was created in compliance with the Credit Card Guidelines and all Requirements of Law applicable to the Credit Card Originator (or, in the case of an Acquired Portfolio Receivable, the related Other Originator) the failure to comply with which would have a material adverse effect on Investor Holders, and pursuant to a Credit Card Agreement that complies with all Requirements of Law applicable to the Credit Card Originator (and, in the case of an Acquired Portfolio Receivable, the related Other Originator during the time prior to the transfer of such Acquired Portfolio Receivable to Transferor), the failure to comply with which would have a material adverse effect on Investor Holders;

(c) with respect to which all consents, licenses, approvals or authorizations of, or registrations with, any Governmental Authority required to be obtained or made by the Credit Card Originator (and, in the case of an Acquired Portfolio Receivable, the related Other Originator with respect to such actions prior to the transfer of such Acquired Portfolio Receivable to Transferor) in connection with the creation of such Receivable or the

execution, delivery and performance by the Credit Card Originator (and, in the case of an Acquired Portfolio Receivable, the related Other Originator with respect to such actions prior to the transfer of such Acquired Portfolio Receivable to Transferor) of the related Credit Card Agreement, have been duly obtained or made and are in full force and effect as of the date of creation of such Receivable, but failure to comply with this CLAUSE (c) shall not cause a Receivable not to be an Eligible Receivable if, and to the extent that, the failure to so obtain or make any such consent, license, approval, authorization or registration would not have a material adverse effect on the Investor Holders;

(d) as to which, at the time of its transfer to the Trust, Transferor or the Trust will have good and marketable title free and clear of all Liens (other than any Lien permitted by SECTION 2.7(b));

(e) that is the subject of a valid transfer and assignment (or the grant of a security interest) from Transferor to the Trust of all Transferor's right, title and interest therein;

(f) that at and after the time of transfer to the Trust is the legal, valid and binding payment obligation of the Obligor thereof, legally enforceable against such Obligor in accordance with its terms, except as enforceability may be limited by applicable Debtor Relief Laws, and by general principles of equity (whether considered in a suit at law or in equity);

(g) that constitutes an account, a general intangible or chattel paper;

(h) as to which, at the time of its transfer to the Trust, Transferor has not taken any action which, or failed to take any action the omission of which, would, at the time of transfer to the Trust, impair the rights therein of the Trust or the Holders;

(i) that, at the time of its transfer to the Trust, has not been waived or modified except as permitted in accordance with SECTION 3.3(h);

(j) that, at the time of its transfer to the Trust, is not subject to any right of rescission, setoff, counterclaim or any other defense of the Obligor (including the defense of usury), other than defenses arising out of Debtor Relief Laws and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or equity) or as to which Servicer makes an adjustment pursuant to SECTION 3.9; and

(k) as to which, at the time of its transfer to the Trust, the Transferor has satisfied all obligations to be fulfilled at the time it is transferred to the Trust.

"ELIGIBLE SERVICER" means Trustee, a wholly owned subsidiary of Trustee, an Other Originator or an entity that, at the time of its appointment as Servicer: (a) is servicing a portfolio of

consumer open end credit card accounts or other consumer open end credit accounts; (b) is legally qualified and has the capacity to service the Accounts; (c) is qualified (or licensed) to use the software that is then being used to service the Accounts or obtains the right to use, or has its own, software which is adequate to perform its duties under this Agreement; (d) has, in the reasonable judgment of Trustee, the ability to professionally and competently service a portfolio of similar accounts; and (e) has a net worth of at least $50,000,000 as of the end of its most recent fiscal quarter.

"ENHANCEMENT" means the rights and benefits provided to the Investor Holders of any Series or Class pursuant to any letter of credit, surety bond, cash collateral account, guaranty collateral invested amount, spread account, guaranteed rate agreement, maturity guaranty facility, tax protection agreement, interest rate swap agreement, interest rate cap agreement or other similar arrangement. The subordination of any Class to another Class, or a cross support feature which requires collections on Receivables allocated to one Series to be paid as principal and/or interest with respect to another Series shall be deemed to be an Enhancement for the Class or Series benefitting from the subordination or cross support feature.

"ENHANCEMENT AGREEMENT" means any agreement, instrument or document governing any Enhancement or pursuant to which any Enhancement is issued or outstanding.

"ENHANCEMENT PROVIDER" means the Person or Persons providing any Enhancement, other than the Investor Holders of any Class which is subordinated to another Class.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"EXCESS FINANCE CHARGE COLLECTIONS" means all amounts that any Supplement designates as "Excess Finance Charge Collections."

"EXCESS FUNDING ACCOUNT" is defined in SECTION 4.2.

"EXCHANGE ACT" means the Securities Exchange Act of 1934.

"FDIC" means the Federal Deposit Insurance Corporation.

"FINANCE CHARGE RECEIVABLES" means, with respect to any Monthly Period, the sum of (a) all amounts billed to the Obligors on any Account at the beginning of such Monthly Period in respect of Periodic Finance Charges, (b) Late Fees, return check fees and any other fees that may after the Trust Cut Off Date be charged with respect to any Account, to the extent that Servicer designates such fees to be treated as Finance Charge Receivables in an Officer's Certificate delivered to Trustee, (c) Discount Option Receivables and (d) Deferred Payment Receivables. Collections of Finance Charge Receivables with respect to any Monthly Period include the amount of Interchange (if any) allocable to any Series of Certificates pursuant to the related Supplement with respect to such

Monthly Period (to the extent received by the Trust and deposited into the Finance Charge Account or any Series Account, as the case may be, on the Transfer Date following such Monthly Period). Except as otherwise specified in any Supplement as to the related Series, Recoveries shall be treated as Collections of Finance Charge Receivables.

"FINANCE CHARGE SHORTFALLS" is defined, as to any Series, in the related Supplement.

"FITCH" means Fitch IBCA, Inc.

"FLOW-THROUGH ENTITY" is defined in SECTION 6.4(d).

"GLOBAL CERTIFICATE" is defined in SECTION 6.13.

"GOVERNMENTAL AUTHORITY" means the United States of America, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"GROUP" means, with respect to any Series, the group of Series, if any, in which the related Supplement specifies such Series is to be included.

"HOLDER" means an Investor Holder or a Person in whose name the Transferor Certificate is registered.

"IDENTIFIED PORTFOLIO" means any Accounts owned from time to time by WFN and included in the private label credit card program of Service Merchandise or issued under a Co-Branding Agreement.

"INELIGIBLE RECEIVABLES" is defined in SECTION 2.5(a).

"INITIAL ACCOUNT" means each open end credit card account in the Identified Portfolio existing on the Trust Cut Off Date and identified in the Account Schedule delivered on the Initial Closing Date.

"INITIAL CLOSING DATE" means January 30, 1998.

"INSOLVENCY EVENT" is defined in SECTION 9.1(a).

"INSOLVENCY PROCEEDS" is defined in SECTION 9.2(b).

"INSURANCE PROCEEDS" means any amounts recovered by Servicer pursuant to any credit insurance policies covering any Obligor with respect to Receivables under such Obligor's Account.

"INTERCHANGE" means interchange fees payable to Transferor or an Other Originator, in its capacity as credit card issuer, through VISA U.S.A., Inc. and Mastercard International Inc. in connection with cardholder charges for goods and services, and cash advances, as calculated pursuant to the related Series Supplement for any Series.

"INTERNAL REVENUE CODE" means the Internal Revenue Code of 1986.

"INVESTED AMOUNT" is defined, as to any Series, in the related Supplement.

"INVESTMENT COMPANY ACT" means the Investment Company Act of 1940.

"INVESTOR CERTIFICATE" means any one of the certificates (including the Bearer Certificates, the Registered Certificates or any Global Certificate) executed by Transferor and authenticated by or on behalf of Trustee, substantially in the form attached to the related Supplement, other than the Transferor Certificate and the Supplemental Certificates, if any.

"INVESTOR HOLDER" means the Person in whose name a Registered Certificate is registered in the Certificate Register or the holder of any Bearer Certificate (or the Global Certificate, as the case may be) or Coupon.

"INVESTOR INTEREST" is defined in SECTION 4.1.

"INVESTOR PERCENTAGE" is defined, as to any Series, in the related Supplement.

"INVESTOR SERVICING FEE" is defined, as to any Series, in the related Supplement.

"IN-STORE PAYMENTS" is defined in SECTION 2.1(a).

"LATE FEES" means the fees specified in the Credit Card Agreement applicable to each Account for late fees with respect to such Account.

"LIEN" means any mortgage, deed of trust, pledge, hypothecation, assignment, participation or equity interest, deposit arrangement, encumbrance, lien (statutory or other), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including any conditional sale or other title retention agreement, excluding any lien or filing pursuant to this Agreement; PROVIDED that any assignment or transfer pursuant to SECTION 6.3(c) or (d) or SECTION 7.2 shall not constitute a Lien.

"MAJORITY HOLDERS" means the Holders of Investor Certificates evidencing more than 50% of the aggregate unpaid principal amount of all outstanding Investor Certificates.

"MERCHANT" means (a) Service Merchandise and (b) any other Person that operates retail establishments at which, or a catalogue sales business in which, goods or services may be purchased under an Account.

"MERCHANT ADJUSTMENT PAYMENTS" is defined in SECTION 3.9(a).

"MINIMUM TRANSFEROR AMOUNT" means, as of any date of determination, the sum of (a) the product of (i) the sum of (A) the aggregate Principal Receivables and (B) the amounts on deposit in the Excess Funding Account and (ii) the Required Retained Transferor Percentage plus (b) any additional amounts specified in the Supplement for any outstanding Series.

"MONTHLY PERIOD" means as to each Distribution Date, the immediately preceding calendar month, unless otherwise defined in any Supplement.

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

"NEW DISCOUNT OPTION RECEIVABLES" means, as of any date of determination, the product of the Discount Percentage and the amount of Principal Receivables (before subtracting Finance Charge Receivables which are Discount Option Receivables) arising on such date of determination.

"NOTICE DATE" is defined in SECTION 2.8(d)(i).

"NOTICES" is defined in SECTION 13.5(a).

"OBLIGOR" means, as to any Account, the Person or Persons obligated to make payments on such Account, including any guarantor.

"OFFICER'S CERTIFICATE" means a certificate delivered to Trustee signed by the Chairman of the Board, President, any Vice President or the Treasurer or any Assistant Treasurer of Transferor or Servicer, as the case may be.

"OPINION OF COUNSEL" means a written opinion of counsel, who may be counsel for, or an employee of, the Person providing the opinion and which counsel shall be reasonably acceptable to Trustee.

"OTHER ORIGINATOR" means Banc One and any other Person designated as an Other Originator in a Supplement.

"PARTICIPATION INTERESTS" is defined in SECTION 2.8(b).

"PAYING AGENT" means any paying agent and co-paying agent appointed pursuant to SECTION 6.7.

"PERIODIC FINANCE CHARGES" means any finance charges (due to periodic rate) applicable to any Account.

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

"PORTFOLIO YIELD" is defined, as to any Series, in the related Supplement.

"PRINCIPAL RECEIVABLE" means all Receivables other than Finance Charge Receivables. In calculating the aggregate amount of Principal Receivables on any day, the amount of Principal Receivables shall not include Defaulted Receivables and shall be reduced by the aggregate amount of credit balances in the Accounts on such day.

"PRINCIPAL SHARING SERIES" means a Series that, pursuant to the Supplement therefor, is entitled to receive Shared Principal Collections.

"PRINCIPAL SHORTFALLS" is defined, as to any Series, in the related Supplement.

"PRINCIPAL TERMS" means, with respect to any Series: (a) its name or designation; (b) its initial principal amount (or method for calculating such amount) and its invested amount in the Trust; (c) its interest rate (or method for the determination thereof); (d) the payment date or dates and the date or dates from which interest shall accrue; (e) the method for allocating Collections to Holders of such Series; (f) the designation of any Series Accounts and the terms governing the operation of any such Series Accounts; (g) the percentage used to calculate the servicing fee with respect thereto; (h) the provider, if any, and the terms of any form of Enhancement with respect thereto; (i) the terms on which the Investor Certificates of such Series may be repurchased by Transferor or any Affiliate of Transferor or remarketed to other investors; (j) the Series Termination Date; (k) the number of Classes of Investor Certificates of such Series and, if such Series consists of more than one Class, the rights and priorities of each such Class; (l) the extent to which the Investor Certificates of such Series will be issuable in temporary or permanent global form (and, in such case, the depositary for such Global Certificate or Certificates, the conditions, if any, upon which such Global Certificates may be exchanged, in whole or in part, for Definitive Certificates, and the manner in which any interest payable on a Global Certificate will be paid); (m) whether the Investor Certificates of such Series may be issued as Bearer Certificates and any limitation imposed thereon; (n) the priority of such Series with respect to any other Series; (o) the Group, if any, to which such Series belongs; (p) whether Interchange or other fees will be included in the funds available to be paid for such Series; and (q) any other terms of such Series.

"RATING AGENCY" means, as to each Series, the rating agency or agencies, if any, specified in the related Supplement.

"RATING AGENCY CONDITION" means, with respect to any action, that each Rating Agency, if any, shall have notified Transferor, Servicer and Trustee in writing that such action will not result in a reduction or withdrawal of the rating, if any, of any outstanding Series or Class with respect to which it is a Rating Agency.

"REASSIGNMENT" is defined in SECTION 2.9(a).

"RECEIVABLE" means any amount owing from time to time by an Obligor under an Account, including amounts owing for purchases of goods and services, and amounts payable as Finance Charge Receivables. A Receivable shall be deemed to have been created at the end of the day on the Date of Processing of such Receivable. Receivables which become Defaulted Receivables shall not be shown on Servicer's records as amounts payable (and shall cease to be included as Receivables) on the day on which they become Defaulted Receivables.

"RECORD DATE" means, as to any Distribution Date, the date specified in the related Supplement.

"RECOVERIES" means (a) all amounts received by Servicer with respect to Principal Receivables that have previously become Defaulted Receivables and with respect to Finance Charge Receivables that have been charged off as uncollectible (including Insurance Proceeds) and (b) proceeds of any collateral securing any Receivable, in each case less related collection expenses.

"REGISTERED CERTIFICATES" is defined in SECTION 6.1.

"REGISTERED HOLDER" means the Holder of a Registered Certificate.

"REMOVAL DATE" is defined in SECTION 2.9(a)(i).

"REMOVAL NOTICE DATE" is defined in SECTION 2.9(a)(i).

"REMOVED ACCOUNTS" is defined in SECTION 2.9(a).

"REQUIRED PRINCIPAL BALANCE" means, as of any date of determination, the sum of the numerators used at such date to calculate the Investor Percentage with respect to Principal Receivables for all Series outstanding on such date, less the amount on deposit in the Excess Funding Account as of the date of determination.

"REQUIRED RETAINED TRANSFEROR PERCENTAGE" means, as of any date of determination, 7% or, if less, the highest of the Required Retained Transferor Percentages specified in the Supplements for all outstanding Series.

"REQUIREMENTS OF LAW" means, as to any Person, the certificate of incorporation or articles of association and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation, or determination of an arbitrator or Governmental Authority, in each case applicable to or binding upon such Person or to which such Person is subject, whether Federal, state or local.

"RESPONSIBLE OFFICER" means any officer (a) within the Corporate Trust Department (or any successor group of Trustee), including any vice president, assistant vice president, assistant secretary or any other officer or assistant officer of Trustee customarily performing functions similar to those performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at Trustee's Corporate Trust Office because of such officer's knowledge of and familiarity with the particular subject and (b) who shall have direct responsibility for this Agreement.

"RESTART DATE" is defined in SECTION 2.8(a).

"RULE 144A" means Rule 144A under the Securities Act, as such Rule may be amended from time to time.

"S&P" means Standard & Poor's Ratings Service, a division of the McGraw Hill Companies, Inc.

"SECURITIES ACT" means the Securities Act of 1933.

"SERIES" means any series of Investor Certificates established pursuant to a Supplement.

"SERIES ACCOUNT" means any deposit, trust, escrow or similar account maintained for the benefit of the Investor Holders of any Series or Class, as specified in any Supplement.

"SERIES SERVICING FEE PERCENTAGE" is defined, as to any Series, in the related Supplement.

"SERIES TERMINATION DATE" is defined, as to any Series, in the related Supplement.

"SERVICE MERCHANDISE" means Service Merchandise Company, Inc., a Tennessee corporation.

"SERVICE TRANSFER" is defined in SECTION 10.1.

"SERVICER" means WFN, in its capacity as Servicer pursuant to this Agreement, and, after any Service Transfer, the Successor Servicer.

"SERVICER DEFAULT" is defined in SECTION 10.1.

"SERVICING FEE" means, as to any Series, the servicing fee specified in SECTION 3.2.

"SERVICING OFFICER" means any officer of Servicer involved in, or responsible for, the administration and servicing of the Receivables whose name appears on a list of servicing officers furnished to Trustee by Servicer on the Initial Closing Date, as such list may from time to time be amended.

"SHARED PRINCIPAL COLLECTIONS" means all amounts that any Supplement designates as "Shared Principal Collections."

"SPECIFIED TRANSFEROR AMOUNT" means, as of any date of determination, 0 or, if more, the highest amount identified as the "Specified Transferor Amount" in the Supplement for any outstanding Series.

"SUBJECT CERTIFICATE" is defined in SECTION 6.4(d).

"SUCCESSOR SERVICER" is defined in SECTION 10.2(a).

"SUPPLEMENT" means, as to any Series, a supplement to this Agreement, executed and delivered in connection with the original issuance of the Investor Certificates of such Series pursuant to SECTION 6.3, and all amendments thereof and supplements thereto.

"SUPPLEMENTAL ACCOUNT" is defined in SECTION 2.8(b).

"SUPPLEMENTAL CERTIFICATE" is defined in SECTION 6.3(c).

"TAX OPINION" means, with respect to any action, an Opinion of Counsel to the effect that, for Federal income tax purposes, (a) such action will not adversely affect the tax characterization as debt of Investor Certificates of any outstanding Series or Class with respect to which an Opinion of Counsel was delivered at the time of their issuance that such Investor Certificates would be characterized as debt, (b) such actions will not cause the Trust to be classified, for federal income tax purposes, as an association (or publicly traded partnership) taxable as a corporation and (c) such action will not cause or constitute an event in which gain or loss would be recognized by any Investor Holder.

"TERMINATION NOTICE" is defined in SECTION 10.1.

"TRANSACTION DOCUMENTS" means, at any time, this Agreement, the Supplement for each outstanding Series, any document pursuant to which any outstanding purchased interest is sold as permitted by SECTION 6.3(b) and any other document designated as a Transaction Document in any Supplement or any document pursuant to which any outstanding purchased interest is sold as permitted by SECTION 6.3(b).

"TRANSFER AGENT AND REGISTRAR" is defined in SECTION 6.4.

"TRANSFER DATE" means the Business Day immediately preceding each Distribution Date.

"TRANSFEROR" means WFN and additional transferors, if any, designated in accordance with SECTION 2.11 or 6.3(d).

"TRANSFEROR AMOUNT" means, on any date of determination, the excess, if any, of (a) the aggregate amount of Principal Receivables on such day, plus the principal amount on deposit in the Excess Funding Account on such day over (b) the sum of the Invested Amounts (or, as to any Series that has an Adjusted Invested Amount, the Adjusted Invested Amount) with respect to all Series then outstanding, plus the outstanding principal amount of all Supplemental Certificates (and of any purchased interest sold pursuant to SECTION 6.3(b)).

"TRANSFEROR CERTIFICATE" means the certificate executed by Transferor and authenticated by or on behalf of Trustee, substantially in the form of EXHIBIT A.

"TRANSFEROR RETAINED CERTIFICATE" means any Certificate in any Class of Investor Certificates that is designated as a "Transferor Retained Class" in any Supplement.

"TRANSFEROR INTEREST" is defined in SECTION 4.1.

"TRANSFEROR PERCENTAGE" means as to Finance Charge Receivables, Defaulted Receivables and Principal Receivables, 100% less the sum of the applicable Investor Percentages for all outstanding Series.

"TRANSFERRED ACCOUNT" is defined in the definition of "Account."

"TRUST" means the Trust created by this Agreement, which shall be known as the World Financial Network Credit Card Master Trust III.

"TRUST ASSETS" is defined in SECTION 2.1.

"TRUST CUT OFF DATE" means January 30, 1998.

"TRUSTEE" means The Bank of New York, a New York banking corporation, in its capacity as trustee of the Trust, or any successor trustee appointed as herein provided.

"UCC" means the Uniform Commercial Code, as in effect in the State of Ohio and in any other State where the filing of a financing statement is required to perfect Transferor's or the Trust's interest in the Receivables and the proceeds thereof or in any other specified jurisdiction.

"UNITED STATES" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

"VARIABLE INTEREST" means either of (a) any Investor Certificate that is designated as a variable funding certificate in the related Supplement and (b) any purchased interest sold as permitted by SECTION 6.3(b).

"WFN" is defined in the PREAMBLE.

SECTION I.2. OTHER INTERPRETIVE PROVISIONS. With respect to any Series, all terms used and not defined herein are used as defined in the related Supplement. All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document delivered pursuant hereto unless otherwise defined therein. For purposes of this Agreement and all such certificates and other documents, unless the context otherwise requires: (a) accounting terms not otherwise defined in this Agreement, and accounting terms partly defined in this Agreement to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles; (b) terms defined in Article 9 of the UCC and not otherwise defined in this Agreement are used as defined in that Article; (c) any reference to each Rating Agency shall only apply to any specific rating agency if such rating agency is then rating any outstanding Series; (d) references to any amount as on deposit or outstanding on any particular date means such amount at the close of business on such day; (e) the words "hereof," "herein" and "hereunder" and words of similar import refer to this Agreement (or the certificate or other document in which they are used) as a whole and not to any particular provision of this Agreement (or such certificate or document); (f) references to any Section, Schedule or Exhibit are references to Sections, Schedules and Exhibits in or to this Agreement (or the certificate or other document in which the reference is made), and references to any paragraph, subsection, clause or other subdivision within any Section or definition refer to such paragraph, subsection, clause or other subdivision of such Section or definition; (g) the term "including" means "including without limitation"; (h) references to any law or regulation refer to that law or regulation as amended from time to time and include any successor law or regulation; (i) references to any agreement refer to that agreement as amended from time to time; (j) references to any Person includethat Person's permitted successors and assigns; and (k) headings are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof. The agreements, representations and warranties of WFN in this Agreement, in its respective capacities as Transferor and Servicer, shall be deemed to be the separate agreements, representations and warranties of WFN only so long as it remains a party to this Agreement in such capacity (but the foregoing shall not impair rights arising during or with respect to the time that such Person was a party to this Agreement in such capacity).

ARTICLE II CONVEYANCE OF RECEIVABLES

SECTION II.1. CONVEYANCE OF RECEIVABLES. (a) By execution of this Agreement, Transferor transfers, assigns, sets over and otherwise conveys to the Trust, for the benefit of the Holders, all of its right, title and interest in, to and under (i) the Receivables existing at the close of business on the Trust Cut Off Date and thereafter arising from time to time in the Initial Accounts and the Receivables existing on each applicable Addition Date and thereafter arising from time to time in the Automatic Additional Accounts, all Recoveries allocable to the Trust as provided herein, all moneys due or to become due and all amounts received with respect to, and proceeds of, any of the foregoing, (ii) without limiting the generality of the foregoing or the following, all of Transferor's rights to receive Deferred Payment Receivables and payments made by any Merchant under any Credit Card Processing Agreement on account of amounts received by such Merchant in payment of Receivables ("IN-STORE PAYMENTS") and all proceeds of such rights, and (iii) the right to receive certain amounts paid or payable as Interchange (if provided for in any Supplement). Such property, together with all moneys on deposit in the Collection Account, the Excess Funding Account, the Series Accounts, any Enhancement and the security interest granted pursuant to SECTION 3.9(a) shall constitute the assets of the Trust (the "TRUST ASSETS"). The foregoing does not constitute and is not intended to result in the creation or assumption by the Trust, Trustee, any Investor Holders or any Enhancement Provider of any obligation of the Credit Card Originator, Servicer, Transferor or any other Person in connection with the Accounts or the Receivables or under any agreement or instrument relating thereto, including any obligation to obligors, merchant banks, merchants clearance systems or insurers. If the foregoing transfer, assignment, setover and conveyance is not deemed to be an absolute assignment of the subject property to the Trustee, for the benefit of the Holders, then it shall be deemed to constitute a grant of a security interest in such property to the Trustee, for the benefit of the Investor Holders, and the Transferor Interest shall be deemed to represent Transferor's equity in the collateral granted.

(b) Transferor agrees to record and file, at its own expense, financing statements (and continuation statements when applicable) with respect to the Receivables now existing and hereafter created in Accounts owned by the Credit Card Originator and other Trust Assets meeting the requirements of applicable state law in such manner and in such jurisdictions as are necessary to perfect, and maintain the perfection of, the assignment of such Receivables to the Trust, and to deliver a file stamped copy of each such financing statement or other evidence of such filing (which may, for purposes of this SECTION 2.1 consist of telephone confirmation of such filing promptly followed by delivery to Trustee of a file-stamped copy) to Trustee on or prior to the Initial Closing Date, in the case of such Receivables arising in the Initial Accounts and Automatic Additional Accounts included in the Identified Portfolio, and (if any additional filing is so necessary) the applicable Addition Date, in the case of such Receivables arising in Supplemental Accounts and any related Automatic Additional Accounts. Trustee shall be under no obligation whatsoever to file such financing or continuation statements or to make any other filing under the UCC in connection with such assignment.

(c) Transferor further agrees, at its own expense, (i) on or prior to (A) the Automatic Addition Termination Date or any Automatic Addition Suspension Date, or subsequent to a Restart

Date, in the case of the Initial Accounts and any Additional Accounts designated pursuant hereto prior to such date, (B) the applicable Addition Date, in the case of Supplemental Accounts and (C) the applicable Removal Date, in the case of Removed Accounts, to indicate in the appropriate computer files that Receivables created in connection with the Accounts owned by the Credit Card Originator (other than Removed Accounts) have been conveyed to the Trust pursuant to this Agreement for the benefit of the Holders (or conveyed to Transferor or its designee in accordance with SECTION 2.9, in the case of Removed Accounts) by including in such computer files the code identifying each such Account (or, in the case of Removed Accounts, either including such a code identifying the Removed Accounts only if the removal occurs prior to the Automatic Addition Termination Date or an Automatic Addition Suspension Date, or subsequent to a Restart Date, or deleting such code thereafter) and (ii) on or prior to the date referred to in CLAUSES (i)(A), (B) or (C), as applicable, to deliver to Trustee an Account Schedule (PROVIDED that such Account Schedule shall be provided in respect of Automatic Additional Accounts on or prior to the Determination Date relating to the Monthly Period during which their respective Addition Dates occur), specifying for each such Account, as of the Automatic Addition Termination Date or Automatic Addition Suspension Date, in the case of CLAUSE (i)(B), the applicable Addition Cut Off Date, in the case of Supplemental Accounts, and the Removal Date, in the case of Removed Accounts, its account number, the aggregate amount outstanding in such Account and the aggregate amount of Principal Receivables outstanding in such Account. Such Account Schedule shall be supplemented from time to time to reflect Supplemental Accounts and Removed Accounts. Once the code referenced in CLAUSE (i) of this paragraph has been included with respect to any Account, Transferor further agrees not to alter such code during the remaining term of this Agreement unless and until (x) such Account becomes a Removed Account, (y) a Restart Date has occurred on which the Transferor starts including Automatic Additional Accounts as Accounts or (z) Transferor shall have delivered to Trustee at least 30 days' prior written notice of its intention to do so and has taken such action as is necessary or advisable to cause the interest of Trustee in the Receivables and other Trust Assets to continue to be perfected with the priority required by this Agreement.

SECTION II.2. ACCEPTANCE BY TRUSTEE. (a) Trustee accepts on behalf of the Trust all right, title and interest to the property, now existing and hereafter created, conveyed to the Trust pursuant to SECTION 2.1 and declares that it shall maintain such right, title and interest, upon the trust herein set forth, for the benefit of all Holders.

(b) Trustee shall have no power to create, assume or incur indebtedness or other liabilities in the name of the Trust other than as contemplated in this Agreement or any Supplement.

SECTION II.3. REPRESENTATIONS AND WARRANTIES OF TRANSFEROR RELATING TO TRANSFEROR. Transferor represents and warrants to the Trust as of each Closing Date as follows:

(a) ORGANIZATION AND GOOD STANDING. Transferor is a national banking association validly existing in good standing under the laws of the United States, and has full corporate power, authority and legal right to own its properties and conduct its business as presently

owned and conducted, to execute, deliver and perform its obligations under each Transaction Document and to execute and deliver to Trustee the Certificates. Transferor's deposits are insured by the FDIC.

(b) DUE QUALIFICATION. Transferor is duly qualified to do business and is in good standing as a foreign corporation (or is exempt from such requirements), and has obtained all necessary licenses and approvals in each jurisdiction in which failure to so qualify or to obtain such licenses and approvals would render any Credit Card Agreement or any Receivable transferred to the Trust by Transferor unenforceable by the Credit Card Originator, Transferor, Servicer or Trustee and would have a material adverse effect on the interests of the Holders hereunder or under any Supplement.

(c) DUE AUTHORIZATION. The execution, delivery and performance of this Agreement and each Supplement by Transferor, the execution and delivery to Trustee of the Certificates by Transferor and the consummation by Transferor of the transactions provided for in each Transaction Document have been duly authorized by Transferor by all necessary corporate action on the part of Transferor.

(d) NO CONFLICT. The execution and delivery by Transferor of each Transaction Document and the Certificates, the performance by Transferor of the transactions contemplated by each Transaction Document and the fulfillment by Transferor of the terms hereof and thereof will not conflict with, result in any breach of any of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a material default under, any indenture, contract, agreement, mortgage, deed of trust, or other instrument to which Transferor is a party or by which it or any of its properties are bound.

(e) NO VIOLATION. The execution and delivery by Transferor of each Transaction Document and the Certificates, the performance by Transferor of the transactions contemplated by this Agreement and each Supplement and the fulfillment by Transferor of the terms hereof and thereof will not conflict with or violate any Requirements of Law applicable to Transferor.

(f) NO PROCEEDINGS. There are no proceedings or investigations pending or, to the best knowledge of Transferor, threatened against Transferor, before any court, regulatory body, administrative agency, or other tribunal or governmental instrumentality (i) asserting the invalidity of any Transaction Document or the Certificates, (ii) seeking to prevent the issuance of the Certificates or the consummation of any of the transactions contemplated by any Transaction Document or the Certificates, (iii) seeking any determination or ruling that, in the reasonable judgment of Transferor, would materially and adversely affect the performance by Transferor of its obligations under any Transaction Document, (iv) seeking any determination or ruling that would materially and adversely affect the validity or enforceability of any Transaction Document or the Certificates or (v) seeking to affect

adversely the income tax attributes of the Trust under the Federal or applicable state income or franchise tax systems.

(g) ALL CONSENTS REQUIRED. All approvals, authorizations, consents, orders or other actions of any Person or of any governmental body or official required in connection with the execution and delivery by Transferor of each Transaction Document and the Certificates, the performance by Transferor of the transactions contemplated by each Transaction Document and the fulfillment by Transferor of the terms hereof and thereof, have been obtained.

(h) INSOLVENCY. No Insolvency Event with respect to Transferor has occurred. Transferor did not (i) execute the Transaction Documents, (ii) grant to the Trustee the security interests described in SECTIONS 2.1 and 3.9, (iii) cause, permit, or suffer the perfection or attachment of such a security interest, (iv) otherwise effectuate or consummate any transfer to Trustee pursuant to any Transaction Document or (v) acquire its interest in the Trust, in each case:

(A) in contemplation of insolvency;

(B) with a view to preferring one creditor over another or to preventing the application of its assets in the manner required by applicable law or regulations;

(C) after committing an act of insolvency; or

(D) with any intent to hinder, delay, or defraud itself or its creditors.

(i) TRUSTEE. Trustee is not an insider or Affiliate of Transferor.

The representations and warranties of Transferor set forth in this SECTION 2.3 shall survive the transfer and assignment by Transferor of the respective Receivables to the Trust. Upon discovery by Transferor, Servicer or Trustee of a breach of any of the representations and warranties by Transferor set forth in this SECTION 2.3, the party discovering such breach shall give prompt written notice to the others and to each Enhancement Provider, if any, entitled thereto pursuant to the relevant Supplement. Transferor agrees to cooperate with Servicer and Trustee in attempting to cure any such breach. For purposes of the representations and warranties set forth in this SECTION 2.3, each reference to a Supplement shall be deemed to refer only to those Supplements in effect as of the relevant Closing Date.

SECTION II.4. REPRESENTATIONS AND WARRANTIES OF TRANSFEROR RELATING TO TRANSACTION DOCUMENTS AND THE RECEIVABLES. (a) REPRESENTATIONS AND WARRANTIES. Transferor represents and warrants to the Trust as of the date of this Agreement, each Closing Date and, with respect to Additional Accounts, the related Addition Date that:

(i) each Transaction Document and, in the case of Supplemental Accounts, the related Assignment, each constitutes a legal, valid and binding obligation of Transferor, enforceable against Transferor in accordance with its terms, except as such enforceability may be limited by applicable Debtor Relief Laws now or hereafter in effect and by general principles of equity (whether considered in a suit at law or in equity);

(ii) as of the Automatic Addition Termination Date or any Automatic Addition Suspension Date and as of each subsequent Addition Date with respect to Supplemental Accounts, and as of the applicable Removal Date with respect to the Removed Accounts, the Account Schedule delivered pursuant to this Agreement, as supplemented to such date, is an accurate and complete listing in all material respects of all the Accounts as of such Automatic Addition Termination Date, such Automatic Addition Suspension Date, the related Addition Cut Off Date or such Removal Date, as the case may be, and the information contained therein with respect to the identity of such Accounts and the Receivables existing in such Accounts is true and correct in all material respects as of such specified date;

(iii) Transferor is the legal and beneficial owner of all right, title and interest in each Receivable and Transferor has the full right to transfer such Receivables to the Trust, and each Receivable conveyed to the Trust by Transferor has been conveyed to the Trust free and clear of any Lien of any Person claiming through or under Transferor or any of its Affiliates (other than Liens permitted under SECTION 2.7(b)) and in compliance, in all material respects, with all Requirements of Law applicable to Transferor;

(iv) all authorizations, consents, orders or approvals of or registrations or declarations with any Governmental Authority required to be obtained, effected or given by Transferor in connection with the conveyance by Transferor of Receivables to the Trust have been duly obtained, effected or given and are in full force and effect;

(v) this Agreement or, in the case of Supplemental Accounts, the related Assignment constitutes either a valid transfer and assignment to the Trust of all right, title and interest of Transferor in the Receivables and other Trust Assets conveyed to the Trust by Transferor and all monies due or to become due with respect thereto and the proceeds thereof or a grant of a security interest in such property to the Trustee, for the benefit of the Investor Holders, which, in the case of existing Receivables and the proceeds thereof, is enforceable upon execution and delivery of this Agreement, or, with respect to then existing Receivables in Additional Accounts, as of the applicable Addition Date, and which will be enforceable with respect to such Receivables hereafter and thereafter created and the proceeds thereof upon such creation, in each case except as such enforceability may be limited by applicable Debtor Relief Laws, now or hereafter in effect, and by general principles of equity (whether considered in a suit at law or in equity). Upon the filing of the financing statements pursuant

to SECTION 2.1 and, in the case of Receivables hereafter created and the proceeds thereof, upon the creation thereof, the Trust shall have a first priority security interest in such property and proceeds except for Liens permitted under SECTION 2.7(b);

(vi) except as otherwise expressly provided in this Agreement or any Supplement, neither Transferor nor any Person claiming through or under Transferor has any claim to or interest in the Collection Account, the Excess Funding Account, any Series Account or any Enhancement;

(vii) on the Trust Cut Off Date, with respect to each Initial Account, on the date of its creation or the date it otherwise becomes an Automatic Additional Account, with respect to each Automatic Additional Account and, on the applicable Addition Cut Off Date, with respect to each related Supplemental Account, each such Account is an Eligible Account;

(viii) on the Trust Cut Off Date, each Receivable then existing is an Eligible Receivable, on the date of creation of each Automatic Additional Account or the date the related account otherwise becomes an Automatic Additional Account, each Receivable contained in such Automatic Additional Account is an Eligible Receivable and, on the applicable Addition Cut Off Date, each Receivable contained in any related Supplemental Account is an Eligible Receivable; and

(ix) as of the date of the creation of any new Receivable, such Receivable is an Eligible Receivable.

(b) NOTICE OF BREACH. The representations and warranties of Transferor set forth in this SECTION 2.4 shall survive the transfer and assignment by Transferor of Receivables to the Trust. Upon discovery by Transferor, Servicer or Trustee of a breach of any of the representations and warranties by Transferor set forth in this SECTION 2.4, the party discovering such breach shall give prompt written notice to the others and to each Enhancement Provider, if any, entitled thereto pursuant to the relevant Supplement. Transferor agrees to cooperate with Servicer and Trustee in attempting to cure any such breach. For purposes of the representations and warranties set forth in this SECTION 2.4, each reference to a Supplement shall be deemed to refer only to those Supplements in effect as of the date of the relevant representations or warranties.

SECTION II.5. REASSIGNMENT OF INELIGIBLE RECEIVABLES. (a) REASSIGNMENT OF RECEIVABLES. If (i) any representation or warranty of Transferor contained in SECTION 2.4(a)(ii), (iii), (iv), (vii), (viii) or (ix) is not true and correct in any material respect as of the date specified therein with respect to any Receivable transferred to the Trust by Transferor or any Account and as a result of such breach any Receivables in the related Account become Defaulted Receivables or the Trust's rights in, to or under such Receivables or the proceeds of such Receivables are impaired or such proceeds are not available for any reason to the Trust free and clear of any Lien, unless cured within 60 days (or such longer period, not in excess of 150 days, as may be agreed to by Trustee) after the earlier to occur

of the discovery thereof by Transferor or receipt by Transferor or a designee of Transferor of notice thereof given by Trustee, or (ii) it is so provided in SECTION 2.7(a) with respect to any Receivables transferred to the Trust by Transferor, then such Receivable shall be designated an "INELIGIBLE RECEIVABLE" and shall be assigned a principal balance of zero for the purpose of determining the aggregate amount of Principal Receivables on any day; PROVIDED that such Receivables will not be deemed to be Ineligible Receivables but will be deemed Eligible Receivables and such Principal Receivables shall be included in determining the aggregate Principal Receivables in the Trust if, on any day prior to the end of such 60-day or longer period, (x) either (A) in the case of an event described in CLAUSE (i), the relevant representation and warranty shall be true and correct in all material respects as if made on such day or (B) in the case of an event described in CLAUSE (ii), the circumstances causing such Receivable to become an Ineligible Receivable shall no longer exist and (y) Transferor shall have delivered an Officer's Certificate describing the nature of such breach and the manner in which the relevant representation and warranty became true and correct.

(b) PRICE OF REASSIGNMENT. On and after the date of its designation as an Ineligible Receivable, each Ineligible Receivable shall not be given credit in determining the aggregate amount of Principal Receivables used to calculate the Transferor Amount or the Investor Percentages applicable to any Series. If, following the exclusion of such Principal Receivables from the calculation of the Transferor Amount, the Transferor Amount would be less than the Specified Transferor Amount, Transferor shall make a deposit into the Excess Funding Account in immediately available funds prior to the next succeeding Business Day in an amount equal to the amount by which the Transferor Amount would be less than the Specified Transferor Amount (up to the amount of such Principal Receivables). The payment of such deposit amount in immediately available funds shall otherwise be considered payment in full of all of the Ineligible Receivables.

The obligation of Transferor to make the deposits, if any, required to be made to the Excess Funding Account as provided in this Section, shall constitute the sole remedy respecting the event giving rise to such obligation available to Holders (or Trustee on behalf of the Holders) or any Enhancement Provider.

SECTION II.6. REASSIGNMENT OF RECEIVABLES IN TRUST PORTFOLIO. If any representation or warranty of Transferor set forth in SECTION 2.3(a), (b) or (c) or SECTION 2.4(a)(i), (v) or (vi) is not true and correct in any material respect and such breach has a material adverse effect on the Investor Interest in the Receivables transferred to the Trust by Transferor, then either Trustee or the Majority Holders, by notice then given to Transferor and Servicer (and to Trustee if given by the Investor Holders), may direct Transferor to accept a reassignment of the Receivables transferred to the Trust by Transferor if such breach and any material adverse effect caused by such breach is not cured within 60 days of such notice (or within such longer period, not in excess of 150 days, as may be specified in such notice), and upon those conditions Transferor shall be obligated to accept such reassignment on the terms set forth below; PROVIDED that such Receivables will not be reassigned to Transferor if, on any day prior to the end of such 60-day or longer period (i) the relevant representation and warranty shall be true and correct in all material respects as if made on such day

and (ii) Transferor shall have delivered an Officer's Certificate describing the nature of such breach and the manner in which the relevant representation and warranty became true and correct.

Transferor shall deposit in the Collection Account in immediately available funds not later than 12:00 noon, New York City time, on the first Distribution Date following the Monthly Period in which such reassignment obligation arises, in payment for such reassignment, an amount equal to the sum of the amounts specified therefor with respect to each outstanding Series in the related Supplement. Notwithstanding anything to the contrary in this Agreement, such amounts shall be distributed on such Distribution Date in accordance with ARTICLE IV and each Supplement. The payment of such deposit amount in immediately available funds shall otherwise be considered payment in full of all of the Receivables.

Upon the deposit, if any, required to be made to the Collection Account as provided in this Section or SECTION 2.5, Trustee, on behalf of the Trust, shall automatically and without further action be deemed to transfer, assign, set over and otherwise convey to Transferor or its designee, without recourse, representation or warranty (except for the warranty that since the date of transfer by Transferor, Trustee has not sold, transferred or encumbered any such Receivables or interest therein), all the right, title and interest of the Trust in and to the applicable Receivables, all moneys due or to become due and all amounts received with respect thereto and all proceeds thereof. Trustee shall execute such documents and instruments of transfer or assignment and take such other actions as shall reasonably be requested by Transferor to effect the conveyance of such Receivables pursuant to this Section. The obligation of Transferor to accept reassignment of any Receivables, and to make the deposits, if any, required to be made to the Collection Account as provided in this Section, shall constitute the sole remedy respecting the event giving rise to such obligation available to Holders (or Trustee on behalf of the Holders).

SECTION II.7. COVENANTS OF TRANSFEROR. Transferor covenants as follows:

(a) RECEIVABLES TO BE ACCOUNTS, GENERAL INTANGIBLES OR CHATTEL PAPER. Except in connection with the enforcement or collection of an Account, Transferor will take no action to cause any Receivable transferred by it to the Trust to be evidenced by any instrument and, if any such Receivable is so evidenced (whether or not in connection with the enforcement or collection of an Account), it shall be deemed to be an Ineligible Receivable in accordance with SECTION 2.5(a) and shall be reassigned to Transferor in accordance with SECTION 2.5(b).

(b) SECURITY INTERESTS. Except for the conveyances hereunder, Transferor will not sell, pledge, assign or transfer or otherwise convey to any other Person, or grant, create, incur, assume or suffer to exist any Lien on any Receivable, whether now existing or hereafter created, or any interest therein; Transferor will immediately notify Trustee of the existence of any Lien on any Receivable of which Transferor has knowledge; and Transferor shall defend the right, title and interest of the Trust in, to and under the Receivables, whether now existing or hereafter created, against all claims of third parties claiming through or under

Transferor; PROVIDED that nothing in this SECTION 2.7(b) shall prevent or be deemed to prohibit Transferor from suffering to exist upon any of the Receivables (i) any Liens for taxes if such taxes shall not at the time be due and payable or if Transferor shall currently be contesting the validity thereof in good faith by appropriate proceedings and shall have set aside on its books adequate reserves with respect thereto, or (ii) at any time when accounts subject to any Co-Branding Agreement are included in the Identified Portfolio, rights of the counterparty to such Co-Branding Agreement in respect of such accounts and related receivables, which rights arise pursuant to the terms of such Co-Branding Agreement and do not constitute a Lien on any Receivables transferred to the Trust hereunder. Notwithstanding the foregoing, nothing in this SECTION 2.7(b) shall be construed to prevent or be deemed to prohibit the transfer of the Transferor Certificate and certain other rights of Transferor in accordance with this Agreement and any related Supplement.

(c) TRANSFEROR INTEREST. Except as otherwise permitted herein, including in SECTIONS 2.11, 6.3 and 7.2, Transferor agrees not to transfer, assign, exchange or otherwise convey or pledge, hypothecate or otherwise grant a security interest in the Transferor Interest (or any interest therein) represented by the Transferor Certificate (or any interest therein) or any Supplemental Certificate (or any interest therein) and any such attempted transfer, assignment, exchange, conveyance, pledge, hypothecation or grant shall be void.

(d) DELIVERY OF COLLECTIONS OR RECOVERIES. If Transferor is not Servicer, and Transferor receives Collections or Recoveries, then Transferor agrees to pay Servicer all such Collections and Recoveries as soon as practicable after receipt thereof but in no event later than two Business Days after the Date of Processing by Transferor.

(e) NOTICE OF LIENS. Transferor shall notify Trustee and each Enhancement Provider, if any, entitled to such notice pursuant to the relevant Supplement promptly after becoming aware of any Lien on any Receivable other than the conveyances hereunder or Liens permitted under SECTION 2.7(b).

(f) CONTINUOUS PERFECTION. Transferor shall not change its name, identity or structure in any manner that might cause any financing or continuation statement filed pursuant to this Agreement to be misleading within the meaning of Section 9-402(7) of the UCC (or any other then applicable provision of the UCC) unless Transferor shall have delivered to Trustee at least 30 days prior written notice thereof and, no later than 30 days after making such change, shall have taken all action necessary or advisable to amend such financing statement or continuation statement so that it is not misleading. Transferor shall not change its chief executive office or change the location of its principal records concerning the Receivables, the Trust Assets or the Collections unless it has delivered to Trustee at least 30 days prior written notice of its intention to do so and has taken such action as is necessary or advisable to cause the interest of Trustee in the Receivables and other Trust Assets to continue to be perfected with the priority required by this Agreement.

(g) CREDIT CARD AGREEMENT AND GUIDELINES. Transferor shall comply with and perform its obligations under the Credit Card Agreements relating to the Accounts, the Credit Card Guidelines and with respect to Accounts arising under any Co-Branding Agreement, all applicable rules and regulations of VISA U.S.A., Inc. and MasterCard International Inc., except insofar as any failure to comply or perform would not materially or adversely affect the rights of the Trust or the Holders under any Transaction Document or the Certificates. Transferor may change the terms and provisions of the Credit Card Agreements or the Credit Card Guidelines in any respect (including the reduction of the required minimum monthly payment, the calculation of the amount, or the timing, of charge offs and Periodic Finance Charges and other fees assessed thereon), but only if such change is made applicable to any comparable segment of the revolving credit card accounts owned and serviced by Transferor which have characteristics the same as, or substantially similar to, the Accounts that are the subject of such change, except as otherwise restricted by an endorsement, sponsorship or other agreement between Transferor and an unrelated third party or by the terms of the Credit Card Agreements.

(h) OFFICIAL RECORDS. The resolutions of Transferor's Board of Directors approving each of the Transaction Documents and all documents relating thereto are and shall be continuously reflected in the minutes of Transferor's Board of Directors. Each of the Transaction Documents and all documents relating thereto are and shall, continuously from the time of their respective execution by Transferor, be official records of Transferor.

SECTION II.8. ADDITION OF ACCOUNTS. (a) AUTOMATIC ADDITIONAL ACCOUNTS. Subject to any limitations specified in any Supplement, Automatic Additional Accounts shall be included as Accounts from and after the date upon which they are created, and all Receivables in Automatic Additional Accounts, whether such Receivables are then existing or thereafter created, shall be transferred automatically to the Trust upon their creation. For all purposes of this Agreement, all receivables relating to Automatic Additional Accounts shall be treated as Receivables upon their creation and shall be subject to the eligibility criteria specified in the definitions of "Eligible Receivable" and "Eligible Account." Transferor may elect at any time to terminate the inclusion in Accounts of new accounts which would otherwise be Automatic Additional Accounts as of any Business Day (the "AUTOMATIC ADDITION TERMINATION DATE"), or suspend any such inclusion as of any Business Day (an "AUTOMATIC ADDITION SUSPENSION DATE") until a date (the "RESTART DATE") to be notified in writing by Transferor to Trustee by delivering to Trustee, Servicer and each Rating Agency ten days prior written notice of such election at least 10 days prior to such Automatic Addition Termination Date, Automatic Addition Suspension Date or Restart Date, as the case may be. Promptly after each of an Automatic Addition Termination Date, an Automatic Addition Suspension Date and a Restart Date, Transferor and Trustee agree to execute, and Transferor agrees to record and file at its own expense, an amendment to the financing statements referred to in SECTION 2.1 to specify the accounts then subject to this Agreement (which specification may incorporate a list of accounts by reference) and, except in connection with any such filing made after a Restart

Date, to release any security interest in any accounts created after the Automatic Addition Termination Date or Automatic Addition Suspension Date.

(b) REQUIRED ADDITIONS OF SUPPLEMENTAL ACCOUNTS. If during any period of thirty consecutive days, the Transferor Amount averaged over that period is less than the Minimum Transferor Amount for that period, Transferor shall designate additional Eligible Accounts ("SUPPLEMENTAL ACCOUNTS") to be included as Accounts in a sufficient amount such that the average of the Transferor Amount as a percentage of the average amount of Principal Receivables for such 30-day period, computed by assuming that the amount of the Principal Receivables of such Supplemental Accounts shall be deemed to be outstanding in the Trust during each day of such 30-day period, is at least equal to the Minimum Transferor Amount. In addition, if on any Record Date the aggregate amount of Principal Receivables plus amounts on deposit in the Excess Funding Account is less than the Required Principal Balance, Transferor shall designate Supplemental Accounts from any Approved Portfolio to be included as Accounts in a sufficient amount such that the aggregate amount of Principal Receivables plus amounts on deposit in the Excess Funding Account will be equal to or greater than the Required Principal Balance. Receivables from all such Supplemental Accounts shall be transferred to the Trust on or before the tenth Business Day following such thirty-day period or Record Date, as the case may be. In lieu of, or in addition to, designating Supplemental Accounts as required above, Transferor may convey to the Trust participations or trust certificates representing undivided legal or beneficial interests in a pool of assets primarily consisting of receivables arising under revolving credit card accounts or other revolving credit accounts owned by Transferor or any of its Affiliates and collections thereon ("PARTICIPATION INTERESTS"). Any addition of Participation Interests to the Trust (whether pursuant to this PARAGRAPH (b) or PARAGRAPH (c) below) shall be effected by an amendment hereto, dated the applicable Addition Date, pursuant to SUBSECTION 13.1(a).

(c) PERMITTED ADDITIONS. In addition to its obligation under PARAGRAPH (b), Transferor may, but shall not be obligated to, from time to time designate Supplemental Accounts or Participation Interests to be included as Trust Assets, in either case as of the applicable Addition Date.

(d) CERTAIN CONDITIONS FOR ADDITIONS OF SUPPLEMENTAL ACCOUNTS AND PARTICIPATION INTERESTS. Transferor agrees that any transfer of Receivables from Supplemental Accounts or Participation Interests under PARAGRAPHS (b) or (c) shall occur only upon satisfaction of the following conditions (to the extent applicable):

(i) on or before the tenth Business Day prior to the Addition Date (the "NOTICE DATE"), Transferor shall give Trustee, each Rating Agency and Servicer written notice that such Supplemental Accounts or Participation Interests will be included, which notice shall specify the approximate aggregate amount of the Receivables or Participation Interests to be transferred; and, in the case of any transfer pursuant to PARAGRAPH (c), the Rating Agency Condition shall have been satisfied;

(ii) on or before the Addition Date, Transferor shall have delivered to Trustee a written assignment (including an acceptance by Trustee on behalf of the Trust for the benefit of the Investor Holders) in substantially the form of EXHIBIT B (the "ASSIGNMENT") and Transferor shall have indicated in its computer files that the Receivables created in connection with the Supplemental Accounts have been transferred to the Trust and, within five Business Days thereafter, Transferor shall have delivered to Trustee an Account Schedule listing such Supplemental Accounts, which as of the date of such Assignment, shall be deemed incorporated into and made a part of such Assignment and this Agreement;

(iii) Transferor shall represent and warrant that (x) each Supplemental Account is, as of the Addition Date, an Eligible Account, and each Receivable in such Supplemental Account is, as of the Addition Date, an Eligible Receivable, (y) no selection procedures believed by Transferor to be materially adverse to the interests of the Investor Holders were utilized in selecting the Additional Accounts from the available Eligible Accounts in an Approved Portfolio, and (z) as of the Addition Date, Transferor is not insolvent;

(iv) Transferor shall represent and warrant that, as of the Addition Date, the Assignment constitutes either (x) a valid transfer and assignment to the Trust of all right, title and interest of Transferor in and to the Receivables then existing and thereafter created in the Supplemental Accounts, and all proceeds of such Receivables and Insurance Proceeds relating thereto and such Receivables and all proceeds thereof and Insurance Proceeds and Recoveries relating thereto will be held by the Trust free and clear of any Lien of any Person claiming through or under Transferor or any of its Affiliates, except for (i) Liens permitted under SECTION 2.7(b), (ii) the interest of Transferor as Holder of the Transferor Certificate and (iii) Transferor's right to receive interest accruing on, and investment earnings in respect of, the Excess Funding Account, or any Series Account as provided in this Agreement and any related Supplement or (y) a grant of a security interest in such property to the Trustee, for the benefit of the Investor Holders, which is enforceable with respect to then existing Receivables in the Supplemental Accounts, the proceeds thereof and Insurance Proceeds and Recoveries relating thereto upon the conveyance of such Receivables to the Trust, and which will be enforceable with respect to the Receivables thereafter created in respect of Supplemental Accounts conveyed on such Addition Date, the proceeds thereof and Insurance Proceeds and Recoveries relating thereto upon such creation; and (z) if the Assignment constitutes the grant of a security interest to the Trustee in such property, upon the filing of a financing statement as described in SECTION 2.1 with respect to such Supplemental Accounts and in the case of the Receivables thereafter created in such Supplemental Accounts and the proceeds thereof, and Insurance Proceeds and Recoveries relating thereto, upon such creation, the Trust shall have a first priority perfected security interest in such property (subject to Section 9-306 of the UCC), except for Liens permitted under SECTION 2.7(b);

(v) Transferor shall deliver an Officer's Certificate to Trustee confirming the items set forth in CLAUSE (ii); and

(vi) Transferor shall deliver an Opinion of Counsel with respect to the Receivables in the Supplemental Accounts to Trustee (with a copy to each Rating Agency) substantially in the form of EXHIBIT F-2.

(e) ADDITIONAL APPROVED PORTFOLIOS. The Transferor may from time to time designate additional portfolios of accounts as "Approved Portfolios" if all conditions, if any, in each Supplement for the designation of an Approved Portfolio are satisfied.

SECTION II.9. REMOVAL OF ACCOUNTS. (a) On any day of any Monthly Period Transferor shall have the right to require the reassignment to it or its designee of all the Trust's right, title and interest in, to and under the Receivables then existing and thereafter created, all moneys due or to become due and all amounts received with respect thereto and all proceeds thereof in or with respect to the Accounts then owned by the Credit Card Originator and designated by Transferor (the "REMOVED ACCOUNTS") or Participation Interests (unless otherwise set forth in the applicable Supplement), upon satisfaction of the following conditions (PROVIDED that the conditions listed in CLAUSES (iv) through (viii) below need not be satisfied if the Removed Accounts relate to a repurchase pursuant to SECTION 2.9(b)):

(i) on or before the tenth Business Day immediately preceding the Removal Date (the "REMOVAL NOTICE DATE") Transferor shall have given Trustee, Servicer, each Rating Agency and any Enhancement Provider entitled thereto pursuant to the relevant Supplement written notice of such removal and specifying the date for removal of the Removed Accounts and Participation Interests (the "REMOVAL DATE");

(ii) with respect to Removed Accounts, on or prior to the date that is 10 Business Days after the Removal Date, Transferor shall have delivered to Trustee an Account Schedule listing the Removed Accounts and specifying for each such Account, as of the Removal Notice Date, its account number, the aggregate amount outstanding, and the aggregate amount of Principal Receivables outstanding in such Account;

(iii) with respect to Removed Accounts, Transferor shall have represented and warranted as of the Removal Date that the list of Removed Accounts delivered pursuant to PARAGRAPH (ii), as of the Removal Date, is true and complete in all material respects;

(iv) the Rating Agency Condition shall have been satisfied with respect to such removal;

(v) Transferor shall have delivered to Trustee and any Enhancement Provider entitled thereto pursuant to the relevant Supplement an Officer's Certificate, dated as of the Removal Date, to the effect that Transferor reasonably believes that (i) such removal will not, based on the facts known to such officer at the time of such certification, then or thereafter cause an Early Amortization Event to occur with respect to any Series and (ii) no

selection procedure believed by Transferor to be materially adverse to the interests of the Investor Holders has been used in removing Removed Accounts from among any pool of Accounts or Participation Interests of a similar type;

(vi) Transferor shall not use a selection procedure intended to include a disproportionately higher level of Defaulted Receivables in the Removed Accounts than exist in the Accounts and shall not remove such Accounts for the intended purpose of mitigating losses to the Trust;

(vii) the aggregate Principal Receivables in the Removed Accounts shall not exceed the excess of the Transferor Amount over the Minimum Transferor Amount, all measured as of the end of the most recently ended Monthly Period; and

(viii) such removal shall not cause a decrease in the sum of the Invested Amounts for all outstanding Series.

Upon satisfaction of the above conditions, Trustee shall execute and deliver to Transferor or its designee a written reassignment in substantially the form of EXHIBIT C (the "REASSIGNMENT") and shall, without further action, be deemed to transfer, assign, set over and otherwise convey to Transferor or its designee, effective as of the Removal Date, without recourse, representation or warranty, all the right, title and interest of the Trust in and to the Receivables arising in the Removed Accounts or the Participation Interests, all moneys due and to become due and all amounts received with respect thereto and all proceeds thereof. In addition, Trustee shall execute such other documents and instruments of transfer or assignment and take such other actions as shall reasonably be requested by Transferor to effect the conveyance of Receivables pursuant to this Section.

(b) Transferor may from time to time designate as Removed Accounts any Accounts designated for repurchase by a Merchant pursuant to the terms of the related Credit Card Processing Agreement. Any repurchase of the Receivables in Removed Accounts designated pursuant to this SECTION 2.9(b) shall be effected in the manner and at a price determined in accordance with SECTION 2.5(b), as if the Receivables being repurchased were Ineligible Receivables. Amounts deposited in the Collection Account in connection therewith shall be deemed to be Collections of Principal Receivables and shall be applied in accordance with the terms of ARTICLE IV and each Supplement.

SECTION II.10. DISCOUNT OPTION. (a) Transferor shall have the option, to designate at any time a fixed or floating percentage (the "DISCOUNT PERCENTAGE"), of the amount of Receivables arising in the Accounts on or after the date such designation becomes effective that would otherwise constitute Principal Receivables (prior to subtracting from Principal Receivables, Finance Charge Receivables that are Discount Option Receivables) to be treated as Finance Charge Receivables. Transferor may from time to time increase (subject to the limitations described below), reduce or eliminate the Discount Percentage for Discount Option Receivables arising in the Accounts on and after the date of such change. Transferor must provide 30 days' prior written notice to Servicer,

Trustee and each Rating Agency of any such increase, reduction or elimination, and such increase, reduction or elimination shall become effective on the date specified therein only if (i) Transferor has delivered to Trustee an Officer's Certificate to the effect that, based on the facts known to such officer at the time, Transferor reasonably believes that such increase, reduction or elimination will not at the time of its occurrence cause an Early Amortization Event, or an event which with notice or the lapse of time would constitute an Early Amortization Event, to occur with respect to any Series and (ii) in the case of any increase, the Discount Percentage shall not exceed 3% after giving effect to that increase.

(b) On each Date of Processing after the date on which the Transferor's exercise of its discount option takes effect, the Transferor shall treat Discount Option Receivables Collections as Collections of Finance Charge Receivables.

SECTION II.11. ADDITIONAL TRANSFERORS. Transferor may designate additional or substitute Persons to be included as Transferors under this Agreement by an amendment to this Agreement (which amendment shall be subject to SECTION 13.1 and to any applicable restrictions in the Supplement for any outstanding Series) and, in connection with such designation, the initial Transferor shall surrender the Transferor Certificate to Trustee in exchange for a newly issued Transferor Certificate reflecting such additional Transferor's interest in the Transferor Interest; PROVIDED THAT prior to any such designation and issuance the conditions set forth in SECTION 6.3(c) shall have been satisfied.

SECTION II.12. ADDITIONAL CREDIT CARD ORIGINATORS. Transferor may designate additional Persons as Credit Card Originators under this Agreement by an amendment to this Agreement (which amendment shall be subject to SECTION 13.1 and to any applicable restrictions in the Supplement for any outstanding Series).

ARTICLE III ADMINISTRATION AND SERVICING

SECTION III.1. ACCEPTANCE OF APPOINTMENT AND OTHER MATTERS RELATING TO SERVICER. (a) WFN is appointed, and agrees to act, as Servicer.

(b) Servicer shall service and administer the Receivables, shall collect payments due under the Receivables and shall charge off as uncollectible Receivables, all in accordance with its customary and usual servicing procedures for servicing credit card and other consumer open end credit receivables comparable to the Receivables and in accordance with the Credit Card Guidelines. Servicer shall have full power and authority, acting alone or through any party properly designated by it hereunder, to do any and all things in connection with such servicing and administration which it may deem necessary or desirable. Without limiting the generality of the foregoing, subject to SECTION 10.1 and provided WFN is Servicer, Servicer or its designee (rather than Trustee) is hereby authorized and empowered (i) to make withdrawals and payments or to instruct Trustee to make withdrawals and payments from the Collection Account and any Series Account, as set forth in this

Agreement or any Supplement, and (ii) to take any action required or permitted under any Enhancement, as set forth in this Agreement or any Supplement. Without limiting the generality of the foregoing and subject to SECTION 10.1, Servicer or its designee is authorized and empowered to make any filings, reports, notices, applications and registrations with, and to seek any consents or authorizations from, the Commission and any state securities authority on behalf of the Trust as may be necessary or advisable to comply with any Federal or state securities laws or reporting requirements. Trustee shall furnish Servicer with any powers of attorney or other documents necessary or appropriate to enable Servicer to carry out its servicing and administrative duties hereunder.

(c) Servicer shall not be obligated to use separate servicing procedures, offices, employees or accounts for servicing the Receivables from the procedures, offices, employees and accounts used by Servicer in connection with servicing other credit card receivables.

(d) Servicer shall comply with and perform its servicing obligations with respect to the Accounts and Receivables in accordance with the Credit Card Agreements relating to the Accounts and the Credit Card Guidelines except insofar as any failure to so comply or perform would not materially and adversely affect the Trust or the Investor Holders.

(e) Servicer shall be liable for the payment, without reimbursement, of all expenses incurred in connection with the Trust and the servicing activities hereunder including expenses related to enforcement of the Receivables, fees and disbursements of Trustee, any Paying Agent and any Transfer Agent and Registrar (including the reasonable fees and expenses of its counsel) in accordance with SECTION 11.5, fees and disbursements of independent accountants and all other fees and expenses, including the costs of filing UCC continuation statements and the costs and expenses relating to obtaining and maintaining the listing of any Investor Certificates on any stock exchange, that are not expressly stated in this Agreement to be payable by the Trust, the Investor Holders of a Series or Transferor (other than Federal, state, local and foreign income, franchise and other taxes, if any, or any interest or penalties with respect thereto, assessed on the Trust).

SECTION III.2. SERVICING COMPENSATION. As full compensation for its servicing activities hereunder and as reimbursement for any expense incurred by it in connection therewith, Servicer shall be entitled to receive a servicing fee (the "SERVICING FEE") with respect to each Monthly Period, payable monthly on the related Distribution Date, in an amount equal to one-twelfth of the product of (a) the weighted average of the Series Servicing Fee Percentages with respect to each outstanding Series (based upon the Series Servicing Fee Percentage for each Series and the Invested Amount (or such other amount as specified in the related Supplement) of such Series, in each case as of the last day of the prior Monthly Period) and (b) the amount of Principal Receivables on the last day of the prior Monthly Period. The share of the Servicing Fee allocable to the Investor Interest of each Series with respect to any Monthly Period (the "INVESTOR SERVICING FEE") will be determined in accordance with the relevant Supplement. The portion of the Servicing Fee with respect to any Monthly Period not so allocated to the Investor Interest of a particular Series, or otherwise allocated in any

Supplement, shall be paid from Finance Charge Collections allocable to Transferor on the related Distribution Date. In no event shall the Trust, Trustee, the Investor Holders of any Series or any Enhancement Provider be liable for the share of the Servicing Fee with respect to any Monthly Period to be paid by Transferor.

SECTION III.3. REPRESENTATIONS, WARRANTIES AND COVENANTS OF SERVICER. WFN, in its capacity as initial Servicer, hereby makes, and any Successor Servicer by its appointment hereunder shall make, on each Closing Date (and on the date of any such appointment), the following representations, warranties and covenants to the Trust:

(a) ORGANIZATION AND GOOD STANDING. Servicer is a national banking association (or with respect to such Successor Servicer, such other corporate entity as may be applicable) duly organized, validly existing and in good standing under the laws of the United States, and has full corporate power, authority and legal right to execute, deliver and perform its obligations under this Agreement and each Supplement and, in all material respects, to own its properties and conduct its business as such properties are presently owned and as such business is presently conducted.

(b) DUE QUALIFICATION. Servicer is duly qualified to do business and is in good standing as a foreign corporation (or is exempt from such requirements), and has obtained all necessary licenses and approvals in each jurisdiction in which failure to so qualify or to obtain such licenses and approvals would have a material adverse effect on the interests of the Investor Holders hereunder or under any Supplement.

(c) DUE AUTHORIZATION. The execution, delivery, and performance of this Agreement and each Supplement have been duly authorized by Servicer by all necessary corporate action on the part of Servicer.

(d) BINDING OBLIGATION. This Agreement and each Supplement constitutes a legal, valid and binding obligation of Servicer, enforceable in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereinafter in effect, affecting the enforcement of creditors' rights in general (or with respect to such Successor Servicer, such other corporate entity as may be applicable) and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

(e) NO VIOLATION. The execution and delivery of this Agreement and each Supplement by Servicer, the performance of the transactions contemplated by this Agreement and each Supplement and the fulfillment of the terms hereof and thereof applicable to Servicer, will not conflict with, violate, result in any breach of any of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a material default under, any Requirement of Law applicable to Servicer or any indenture, contract, agreement, mortgage,

deed of trust or other instrument to which Servicer is a party or by which it or any of its properties are bound.

(f) NO PROCEEDINGS. There are no proceedings or investigations pending or, to the best knowledge of Servicer, threatened against Servicer before any court, regulatory body, administrative agency or other tribunal or governmental instrumentality seeking to prevent the issuance of the Certificates or the consummation of any of the transactions contemplated by this Agreement or any Supplement, seeking any determination or ruling that, in the reasonable judgment of Servicer, would materially and adversely affect the performance by Servicer of its obligations under this Agreement or any Supplement, or seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement or any Supplement.

(g) COMPLIANCE WITH REQUIREMENTS OF LAW. Servicer shall duly satisfy all obligations on its part to be fulfilled under or in connection with the Receivables and the related Accounts, will maintain in effect all qualifications required under Requirements of Law in order to properly service the Receivables and the related Accounts and will comply in all material respects with all other Requirements of Law in connection with servicing the Receivables and the related Accounts, the failure to comply with which would have a material adverse effect on the interests of the Investor Holders.

(h) NO RESCISSION OR CANCELLATION. Servicer shall not permit any rescission or cancellation of a Receivable except as ordered by a court of competent jurisdiction or other Governmental Authority or in the ordinary course of its business and in accordance with the Credit Card Guidelines. Servicer shall reflect any such rescission or cancellation in its computer file of revolving credit card accounts. In addition, Servicer may waive the accrual and/or payment of certain Finance Charge Receivables in respect of certain past due Accounts, the Obligors of which have enrolled with a consumer credit counseling service, and the Receivables in such Accounts shall not fail to be Eligible Receivables solely as a result of such waiver.

(i) PROTECTION OF HOLDERS' RIGHTS. Servicer shall take no action which, nor omit to take any action the omission of which, would materially impair the rights of Holders in any Receivable or Account, nor shall it, except in the ordinary course of its business and in accordance with the Credit Card Guidelines, reschedule, revise or defer Collections due on the Receivables.

(j) RECEIVABLES NOT TO BE EVIDENCED BY PROMISSORY NOTES. Except in connection with its enforcement or collection of an Account, Servicer will take no action to cause any Receivable to be evidenced by any instrument, other than an instrument that, taken together with one or more other writings, constitutes chattel paper and, if any Receivable is so

evidenced (whether or not in connection with the enforcement or collection of an Account), it shall be reassigned or assigned to Servicer as provided in this Section.

(k) ALL CONSENTS REQUIRED. All approvals, authorizations, consents, orders or other actions of any Person or of any governmental body or official required in connection with the execution and delivery by Servicer of this Agreement and each Supplement, the performance by Servicer of the transactions contemplated by this Agreement and each Supplement and the fulfillment by Servicer of the terms hereof and thereof, have been obtained; PROVIDED that Servicer makes no representation or warranty as to state securities or "blue sky" laws.

(l) MAINTENANCE OF RECORDS AND BOOKS OF ACCOUNT. Servicer shall maintain and implement administrative and operating procedures (including the ability to recreate records evidencing the Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, computer records and other information, reasonably necessary or advisable for the collection of all the Receivables. Such documents, books and computer records shall reflect all facts giving rise to the Receivables, all payments and credits with respect thereto, and, to the extent required pursuant to SECTION 2.1, such documents, books and computer records shall indicate the interests of the Trust in the Receivables.

For purposes of the representations and warranties set forth in this SECTION 3.3, each reference to a Supplement shall be deemed to refer only to those Supplements in effect as of the relevant Closing Date or the date of appointment of a Successor Servicer, as applicable.

If any of the representations, warranties or covenants of Servicer contained in PARAGRAPH (g), (h), (i) or (j) with respect to any Receivable or the related Account is breached, and as a result of such breach the Trust's rights in, to or under any Receivables in the related Account or the proceeds of such Receivables are materially impaired or such proceeds are not available for any reason to the Trust free and clear of any Lien, then no later than the expiration of 60 days (or such longer period, not in excess of 150 days, as may be agreed to by Trustee) from the earlier to occur of the discovery of such event by Servicer, or receipt by Servicer of notice of such event given by Trustee, all Receivables in the Account or Accounts to which such event relates shall be reassigned or assigned to Servicer as set forth below; PROVIDED that such Receivables will not be reassigned or assigned to Servicer if, on any day prior to the end of such 60-day or longer period, (i) the relevant representation and warranty shall be true and correct, or the relevant covenant shall have been complied with, in all material respects and (ii) Servicer shall have delivered an Officer's Certificate describing the nature of such breach and the manner in which such breach was cured.

Servicer shall effect such assignment by making a deposit into the Collection Account in immediately available funds prior to the next succeeding Business Day in an amount equal to the

amount of such Receivables, which deposit shall be considered a Collection with respect to such Receivables and shall be applied in accordance with ARTICLE IV and each Supplement.

Upon each such assignment to Servicer, Trustee, on behalf of the Trust, shall automatically and without further action be deemed to transfer, assign, set over and otherwise convey to Servicer, without recourse, representation or warranty (except for the warranty that since the date of transfer by Transferor, Trustee has not sold, transferred or encumbered any such Receivables or interest therein), all right, title and interest of the Trust in and to such Receivables, all moneys due or to become due and all amounts received with respect thereto and all proceeds thereof. Trustee shall execute such documents and instruments of transfer or assignment and take such other actions as shall be reasonably requested by Servicer to effect the conveyance of any such Receivables pursuant to this Section. The obligation of Servicer to accept assignment of such Receivables, and to make the deposits, if any, required to be made to the Excess Funding Account or the Collection Account as provided in the preceding paragraph, shall constitute the sole remedy respecting the event giving rise to such obligation available to Holders (or Trustee on behalf of Holders) or any Enhancement Provider.

SECTION III.4. REPORTS TO TRUSTEE.

(a) DAILY REPORTS. On the second Business Day immediately following each Date of Processing, Servicer shall prepare and make available at the office of Servicer for inspection by Trustee a report (the "DAILY REPORT") that shall set forth (i) the aggregate amounts of Collections, Collections with respect to Principal Receivables and Collections with respect to Finance Charge Receivables processed by Servicer on such Date of Processing, (ii) the aggregate amount of Defaulted Receivables for such Date of Processing, and (iii) the aggregate amount of Principal Receivables in the Trust as of such Date of Processing.

(b) MONTHLY SERVICER'S CERTIFICATE. Unless otherwise stated in any Supplement as to the related Series, on each Determination Date, Servicer shall forward to Trustee, the Paying Agent, each Rating Agency and each Enhancement Provider, if any, a certificate of a Servicing Officer setting forth (i) the aggregate amounts for the preceding Monthly Period with respect to each of the items specified in CLAUSE (i) of SECTION 3.4(a), (ii) the aggregate Defaulted Receivables and Recoveries for the preceding Monthly Period, (iii) a calculation of the Portfolio Yield and Base Rate for each Series then outstanding, (iv) the aggregate amount of Receivables and the balance on deposit in the Collection Account (or any subaccount thereof) or any Series Account applicable to any Series then outstanding with respect to Collections processed as of the end of the last day of the preceding Monthly Period, (v) the aggregate amount of adjustments from the preceding Monthly Period, (vi) the aggregate amount, if any, of withdrawals, drawings or payments under any Enhancement with respect to each Series required to be made with respect to the previous Monthly Period, (vii) the sum of all amounts payable to the Investor Holders on the succeeding Distribution Date in respect of interest and principal payable with respect to the Investor Certificates and (viii) such other amounts, calculations, and/or information as may be required by any relevant Supplement.

(c) TRANSFERRED ACCOUNTS. Servicer covenants and agrees hereby to deliver to Trustee, on or prior to the Automatic Addition Termination Date or any Automatic Addition Suspension Date (but in the latter case, prior to a Restart Date) within a reasonable time period after any Transferred Account is created, but in any event not later than 15 days after the end of the month within which the Transferred Account is created, a notice specifying the new account number for any Transferred Account and the replaced account number.

SECTION III.5. ANNUAL CERTIFICATE OF SERVICER. Servicer shall deliver to Trustee, each Rating Agency and each Enhancement Provider, if any, entitled thereto pursuant to the relevant Supplement, on or before the 90th day following fiscal year 1998 and each subsequent fiscal year, an Officer's Certificate (with appropriate insertions) substantially in the form of EXHIBIT D.

SECTION III.6. ANNUAL SERVICING REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS; COPIES OF REPORTS AVAILABLE. (a) On or before the 90th day following the end of its fiscal year 1998 and each subsequent fiscal year, Servicer shall cause a firm of nationally recognized independent public accountants (who may also render other services to Servicer or Transferor) to furnish a report (addressed to Trustee) to Trustee, Servicer and each Rating Agency to the effect that they have applied certain procedures with Servicer and such firm has examined certain documents and records relating to the servicing of Accounts under this Agreement and each Supplement, compared the information contained in Servicer's certificates delivered pursuant to this Agreement during the period covered by such report with such documents and records and that, on the basis of such agreed upon procedures (and assuming the accuracy of any reports generated by Servicer's third party agents), such servicing was conducted in compliance with this Agreement during the period covered by such report (which shall be the prior fiscal year, or the portion thereof falling after the Initial Closing Date), except for such exceptions, errors or irregularities as such firm shall believe to be immaterial and such other exceptions, errors or irregularities as shall be set forth in such report. Such report shall set forth the agreed upon procedures performed. A copy of such report shall be delivered to each Enhancement Provider, if any, entitled thereto pursuant to the relevant Supplement.

(b) On or before the 90th day following the end of fiscal year 1998 and each subsequent fiscal year, Servicer shall cause a firm of nationally recognized independent public accountants (who may also render other services to Servicer or Transferor) to furnish a report to Trustee, Servicer and each Rating Agency to the effect that they have applied certain procedures agreed upon with Servicer to compare the mathematical calculations of certain amounts set forth in Servicer's Certificates delivered pursuant to SECTION 3.4(b) during the period covered by such report with Servicer's computer reports which were the source of such amounts and that on the basis of such agreed upon procedures and comparison, such amounts are in agreement, except for such exceptions as they believe to be immaterial and such other exceptions as shall be set forth in such statement. A copy of such report shall be delivered to each Enhancement Provider, if any, entitled thereto pursuant to the relevant Supplement.

(c) A copy of each certificate and report provided pursuant to SECTION 3.4(b), 3.5 or 3.6 may be obtained by any Investor Holder or Certificate Owner by a request to Trustee addressed to the Corporate Trust Office.

SECTION III.7. TAX TREATMENT. Transferor has entered into this Agreement, and the Certificates will be issued, with the intention that for Federal, state and local income and franchise tax purposes, the Investor Certificates (except Transferor Retained Certificates which are held by Transferor) of each Series will qualify as debt secured by the Receivables. Transferor, by entering into this Agreement, each Holder, by the acceptance of its Certificate (and each Certificate Owner, by its acceptance of an interest in the applicable Certificate), agree to treat such Investor Certificates for Federal, state and local income and franchise tax purposes as debt. Each Holder of such Investor Certificate agrees that it will cause any Certificate owner acquiring an interest in a Certificate through it to comply with this Agreement as to treatment as debt under applicable tax law, as described in this SECTION 3.7. Furthermore, subject to SECTION 11.11, or unless Transferor shall determine that the filing of returns is appropriate, Trustee shall treat the Trust as a security device only and shall not file tax returns or obtain an employer identification number on behalf of the Trust.

SECTION III.8. NOTICES TO WFN. If WFN is no longer acting as Servicer, any Successor Servicer shall deliver to WFN each certificate and report required to be provided thereafter pursuant to SECTION 3.4(b), 3.5 or 3.6.

SECTION III.9. ADJUSTMENTS. (a) If Servicer adjusts downward the amount of any Receivable because of a rebate, refund, unauthorized charge or billing error to an accountholder, or because such Receivable was created in respect of merchandise which was refused or returned by an accountholder, or if Servicer otherwise adjusts downward the amount of any Receivable without receiving Collections therefor or charging off such amount as uncollectible, then, in any such case, the amount of Principal Receivables used to calculate the Transferor Interest or the Investor Percentages applicable to any Series will be reduced by the amount of the adjustment. Similarly, the amount of Principal Receivables used to calculate the Transferor Amount and the Investor Percentages applicable to any Series will be reduced by the amount of any Principal Receivable which was discovered as having been created through a fraudulent or counterfeit charge or with respect to which the covenant of Transferor contained in SECTION 2.7(b) has been breached. Any adjustment required pursuant to either of the two preceding sentences shall be made on or prior to the end of the Monthly Period in which such adjustment obligation arises. If, following the exclusion of such Principal Receivables from the calculation of the Transferor Amount, the Transferor Amount would be less than the Specified Transferor Amount, not later than 12:00 noon, New York City time, on the Distribution Date following the Monthly Period in which such adjustment obligation arises, Transferor shall make a deposit into the Excess Funding Account in immediately available funds in an amount equal to the amount by which the Transferor Amount would be less than the Specified Transferor Amount (up to the amount of such Principal Receivables). Any amount deposited into the Excess Funding Account pursuant to the preceding sentence shall be considered Collections of Principal Receivables and shall be applied in accordance with ARTICLE IV and each Supplement.

To secure its obligations to make deposits required by this SECTION 3.9(a), Transferor hereby grants to Trustee, for the benefit of the Investor Holders, a security interest in (i) its rights to receive payments from any Merchant under any Credit Card Processing Agreement on account of rebates, refunds, unauthorized charges, refused or returned merchandise or any other event or circumstance that causes Servicer to adjust downward the amount of any Receivable without receiving Collections therefor or charging off such amount as uncollectible ("MERCHANT ADJUSTMENT PAYMENTS"), (ii) any collateral security granted to, or guaranty for the benefit of, WFN with respect to Merchant Adjustment Payments, (iii) all amounts received from any Merchant or guarantor on account of Merchant Adjustment Payments and (iv) all proceeds of such rights and such amounts. Except as otherwise required by any Supplement, Transferor may permit or require Merchant Adjustment Payments owed by any Merchant to be netted against amounts owed by Transferor to that Merchant.

(b) If (i) Servicer makes a deposit into the Collection Account in respect of a Collection of a Receivable and such Collection was received by Servicer in the form of a check which is not honored for any reason or (ii) Servicer makes a mistake with respect to the amount of any Collection and deposits an amount that is less than or more than the actual amount of such Collection, Servicer shall appropriately adjust the amount subsequently deposited into the Collection Account to reflect such dishonored check or mistake. Any Receivable in respect of which a dishonored check is received shall be deemed not to have been paid. Notwithstanding the first two sentences of this paragraph, any adjustments made pursuant to this paragraph will be reflected in a current report but will not change any amount of Collections previously reported pursuant to SECTION 3.4(b).

ARTICLE IV RIGHTS OF HOLDERS; ALLOCATIONS

SECTION IV.1. RIGHTS OF HOLDERS. The Investor Certificates shall represent fractional undivided interests in the Trust, which, with respect to each Series, shall consist of the right to receive, to the extent necessary to make the required payments with respect to the Investor Certificates of such Series at the times and in the amounts specified in the related Supplement, the portion of Collections allocable to Investor Holders of such Series pursuant to this Agreement and such Supplement, funds on deposit in the Collection Account allocable to Holders of such Series pursuant to this Agreement and such Supplement, funds on deposit in any related Series Account and funds available pursuant to any related Enhancement (the "INVESTOR INTEREST"), it being understood that, unless otherwise specified in the Supplements with respect to each affected Series, the Investor Certificates of any Series or Class shall not represent any interest in any Series Account or Enhancement for the benefit of any other Series or Class. The Transferor Certificate shall represent the ownership interest in the remainder of the Trust Assets not allocated pursuant to this Agreement or any Supplement to the Investor Interest, including the right to receive Collections with respect to the Receivables and other amounts at the times and in the amounts specified in this Agreement or any Supplement to be paid to Transferor or on behalf of the Holder of the Transferor Certificate (the "TRANSFEROR INTEREST"); PROVIDED that (x) the Transferor Certificate shall not represent any interest in the Collection Account, any Series Account or any Enhancement, except as

specifically provided in this Agreement or any Supplement and (y) if this Agreement or, in the case of Supplemental Accounts, the related Assignment is deemed to constitute a grant to the Trustee, for the benefit of the Investor Holders, of a security interest in the Receivables and other Trust Assets, then the Transferor Certificate shall be deemed to represent Transferor's equity in the collateral granted.

SECTION IV.2. ESTABLISHMENT OF COLLECTION ACCOUNT AND EXCESS FUNDING ACCOUNT. Servicer, for the benefit of the Holders, shall establish and maintain in the name of Trustee, on behalf of the Trust, two Eligible Deposit Accounts (the "COLLECTION ACCOUNT" and the "EXCESS FUNDING ACCOUNT"), each bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Holders. The Collection Account and the Excess Funding Account shall initially be established with Trustee. Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Collection Account and the Excess Funding Account and in all proceeds thereof for the benefit of the Holders. The Collection Account and the Excess Funding Account shall be under the sole dominion and control of Trustee for the benefit of the Holders. Except as expressly provided in this Agreement, Trustee agrees that it shall have no right of set-off or banker's lien against, and no right to otherwise deduct from, any funds held in the Collection Account or the Excess Funding Account for any amount owed to it by the Trust, any Holder or any Enhancement Provider. If at any time the Collection Account or the Excess Funding Account ceases to be an Eligible Deposit Account, Trustee (or Servicer on its behalf) shall within 10 Business Days (or such longer period, not to exceed 30 calendar days, as to which the Rating Agency Condition is satisfied) establish a new Eligible Deposit Account meeting the conditions specified above and transfer any cash or any investments from the affected account to such new account, and from the date such new account is established, it shall be the "Collection Account" or the "Excess Funding Account," as the case may be.

Funds on deposit in the Collection Account and the Excess Funding Account shall, at the direction of Servicer, be invested by Trustee in Eligible Investments selected by Servicer, except that funds on deposit in either such account on any Transfer Date need not be invested through the immediately following Distribution Date. All such Eligible Investments shall be held by Trustee for the benefit of the Holders. Trustee shall maintain for the benefit of the Holders possession of the negotiable instruments or securities, if any, evidencing such Eligible Investments. Investments of funds representing Collections collected during any Monthly Period shall be invested in Eligible Investments that will mature so that all funds will be available at the close of business on the Transfer Date following such Monthly Period. No Eligible Investment shall be disposed of prior to its maturity unless Servicer so directs and either (i) such disposal will not result in a loss of all or part of the principal portion of such Eligible Investment or (ii) prior to the maturity of such Eligible Investment, a default occurs in the payment of principal, interest or any other amount with respect to such Eligible Investment. On each Distribution Date, all interest and other investment earnings (net of losses and investment expenses) on funds on deposit in the Collection Account and the Excess Funding Account shall be treated as Collections of Finance Charge Receivables with respect to the last day of the related Monthly Period, except as otherwise specified in any Supplement. For

purposes of determining the availability of funds or the balances in the Collection Account or the Excess Funding Account for any reason under this Agreement, all investment earnings net of investment expenses and losses on such funds shall be deemed not to be available or on deposit.

Unless otherwise directed by Servicer, funds on deposit in the Excess Funding Account will be withdrawn and paid to Transferor on any day to the extent that the Transferor Amount exceeds the Specified Transferor Amount on such day. On any Transfer Date on which one or more Series is in an Amortization Period, Servicer shall determine the aggregate amounts of Principal Shortfalls, if any, with respect to each such Series that is a Principal Sharing Series (after giving effect to the allocation and payment provisions in the Supplement with respect to each such Series), and Servicer shall instruct Trustee to withdraw such amount from the Excess Funding Account (up to an amount equal to the lesser of (x) the amount on deposit in the Excess Funding Account after application of the preceding sentence on that day and (y) the amount, if any, by which the Transferor Amount would be less than zero if there were no funds on deposit in the Excess Funding Account on that day) on such Transfer Date and allocate such amount among each such Series as specified in each related Supplement.

SECTION IV.3. COLLECTIONS AND ALLOCATIONS. (a) Servicer shall apply, or instruct Trustee to apply, all funds on deposit in the Collection Account as described in this ARTICLE IV and in each Supplement. Except as otherwise provided below and in each Supplement, Servicer shall deposit Collections into the Collection Account no later than the second Business Day following the Date of Processing of such Collections. Except as otherwise required by any Supplement, Transferor may permit or require payments owed by any Merchant with respect to In-Store Payments to be netted against amounts owed by Transferor to that Merchant, and Transferor shall deposit into the Collection Account on each Business Day an amount equal to the aggregate amount of In-Store Payments netted against amounts owed by Transferor to the various Merchants on that Business Day.

Subject to the express terms of any Supplement, but notwithstanding anything else in this Agreement to the contrary, if WFN remains Servicer and (x) for so long as WFN maintains a short term debt rating of A-1 or better by S&P, P-1 or better by Moody's and, if rated by any other Rating Agency, the equivalent rating by that Rating Agency (or such other rating below A-1, P-1 or such equivalent rating, as the case may be, which is satisfactory to each Rating Agency, if any), (y) with respect to Collections allocable to any Series, any other conditions specified in the related Supplement are satisfied or (z) WFN has provided to Trustee a letter of credit covering collection risk of Servicer acceptable to each Rating Agency (as evidenced by a letter from each Rating Agency to the effect that the Rating Agency Condition has been satisfied), if any, Servicer need not make the daily deposits of Collections into the Collection Account as provided in the preceding paragraph, but may make a single deposit in the Collection Account in immediately available funds not later than 12:00 noon, New York City time, on the related Transfer Date.

(b) On each Date of Processing, Collections of Finance Charge Receivables and of Principal Receivables shall be allocated to the Investor Interest of each Series in accordance with the related Supplement. On each Determination Date, Defaulted Receivables will be allocated to the Investor Interest of each Series in accordance with the related Supplement.

(c) Throughout the existence of the Trust, unless otherwise stated in any Supplement, on each Date of Processing Servicer shall allocate to Transferor an amount equal to the product of (A) the Transferor Percentage and (B) the aggregate amount of Collections allocated to Principal Receivables and Finance Charge Receivables, respectively, on that Date of Processing; PROVIDED that, if the Transferor Amount (determined after giving effect to any transfer of Principal Receivables to the Trust on such date), is less than or equal to the Specified Transferor Amount, Servicer shall not allocate to Transferor any such amounts that otherwise would be allocated to Transferor, but shall instead deposit such funds in the Excess Funding Account. Unless otherwise stated in any Supplement, neither Servicer nor Transferor need deposit any amounts allocated to the Transferor pursuant to the foregoing into the Collection Account and shall pay, or be deemed to pay, such amounts as collected to Transferor.

The payments to be made to Transferor, pursuant to this SECTION 4.3(c) do not apply to deposits to the Collection Account or other amounts that do not represent Collections, including payment of the purchase price for Receivables pursuant to SECTION 2.6 or 10.1, proceeds from the sale, disposition or liquidation of Receivables pursuant to SECTION 9.2 or 12.2 or payment of the purchase price for the Investor Interest of a specific Series pursuant to the related Supplement.

SECTION IV.4. SHARED PRINCIPAL COLLECTIONS. On each Business Day, Shared Principal Collections may, at the option of Transferor, be applied (or held in the Collection Account for later application) as principal with respect to any Variable Interest or, so long as either no Series is in an Amortization Period or no Series that is in an Amortization Period will have a Principal Shortfall on the related Transfer Date (assuming no Early Amortization Event occurs), withdrawn from the Collection Account and paid to Transferor; and on each Transfer Date, (a) Servicer shall allocate Shared Principal Collections not previously so applied or paid to each applicable Principal Sharing Series, pro rata, in proportion to the Principal Shortfalls, if any, with respect to each such Series, and any remainder may, at the option of Transferor, be applied as principal with respect to any Variable Interest and (b) Servicer shall withdraw from the Collection Account and pay to Transferor any amounts representing Shared Principal Collections remaining after the allocations and applications referred to in CLAUSE (a); PROVIDED that, if, on any day the Transferor Amount (determined after giving effect to any transfer of Principal Receivables to the Trust on such day), is less than or equal to the Specified Transferor Amount, Servicer shall not distribute to Transferor any Shared Principal Collections that otherwise would be distributed to Transferor, but shall deposit such funds in the Excess Funding Account to the extent required so that the Transferor Amount equals the Specified Transferor Amount.

SECTION IV.5. EXCESS FINANCE CHARGE COLLECTIONS. On each Transfer Date, (a) for each Group, Servicer shall allocate the aggregate amount for all outstanding Series in such Group of the amounts which the related Supplements specify are to be treated as "Excess Finance Charge Collections" for such Transfer Date to each Series in such Group, pro rata, in proportion to the Finance Charge Shortfalls, if any, with respect to each such Series, and (b) Servicer shall on the related Distribution Date withdraw (or shall instruct Trustee in writing to withdraw) from the Collection Account and pay to Transferor an amount equal to the excess, if any, of (x) the aggregate amount for all outstanding Series in a Group of the amounts which the related Supplements specify are to be treated as "Excess Finance Charge Collections" for such Distribution Date over (y) the aggregate amount for all outstanding Series in such Group which the related Supplements specify are "Finance Charge Shortfalls", for such Distribution Date.

THE REMAINDER OF ARTICLE IV IS RESERVED AND SHALL BE SPECIFIED IN ANY SUPPLEMENT WITH RESPECT TO ANY SERIES

ARTICLE V DISTRIBUTIONS AND REPORTS

DISTRIBUTIONS SHALL BE MADE TO, AND REPORTS SHALL BE PROVIDED TO, HOLDERS AS SET FORTH IN THE APPLICABLE SUPPLEMENT.

ARTICLE VI THE CERTIFICATES

SECTION VI.1. THE CERTIFICATES. The Investor Certificates of any Series or Class may be issued in bearer form ("BEARER CERTIFICATES") with attached interest coupons and any other applicable coupon (collectively, the "COUPONS") or in fully registered form ("REGISTERED CERTIFICATES") and shall be substantially in the form of the exhibits with respect thereto attached to the applicable Supplement. The Transferor Certificate will be issued in registered form and shall upon issue, be executed and delivered by Transferor to Trustee for authentication and redelivery as provided in SECTION 6.2. Except as otherwise provided in SECTION 6.3 or in any Supplement, Bearer Certificates shall be issued in minimum denominations of $5,000 and Registered Certificates shall be issued in minimum denominations of $1,000 and in integral multiples of $1,000 in excess thereof. If specified in any Supplement, the Investor Certificates of any Series or Class shall be issued upon initial issuance as a single certificate evidencing the aggregate original principal amount of such Series or Class as described in SECTION 6.13. The Transferor Certificate shall initially be a single certificate and shall initially represent the entire Transferor Interest. Each Certificate shall be executed by manual or facsimile signature on behalf of Transferor by its President, Treasurer or any Vice President. Certificates bearing the manual or facsimile signature of an individual who was, at the time when such signature was affixed, authorized to sign on behalf of Transferor shall not be rendered invalid, notwithstanding that such individual ceased to be so authorized prior to the authentication and delivery of such Certificates or does not hold such office at the date of such Certificates. No Certificates shall be entitled to any benefit under this Agreement, or be valid for any purpose, unless there appears on such Certificate a certificate of authentication substantially in the

form provided for herein executed by or on behalf of Trustee by the manual or facsimile signature of a duly authorized signatory, and such certificate of authentication upon any Certificate shall be conclusive evidence, and the only evidence, that such Certificate has been duly authenticated and delivered hereunder. Bearer Certificates shall be dated the applicable Closing Date. All Registered Certificates and the Transferor Certificate shall be dated the date of their authentication.

SECTION VI.2. AUTHENTICATION OF CERTIFICATES. Trustee shall authenticate and deliver the Investor Certificates of each Series and Class that are issued upon original issuance to or upon the order of Transferor against payment to Transferor of the purchase price therefor. Trustee shall authenticate and deliver the Transferor Certificate to Transferor simultaneously with its delivery of the Investor Certificates of the first Series to be issued hereunder. If specified in the related Supplement for any Series or Class, Trustee shall authenticate and deliver outside the United States the Global Certificate that is issued upon original issuance thereof.

SECTION VI.3. NEW ISSUANCES. (a) Transferor may from time to time direct Trustee, on behalf of the Trust, to authenticate one or more new Series of Investor Certificates. The Investor Certificates of all outstanding Series shall be equally and ratably entitled as provided herein to the benefits of this Agreement without preference, priority or distinction, all in accordance with the terms and provisions of this Agreement and the applicable Supplement except, with respect to any Series or Class, as provided in the related Supplement.

(b) On or before the Closing Date for any new Series, the parties hereto will execute and deliver a Supplement specifying the Principal Terms of the new Series. Such Supplement may modify or amend the terms of this Agreement solely as applied to the new Series and may grant the Holders of the Investor Certificates in that Series, or an agent or other representative of such Holders, notice and consultation rights with respect to any rights or actions of Trustee. Trustee's obligation to authenticate the Investor Certificates of a new Series and to execute and deliver the related Supplement is subject to the satisfaction of the following conditions (except that the conditions set forth in CLAUSES (i), (iii), (iv) and (v) shall not be applicable to the issuance of the first Series):

(i) on or before the fifth Business Day immediately preceding the Closing Date, Transferor shall have given Trustee, Servicer, each Rating Agency and any Enhancement Provider entitled thereto pursuant to the relevant Supplement notice of such issuance and the Closing Date;

(ii) Transferor shall have delivered to Trustee the related Supplement, executed by each party hereto other than Trustee;

(iii) Transferor shall have delivered to Trustee any related Enhancement Agreement executed by each of the parties thereto, other than Trustee;

(iv) the Rating Agency Condition shall have been satisfied with respect to such issuance;

(v) Transferor shall have delivered to Trustee and any Enhancement Provider entitled thereto pursuant to the relevant Supplement an Officer's Certificate, dated the applicable Closing Date, to the effect that Transferor reasonably believes that such issuance will not, based on the facts known to such officer at the time of such certification, then or thereafter cause an Early Amortization Event to occur with respect to any Series;

(vi) Transferor shall have delivered to Trustee and each Rating Agency a Tax Opinion, dated the Closing Date, with respect to such issuance; and

(vii) Transferor shall have delivered to Trustee an Officer's Certificate stating that the Transferor Amount shall not be less than the Minimum Transferor Amount as of the Closing Date and after giving effect to such issuance.

Upon satisfaction of the above conditions, Trustee shall execute the Supplement and authenticate the Investor Certificates of such Series upon execution thereof by Transferor. Upon satisfaction of the above conditions (MUTATIS MUTANDIS), Transferor may also cause Trustee to enter into one or more agreements pursuant to which Trustee shall sell purchased interests in the Receivables and other Trust Assets to one or more purchasers. Such agreement(s) shall specify terms similar to Principal Terms for any such purchased interests and may grant the purchaser(s) of such interests, or an agent or other representative of such purchaser(s), notice and consultation rights with respect to any rights or actions of Trustee. Any such purchased interests shall be treated as a Series of Investor Certificates for purposes of all voting and allocation provisions, and calculations of the Transferor Amount and Transferor Percentage, under this Agreement.

(c) Transferor may surrender the Transferor Certificate to Trustee in exchange for a newly issued Transferor Certificate and one or more additional certificates (each a "SUPPLEMENTAL CERTIFICATE"), the terms of which shall be defined in a Supplement (which Supplement shall be subject to SECTION 13.1(a) to the extent that it amends any of the terms of this Agreement), to be delivered to or upon the order of Transferor (or the Holder of a Supplemental Certificate, in the case of the transfer or exchange thereof, as provided below), upon satisfaction of the following conditions:

(i) Transferor shall have delivered to Trustee an Officer's Certificate stating that the Transferor Amount shall not be less than the Minimum Transferor Amount, as of the date of, and after giving effect to, such exchange;

(ii) the Rating Agency Condition shall have been satisfied with respect to such exchange (or transfer, exchange or pledge as provided below); and

(iii) Transferor shall have delivered to Trustee and each Rating Agency a Tax Opinion, dated the date of such exchange (or transfer, exchange or pledge as provided below), with respect thereto.

Any Supplemental Certificate may be transferred or exchanged, and the Transferor Certificate may be pledged, only upon satisfaction of the conditions set forth in CLAUSES (ii) and (iii).

(d) The Transferor Certificate (or any interest therein) may be transferred to a Person which is a member of the "affiliated group" as defined in Internal Revenue Code Section 1504(a) of which WFN is a member without the consent or approval of the Holders of the Investor Certificates, provided that (i) the Rating Agency Condition shall have been satisfied with respect to such transfer, (ii) Transferor shall have delivered to Trustee and each Rating Agency a Tax Opinion, dated the date of such transfer, with respect thereto and (iii) Transferor shall have delivered to Trustee an Officer's Certificate stating that the Transferor Amount shall not be less than the Minimum Transferor Amount. In connection with any such transfer, the Person to whom the Transferor Certificate is transferred will, by its acquisition and holding of an interest in the Transferor Certificate, assume all of the rights and obligations of Transferor as described in this Agreement and in any Supplement or amendment thereto (including the right under this PARAGRAPH (d) with respect to subsequent transfers of an interest in the Transferor Certificate).

SECTION VI.4. REGISTRATION OF TRANSFER AND EXCHANGE OF CERTIFICATES. (a) Trustee shall cause to be kept at the office or agency to be maintained in accordance with the provisions of SECTION 11.16 a register (the "CERTIFICATE REGISTER") in which, subject to such reasonable regulations as it may prescribe, a transfer agent and registrar (which may be Trustee) (the "TRANSFER AGENT AND REGISTRAR") shall provide for the registration of the Registered Certificates and of transfers and exchanges of the Registered Certificates as herein provided. The Transfer Agent and Registrar shall initially be The Bank of New York and any co-transfer agent and co-registrar chosen by Transferor and acceptable to Trustee, including, if and so long as any Series or Class is listed on the Luxembourg Stock Exchange and such exchange shall so require, a co-transfer agent and co-registrar in Luxembourg. So long as any Investor Certificates are outstanding, Transferor shall maintain a co-transfer agent and co-registrar in New York City. Any reference in this Agreement to the Transfer Agent and Registrar shall include any co-transfer agent and co-registrar unless the context requires otherwise.

Trustee may revoke such appointment and remove any Transfer Agent and Registrar if Trustee determines in its sole discretion that such Transfer Agent and Registrar failed to perform its obligations under this Agreement in any material respect. Any Transfer Agent and Registrar shall be permitted to resign as Transfer Agent and Registrar upon 30 days' notice to Transferor, Trustee and Servicer; PROVIDED that such resignation shall not be effective and such Transfer Agent and Registrar shall continue to perform its duties as Transfer Agent and Registrar until Trustee has appointed a successor Transfer Agent and Registrar reasonably acceptable to Transferor.

Subject to PARAGRAPH (c), upon surrender for registration of transfer of any Registered Certificate at any office or agency of the Transfer Agent and Registrar maintained for such purpose, one or more new Registered Certificates (of the same Series and Class) in authorized denominations

of like aggregate fractional undivided interests in the Investor Interest shall be executed, authenticated and delivered, in the name of the designated transferee or transferees.

At the option of a Registered Holder, Registered Certificates (of the same Series and Class) may be exchanged for other Registered Certificates of authorized denominations of like aggregate fractional undivided interests in the Investor Interest, upon surrender of the Registered Certificates to be exchanged at any such office or agency; Registered Certificates, including Registered Certificates received in exchange for Bearer Certificates, may not be exchanged for Bearer Certificates. At the option of the Holder of a Bearer Certificate, subject to applicable laws and regulations, Bearer Certificates may be exchanged for other Bearer Certificates or Registered Certificates (of the same Series and Class) of authorized denominations of like aggregate fractional undivided interests in the Investor Interest, upon surrender of the Bearer Certificates to be exchanged at an office or agency of the Transfer Agent and Registrar located outside the United States. Each Bearer Certificate surrendered pursuant to this Section shall have attached thereto all unmatured Coupons; PROVIDED that any Bearer Certificate, so surrendered after the close of business on the Record Date preceding the relevant payment date or distribution date after the expected final payment date need not have attached the Coupon relating to such payment date or distribution date (in each case, as specified in the applicable Supplement).

Whenever any Investor Certificates are so surrendered for exchange, Transferor shall execute, Trustee shall authenticate and the Transfer Agent and Registrar shall deliver (in the case of Bearer Certificates, outside the United States) the Investor Certificates which the Investor Holder making the exchange is entitled to receive. Every Investor Certificate presented or surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer in a form satisfactory to Trustee or the Transfer Agent and Registrar duly executed by the Investor Holder or the attorney-in-fact thereof duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Investor Certificates, but the Transfer Agent and Registrar may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any such transfer or exchange.

All Investor Certificates (together with any Coupons) surrendered for registration of transfer and exchange or for payment shall be canceled and disposed of in a manner satisfactory to Trustee. Trustee shall cancel and destroy any Global Certificate upon its exchange in full for Definitive Euro-Certificates and shall deliver a certificate of destruction to Transferor. Such certificate shall also state that a certificate or certificates of a foreign Clearing Agency to the effect required by the applicable Supplement was received with respect to each portion of the Global Certificate exchanged for Definitive Euro-Certificates.

Transferor shall execute and deliver to Trustee Bearer Certificates and Registered Certificates in such amounts and at such times as are necessary to enable Trustee to fulfill its responsibilities under this Agreement, each Supplement and the Certificates.

(b) The Transfer Agent and Registrar will maintain at its expense in the City of New York and, if and so long as any Series or Class is listed on the Luxembourg Stock Exchange, Luxembourg, an office or agency where Investor Certificates may be surrendered for registration of transfer or exchange (except that Bearer Certificates may not be surrendered for exchange at any such office or agency in the United States).

(c)(i) Registration of transfer of Investor Certificates containing (x) a legend substantially to the effect set forth on EXHIBIT E-1 shall be effected only if such transfer is made pursuant to an effective registration statement under the Securities Act or is exempt from the registration requirements under the Securities Act and (y) a legend substantially to the effect set forth on EXHIBIT E-3 shall be effected only if such transfer is made to a Person that is not (1) an employee benefit plan or other plan, trust or account (including an individual retirement account) that is subject to ERISA or Section 4975 of the Internal Revenue Code or (2) any collective investment fund, insurance company separate or general account or other entity (except an entity registered under the Investment Company Act) whose underlying assets include "plan assets" under ERISA by reason of a plan's investment in such entity (a "BENEFIT PLAN"). If registration of a transfer is to be made in reliance upon an exemption from the registration requirements under the Securities Act, the transferor or the transferee shall deliver, at its expense, to Transferor, Servicer and Trustee, an investment letter from the transferee, substantially in the form of the investment representation letter attached hereto as EXHIBIT E-2, and no registration of transfer shall be made until such letter is so delivered.

Investor Certificates issued upon registration or transfer of, or Investor Certificates issued in exchange for, Investor Certificates bearing a legend referred to above shall also bear such legend unless Transferor, Servicer, Trustee and the Transfer Agent and Registrar receive an Opinion of Counsel, satisfactory to each of them, to the effect that such legend may be removed.

Whenever an Investor Certificate containing a legend referred to above is presented to the Transfer Agent and Registrar for registration of transfer, the Transfer Agent and Registrar shall promptly seek instructions from Servicer regarding such transfer and shall be entitled to receive instructions signed by a Servicing Officer prior to registering any such transfer. Transferor hereby agrees to indemnify the Transfer Agent and Registrar and Trustee and to hold each of them harmless against any loss, liability or expense incurred without negligence or bad faith on their part arising out of or in connection with actions taken or omitted by them in relation to any such instructions furnished pursuant to this paragraph.

(ii) Registration of transfer of Investor Certificates containing a legend to the effect set forth on EXHIBIT E-3 shall be effected only if such transfer is made to a Person which is not a Benefit Plan. By accepting and holding any such Investor Certificate, an Investor Holder shall be deemed to have

represented and warranted that it is not a Benefit Plan. By acquiring any interest in a Book-Entry Certificate which contains such legend, a Certificate Owner shall be deemed to have represented and warranted that it is not a Benefit Plan.

(iii) If so requested by Transferor, Trustee will make available to any prospective purchaser of Investor Certificates who so requests, a copy of a letter provided to Trustee by or on behalf of Transferor relating to the transferability of any Series or Class to a Benefit Plan.

(d) Notwithstanding any other provision of this Agreement, any Certificate for which an Opinion of Counsel has not been issued opining on the treatment of such Certificates as debt for Federal income tax purposes (each, a "SUBJECT CERTIFICATE") shall be subject to the following. No transfer (or purported transfer) of all or any part of a Subject Certificate (or any economic interest therein), whether to another Certificateholder or to a person who is not a Certificateholder, shall be effective, and any such transfer (or purported transfer) shall be void AB INITIO, and no Person shall otherwise become a Holder of a Subject Certificate if (i) at the time of such transfer (or purported transfer) any Subject Certificates are traded on an established securities market, (ii) after such transfer (or purported transfer) the Trust would have more than 100 Holders of Subject Certificates or (iii) the Subject Certificates have been issued in a transaction or transactions that were required to be registered under the Securities Act, and to the extent such offerings or sales were not required to be registered under the Securities Act by reason of Regulation S (17 CFR 230.901 through 230.904 or any successor thereto) such offerings or sales would have been required to be registered under the Securities Act if the interests so offered or sold had been offered and sold within the United States. For purposes of CLAUSE (i) of the preceding sentence, an established securities market is a national securities exchange that is either registered under Section 6 of the Exchange Act or exempt from registration because of the limited volume of transactions, a foreign securities exchange that, under the law of the jurisdiction where it is organized, satisfies regulatory requirements that are analogous to the regulatory requirements of the Exchange Act, a regional or local exchange, or an interdealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise. For purposes of determining whether the Trust will have more than 100 Holders of Subject Certificates, each Person indirectly owning an interest in the Trust through a partnership (including any entity treated as a partnership for federal income tax purposes), a grantor trust or an S corporation (each such entity a "FLOW-THROUGH ENTITY") shall be treated as a Holder of a Subject Certificate unless Servicer determines in its sole discretion, after consulting with qualified tax counsel, that less than substantially all of the value of the beneficial owner's interest in the flow-through entity is attributable to the flow-through entity's interest (direct or indirect) in the Trust.

SECTION VI.5. MUTILATED, DESTROYED, LOST OR STOLEN CERTIFICATES. If (a) any mutilated Certificate (together, in the case of Bearer Certificates, with all unmatured Coupons (if any) appertaining thereto) is surrendered to the Transfer Agent and Registrar, or the Transfer Agent and Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Certificate and (b) there is delivered to the Transfer Agent and Registrar and Trustee such security or indemnity as

may be required by them to save each of them harmless, then, in the absence of notice to Trustee that such Certificate has been acquired by a bona fide purchaser, Transferor shall execute, Trustee shall authenticate and the Transfer Agent and Registrar shall deliver (in the case of Bearer Certificates, outside the United States), in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate, a new Certificate of like tenor and aggregate fractional undivided interest. In connection with the issuance of any new Certificate under this Section, Trustee or the Transfer Agent and Registrar may require the payment by the Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of Trustee and Transfer Agent and Registrar) connected therewith. Any duplicate Certificate issued pursuant to this Section shall constitute complete and indefeasible evidence of ownership in the Trust, as if originally issued, whether or not the lost, stolen or destroyed Certificate shall be found at any time.

SECTION VI.6. PERSONS DEEMED OWNERS. Trustee, the Paying Agent, the Transfer Agent and Registrar and any agent of any of these may (a) prior to due presentation of a Registered Certificate for registration of transfer, treat the Person in whose name any Registered Certificate is registered as the owner of such Registered Certificate for the purpose of receiving distributions pursuant to the applicable Supplement and for all other purposes whatsoever, and (b) treat the bearer of a Bearer Certificate or Coupon as the owner of such Bearer Certificate or Coupon for the purpose of receiving distributions pursuant to the applicable Supplement and for all other purposes whatsoever; and, in any such case, neither Trustee, the Paying Agent, the Transfer Agent and Registrar nor any agent of any of these shall be affected by any notice to the contrary. Notwithstanding the foregoing, in determining whether the Holders of the requisite Investor Certificates have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Certificates owned by Transferor, Servicer, any other Holder of the Transferor Certificate, Trustee or any Affiliate thereof, shall be disregarded and deemed not to be outstanding, except that, in determining whether Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Certificates which Trustee actually knows to be so owned shall be so disregarded. Certificates so owned which have been pledged in good faith shall not be disregarded and may be regarded as outstanding if the pledgee establishes to the satisfaction of Trustee the pledgee's right so to act with respect to such Certificates and that the pledgee is not Transferor, Servicer, any other Holder of the Transferor Certificate or any Affiliate thereof.

SECTION VI.7. APPOINTMENT OF PAYING AGENT. The Paying Agent shall make distributions to Investor Holders from the Collection Account or any applicable Series Account pursuant to the provisions of the applicable Supplement and shall report the amounts of such distributions to Trustee. Any Paying Agent shall have the revocable power to withdraw funds from the Collection Account or any applicable Series Account for the purpose of making the distributions referred to above. Trustee may revoke such power and remove the Paying Agent if Trustee determines in its sole discretion that the Paying Agent shall have failed to perform its obligations under this Agreement or any Supplement in any material respect. The Paying Agent shall initially be Trustee, and any co-paying agent chosen by Transferor and acceptable to Trustee, including, if and so long

as any Series or Class is listed on the Luxembourg Stock Exchange and such exchange so requires, a co-paying agent in Luxembourg or another western European city. Any Paying Agent shall be permitted to resign as Paying Agent upon 30 days' notice to Trustee. If any Paying Agent shall resign, Trustee shall appoint a successor to act as Paying Agent. Trustee shall cause each successor or additional Paying Agent to execute and deliver to Trustee an instrument in which such successor or additional Paying Agent shall agree with Trustee that it will hold all sums, if any, held by it for payment to the Investor Holders in trust for the benefit of the Investor Holders entitled thereto until such sums shall be paid to such Investor Holders. The Paying Agent shall return all unclaimed funds to Trustee and upon removal shall also return all funds in its possession to Trustee. The provisions of SECTIONS 11.1, 11.2, 11.3 and 11.5 shall apply to Trustee also in its role as Paying Agent, for so long as Trustee shall act as Paying Agent. Any reference in this Agreement to the Paying Agent shall include any co-paying agent unless the context requires otherwise.

SECTION VI.8. ACCESS TO LIST OF REGISTERED HOLDERS' NAMES AND ADDRESSES. Trustee will furnish or cause to be furnished by the Transfer Agent and Registrar to Servicer or the Paying Agent, within five Business Days after receipt by Trustee of a request therefor, a list in such form as Servicer or the Paying Agent may reasonably require, of the names and addresses of the Registered Holders. If any Holder or group of Holders of Investor Certificates of any Series or all outstanding Series, as the case may be, evidencing not less than 10% of the aggregate unpaid principal amount of such Series or all outstanding Series, as applicable (the "APPLICANTS"), apply to Trustee, and such application states that the Applicants desire to communicate with other Investor Holders with respect to their rights under this Agreement or any Supplement or under the Investor Certificates and is accompanied by a copy of the communication which such Applicants propose to transmit, then Trustee, after having been adequately indemnified by such Applicants for its costs and expenses shall afford or shall cause the Transfer agent and Registrar to afford such Applicants access during normal business hours to the most recent list of Registered Holders of such Series or all outstanding Series, as applicable, held by Trustee, within five Business Days after the receipt of such application. Such list shall be as of a date no more than 45 days prior to the date of receipt of such Applicants' request.

Every Registered Holder, by receiving and holding a Registered Certificate, agrees with Trustee that neither Trustee, the Transfer Agent and Registrar, nor any of their respective agents, shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Registered Holders hereunder, regardless of the sources from which such information was derived.

SECTION VI.9. AUTHENTICATING AGENT. (a) Trustee may appoint one or more authenticating agents with respect to the Certificates which shall be authorized to act on behalf of Trustee in authenticating the Certificates in connection with the issuance, delivery, registration of transfer, exchange or repayment of the Certificates. Whenever reference is made in this Agreement to the authentication of Certificates by Trustee or Trustee's certificate of authentication, such reference shall be deemed to include authentication on behalf of Trustee by an authenticating agent and

certificate of authentication executed on behalf of Trustee by an authenticating agent. Each authenticating agent must be acceptable to Transferor and Servicer.

(b) Any institution succeeding to the corporate agency business of an authenticating agent shall continue to be an authenticating agent without the execution or filing of any power or any further act on the part of Trustee or such authenticating agent. An authenticating agent may at any time resign by giving notice of resignation to Trustee and to Transferor. Trustee may at any time terminate the agency of an authenticating agent by giving notice of termination to such authenticating agent and to Transferor. Upon receiving such a notice of resignation or upon such a termination, or in case at any time an authenticating agent shall cease to be acceptable to Trustee or Transferor, Trustee promptly may appoint a successor authenticating agent. Any successor authenticating agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an authenticating agent. No successor authenticating agent shall be appointed unless acceptable to Trustee and Transferor. Transferor agrees to pay to each authenticating agent from time to time reasonable compensation for its services under this Section. The provisions of SECTIONS 11.1, 11.2 and 11.3 shall be applicable to any authenticating agent.

(c) Pursuant to an appointment made under this Section, the Certificates may have endorsed thereon, in lieu of Trustee's certificate of authentication, an alternate certificate of authentication in substantially the following form:

This is one of the Certificates described in the Pooling and Servicing Agreement.

---
as Authenticating Agent
for Trustee,

By:

Authorized Officer

SECTION VI.10. BOOK-ENTRY CERTIFICATES. Unless otherwise specified in the related Supplement for any Series or Class, the Investor Certificates, upon original issuance, shall be issued in the form of one or more typewritten Investor Certificates representing the Book-Entry Certificates, to be delivered to the Clearing Agency, by, or on behalf of, Transferor. The Investor Certificates shall initially be registered on the Certificate Register in the name of the Clearing Agency or its nominee, and no Certificate Owner will receive a definitive certificate representing such Certificate Owner's interest in the Investor Certificates, except as provided in SECTION 6.12. Unless and until

definitive, fully registered Investor Certificates ("DEFINITIVE CERTIFICATES") have been issued to the applicable Certificate Owners pursuant to SECTION 6.12 or as otherwise specified in any such Supplement:

(a) the provisions of this Section shall be in full force and effect;

(b) Transferor, Servicer and Trustee may deal with the Clearing Agency and the Clearing Agency Participants for all purposes (including the making of distributions) as the authorized representatives of the respective Certificate Owners;

(c) to the extent that the provisions of this Section conflict with any other provisions of this Agreement, the provisions of this Section shall control; and

(d) the rights of the respective Certificate Owners shall be exercised only through the Clearing Agency and the Clearing Agency Participants and shall be limited to those established by law and agreements between such Certificate Owners and the Clearing Agency or the Clearing Agency Participants. Pursuant to the Depository Agreement, unless and until Definitive Certificates are issued pursuant to SECTION 6.12, the Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit distributions of principal and interest on the related Investor Certificates to such Clearing Agency Participants.

For purposes of any provision of this Agreement requiring or permitting actions with the consent of, or at the direction of, Investor Holders evidencing a specified percentage of the aggregate unpaid principal amount of Investor Certificates, such direction or consent may be given by Certificate Owners (acting through the Clearing Agency and the Clearing Agency Participants) owning Investor Certificates evidencing the requisite percentage of principal amount of Investor Certificates.

SECTION VI.11. NOTICES TO CLEARING AGENCY. Whenever any notice or other communication is required to be given to Investor Holders of any Series or Class with respect to which Book-Entry Certificates have been issued, unless and until Definitive Certificates shall have been issued to the related Certificate Owners, Trustee shall give all such notices and communications to the applicable Clearing Agency.

SECTION VI.12. DEFINITIVE CERTIFICATES. If Book-Entry Certificates have been issued with respect to any Series or Class and (a) Transferor advises Trustee that the Clearing Agency is no longer willing or able to discharge properly its responsibilities under the Depository Agreement with respect to such Series or Class and Trustee or Transferor is unable to engage a qualified successor, (b) Transferor, at its option, advises Trustee that it elects to terminate the book-entry system with respect to such Series or Class through the Clearing Agency or (c) after the occurrence of a Servicer Default, Certificate Owners of such Series or Class evidencing not less than 50% of the aggregate

unpaid principal amount of such Series or Class advise Trustee and the Clearing Agency through the Clearing Agency Participants that the continuation of a book-entry system with respect to the Investor Certificates of such Series or Class through the Clearing Agency is no longer in the best interests of the Certificate Owners with respect to such Certificates, then Trustee shall notify all Certificate Owners of such Certificates, through the Clearing Agency, of the occurrence of any such event and of the availability of Definitive Certificates to Certificate Owners requesting the same. Upon surrender to Trustee of any such Certificates by the Clearing Agency, accompanied by registration instructions from the Clearing Agency for registration, Transferor shall execute and Trustee shall authenticate and deliver such Definitive Certificates. Neither Transferor nor Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of such Definitive Certificates all references herein to obligations imposed upon or to be performed by the Clearing Agency shall be deemed to be imposed upon and performed by Trustee, to the extent applicable with respect to such Definitive Certificates and Trustee shall recognize the Holders of such Definitive Certificates as Investor Holders hereunder.

SECTION VI.13. GLOBAL CERTIFICATE. If specified in the related Supplement for any Series, or Class, the Investor Certificates for such Series or Class will initially be issued in the form of a single temporary global Certificate (the "GLOBAL CERTIFICATE") in bearer form, without interest coupons, in the denomination of the aggregate principal amount of such Series or Class and substantially in the form set forth in the exhibit with respect thereto attached to the related Supplement. The Global Certificate will be executed by Transferor and authenticated by Trustee upon the same conditions, in substantially the same manner and with the same effect as the Definitive Certificates. The Global Certificate may be exchanged for Bearer or Registered Certificates in definitive form (the "DEFINITIVE EURO-CERTIFICATES") pursuant to any applicable Supplement.

SECTION VI.14. UNCERTIFICATED CLASSES. Unless otherwise specified in any Supplement, the provisions of this ARTICLE VI and ARTICLE XII relating to the registration, form, execution, authentication, delivery, presentation, cancellation and surrender of Certificates shall not apply to any uncertificated Certificates.

ARTICLE VII OTHER MATTERS RELATING TO TRANSFEROR

SECTION VII.1. LIABILITY OF TRANSFEROR. Transferor shall be liable for its obligations, covenants, representations and warranties under this Agreement and any Supplement, but only to the extent of the obligations specifically undertaken by it in its capacity as Transferor.

SECTION VII.2. MERGER OR CONSOLIDATION OF, OR ASSUMPTION OF THE OBLIGATIONS OF, TRANSFEROR. (a) Transferor shall not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any Person unless:

(i) the corporation formed by such consolidation or into which Transferor is merged or the Person which acquires by conveyance or transfer the properties and assets of Transferor substantially as an entirety shall be, if Transferor is not the surviving entity, a corporation organized and existing under the laws of the United States of America or any State or the District of Columbia, and, if Transferor is not the surviving entity, such corporation shall expressly assume, by an agreement supplemental hereto, executed and delivered to Trustee, in form reasonably satisfactory to Trustee, the performance of every covenant and obligation of Transferor hereunder, including its obligations under SECTION 7.4;

(ii) Transferor has delivered to Trustee (A) an Officer's Certificate stating that such consolidation, merger, conveyance or transfer and such supplemental agreement comply with this Section and that all conditions precedent herein provided for relating to such transaction have been complied with, and (B) an Opinion of Counsel to the effect that such supplemental agreement is a valid and binding obligation of such surviving entity enforceable against such surviving entity in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally from time to time in effect and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);

(iii) Transferor shall have delivered to Trustee and each Rating Agency a Tax Opinion, dated the date of such consolidation, merger, conveyance or transfer, with respect thereto;

(iv) in connection with any merger or consolidation, or any conveyance or transfer referred to above, the business entity into which Transferor shall merge or consolidate, or to which such conveyance or transfer is made, shall be (x) a business entity that may not become a debtor in any case, action or other proceeding under Title 11 of the United States Code or (y) a special-purpose corporation, the powers and activities of which shall be limited to the performance of Transferor's obligations under this Agreement and any Supplement; and

(v) if Transferor is not the surviving entity, the surviving entity shall file new UCC-1 financing statements with respect to the interest of the Trust in the Receivables.

(b) This SECTION 7.2 shall not be construed to prohibit or in any way limit Transferor's ability to effectuate any consolidation or merger pursuant to which Transferor would be the surviving entity.

(c) Transferor shall notify each Rating Agency promptly after any consolidation, merger, conveyance or transfer effected pursuant to this SECTION 7.2;

(d) The obligations of Transferor hereunder shall not be assignable nor shall any Person succeed to the obligations of Transferor hereunder except in each case in accordance with (i) the

provisions of the foregoing paragraphs, (ii) SECTIONS 2.11 or 6.3(d), or (iii) conveyances, mergers, consolidations, assumptions, sales or transfers to other entities (1) for which Transferor delivers an Officer's Certificate to Trustee indicating that Transferor reasonably believes that such action will not adversely affect in any material respect the interests of any Investor Holder, (2) which meet the requirements of CLAUSE (ii) of PARAGRAPH (a) and (3) for which such purchaser, transferee, pledgee or entity shall expressly assume, in an agreement supplemental hereto, executed and delivered to Trustee in writing in form satisfactory to Trustee, the performance of every covenant and obligation of Transferor thereby conveyed.

SECTION VII.3. LIMITATIONS ON LIABILITY OF TRANSFEROR. Subject to SECTIONS 7.1 and 7.4, neither Transferor, any Holder of the Transferor Certificate nor any of their directors, officers, employees or agents of Transferor acting in such capacities shall be under any liability to the Trust, Trustee, the Holders, any Enhancement Provider or any other Person for any action taken or for refraining from the taking of any action in good faith in their capacities as Transferor pursuant to this Agreement; PROVIDED that this provision shall not protect Transferor, any Holder of the Transferor Certificate or any such Person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties hereunder. Transferor and any director, officer, employee or agent of Transferor may rely in good faith on any document of any kind prima facie properly executed and submitted by any Person (other than Transferor) respecting any matters arising hereunder.

SECTION VII.4. LIABILITIES. Notwithstanding SECTIONS 7.3, 8.3 and 8.4, Transferor by entering into this Agreement, and any Holder of any interest in the Transferor Certificate by its acceptance thereof, agree to be liable, directly to the injured party, for the entire amount of any losses, claims, damages or liabilities (other than those that would be incurred by an Investor Holder if the Investor Certificates were notes secured by the Receivables, for example, as a result of the performance of the Receivables, market fluctuations, a shortfall or failure to make payment under any Enhancement or other similar market or investment risks associated with ownership of the Investor Certificates) arising out of or based on the arrangement created by this Agreement or the actions of Servicer taken pursuant hereto (to the extent Trust Assets remaining after the Investor Holders and Enhancement Providers, if any, have been paid in full are insufficient to pay any such losses, claims, damages or liabilities) as though this Agreement created a partnership under the Delaware Revised Uniform Partnership Act in which Transferor and such Holder of the Transferor Certificate were general partners.

ARTICLE VIII OTHER MATTERS RELATING TO SERVICER

SECTION VIII.1. LIABILITY OF SERVICER. Servicer shall be liable under this Agreement only to the extent of the obligations specifically undertaken by Servicer in its capacity as Servicer.

SECTION VIII.2. MERGER OR CONSOLIDATION OF, OR ASSUMPTION OF THE OBLIGATIONS OF, SERVICER. (a) Servicer shall not consolidate with or merge into any other corporation or convey or transfer its properties and assets substantially as an entirety to any Person, unless:

(i) the corporation formed by such consolidation or into which Servicer is merged or the Person which acquires by conveyance or transfer the properties and assets of Servicer substantially as an entirety shall be, if Servicer is not the surviving entity, a corporation organized and existing under the laws of the United States of America or any State or the District of Columbia, and, if Servicer is not the surviving entity, such corporation shall expressly assume, by an agreement supplemental hereto, executed and delivered to Trustee, in form reasonably satisfactory to Trustee, the performance of every covenant and obligation of Servicer hereunder;

(ii) Servicer has delivered to Trustee (A) an Officer's Certificate stating that such consolidation, merger, conveyance or transfer and such supplemental agreement comply with this Section and that all conditions precedent herein provided for relating to such transaction have been complied with, and (B) an Opinion of Counsel to the effect that such supplemental agreement is a valid and binding obligation of such surviving entity enforceable against such surviving entity in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally from time to time in effect and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity); and

(iii) either (x) the corporation formed by such consolidation or into which Servicer is merged or the Person which acquired by conveyance or transfer the properties and assets of Servicer substantially as an entirety shall be an Eligible Servicer (taking into account, in making such determination, the experience and operations of the predecessor Servicer) or (y) upon the effectiveness of such consolidation, merger, conveyance or transfer, a Successor Servicer shall have assumed the obligations of Servicer in accordance with this Agreement.

(b) This SECTION 8.2 shall not be construed to prohibit or in any way limit Servicer's ability to effectuate any consolidation or merger pursuant to which Servicer would be the surviving entity.

(c) Servicer shall notify each Rating Agency promptly after any consolidation, merger, conveyance or transfer effected pursuant to this SECTION 8.2.

SECTION VIII.3. LIMITATION ON LIABILITY OF SERVICER AND OTHERS. Except as provided in SECTIONS 8.4 and 11.5, neither Servicer nor any of the directors, officers, employees or agents of Servicer in its capacity as Servicer shall be under any liability to the Trust, Trustee, the Holders, any Enhancement Providers or any other person for any action taken or for refraining from the taking of any action in good faith in its capacity as Servicer pursuant to this Agreement; PROVIDED that this

provision shall not protect Servicer or any such Person against any liability which would otherwise be imposed by reason of willful misfeasance, bad faith or gross negligence in the performance of duties or by reason of reckless disregard of obligations and duties hereunder. Servicer and any director, officer, employee or agent of Servicer may rely in good faith on any document of any kind prima facie properly executed and submitted by any Person (other than Servicer) respecting any matters arising hereunder. Servicer shall not be under any obligation to appear in, prosecute or defend any legal action which is not incidental to its duties as Servicer in accordance with this Agreement and which in its reasonable judgment may involve it in any expense or liability. Servicer may, in its sole discretion, undertake any such legal action which it may deem necessary or desirable for the benefit of the Holders with respect to this Agreement and the rights and duties of the parties hereto and the interests of the Holders hereunder.

SECTION VIII.4. SERVICER INDEMNIFICATION OF THE TRUST AND TRUSTEE. Servicer shall indemnify and hold harmless the Trust and Trustee and its officers, directors, employees and agents, from and against any loss, liability, expense, damage or injury suffered or sustained by reason of any acts or omissions of Servicer with respect to the Trust pursuant to this Agreement, and shall also hold harmless Trustee and its officers, directors, employees and agents, from and against any loss, liability, expense, damage or injury suffered or sustained by reason of any acts or omissions of Trustee pursuant to this Agreement, in each case including any judgment, award, settlement, reasonable attorneys' fees and other costs or expenses incurred in connection with the defense of any action, proceeding or claim; PROVIDED that (a) Servicer shall not indemnify Trustee if such acts, omissions or alleged acts or omissions constitute or are caused by fraud, negligence, or willful misconduct by Trustee, (b) Servicer shall not indemnify the Trust, the Investor Holders or the Certificate Owners for any liabilities, costs or expenses of the Trust with respect to any action taken by Trustee at the request of the Investor Holders, (c) Servicer shall not indemnify the Trust, the Investor Holders or the Certificate Owners as to any losses, claims or damages incurred by any of them in their capacities as investors, including losses with respect to market or investment risks associated with ownership of the Investor Certificates or losses incurred as a result of Defaulted Receivables and (d) Servicer shall not indemnify the Trust, the Investor Holders or the Certificate Owners for any liabilities, costs or expenses of the Trust, the Investor Holders or the Certificate Owners arising under any tax law, including any Federal, state, local or foreign income or franchise taxes or any other tax imposed on or measured by income (or any interest or penalties with respect thereto or arising from a failure to comply therewith) required to be paid by the Trust, the Investor Holders or the Certificate Owners in connection herewith to any taxing authority. Indemnification pursuant to this Section shall not be payable from the Trust Assets. The provisions of this indemnity shall run directly to and be enforceable by an indemnitee subject to the limitations hereof.

SECTION VIII.5. SERVICER NOT TO RESIGN. Servicer shall not resign from the obligations and duties hereby imposed on it except (x) upon the determination that (i) the performance of its duties hereunder is no longer permissible under Requirements of Law (other than the charter and by-laws of Servicer) and (ii) there is no reasonable action which Servicer could take to make the performance of its duties hereunder permissible under such Requirements of Law or (y) as may be required, in

connection with Servicer's consolidation with, or merger into any other corporation or Servicer's conveyance or transfer of its properties and assets substantially as an entirety to any person in each case, in accordance with SECTION 8.2. Any determination permitting the resignation of Servicer pursuant to clause (x) above shall be evidenced by an Opinion of Counsel to such effect delivered to Trustee. No resignation shall become effective until Trustee or a Successor Servicer shall have assumed the responsibilities and obligations of Servicer in accordance with SECTION 10.2. If within 120 days of the date of the determination that Servicer may no longer act as Servicer, and if Trustee is unable to appoint a Successor Servicer, Trustee shall serve as Successor Servicer. Notwithstanding the foregoing, Trustee shall, if it is legally unable so to act, petition a court of competent jurisdiction to appoint any established institution having a net worth of not less than $50,000,000 and whose regular business includes the servicing of credit card accounts as the Successor Servicer hereunder. Trustee shall give prompt notice to each Rating Agency and each Enhancement Provider, if any, entitled thereto under the applicable Supplement upon the appointment of a Successor Servicer.

SECTION VIII.6. ACCESS TO CERTAIN DOCUMENTATION AND INFORMATION REGARDING THE RECEIVABLES. Servicer shall provide to Trustee access to the documentation regarding the Accounts and the Receivables in such cases where Trustee is required in connection with the enforcement of the rights of Holders or by applicable statutes or regulations to review such documentation, such access being afforded without charge but only (a) upon reasonable request, (b) during normal business hours, (c) subject to Servicer's normal security and confidentiality procedures and (d) at reasonably accessible offices in the continental United States designated by Servicer. Nothing in this Section shall derogate from the obligation of each Credit Card Originator, Transferor, Trustee and Servicer to observe any applicable law prohibiting disclosure of information regarding the Obligors, and the failure of Servicer to provide access as provided in this Section as a result of such obligation shall not constitute a breach of this Section.

SECTION VIII.7. DELEGATION OF DUTIES. In the ordinary course of business, Servicer may at any time delegate any duties hereunder to any Person who agrees to conduct such duties in accordance with the Credit Card Guidelines and this Agreement. Any such delegations shall not relieve Servicer of its liability and responsibility with respect to such duties, and shall not constitute a resignation within the meaning of SECTION 8.5, and Servicer shall remain jointly and severally liable with such Person for any amounts which would otherwise be payable pursuant to this ARTICLE VIII as if Servicer had performed such duty; PROVIDED that in the case of any significant delegation to a Person other than an Affiliate of WFN, at least 30 days' prior written notice shall be given to Trustee, each Rating Agency and each Enhancement Provider, if any, entitled thereto pursuant to the relevant Supplement, of such delegation to any entity that is not an Affiliate of Servicer.

ARTICLE IX EARLY AMORTIZATION EVENTS

SECTION IX.1. EARLY AMORTIZATION EVENTS. Each of the following shall constitute an "EARLY AMORTIZATION EVENT" with respect to each Series:

SECTION XI.11. TAX RETURN. If the Trust is required to file tax returns, Servicer shall prepare or shall cause to be prepared any tax returns required to be filed by the Trust and shall remit such returns to Trustee for signature at least five days before such returns are due to be filed; Trustee shall promptly sign such returns and deliver such returns after signature to Servicer and such returns shall be filed by Servicer. Servicer in accordance with each Supplement shall also prepare or shall cause to be prepared all tax information required by law to be distributed to Investor Holders. Trustee upon request, will furnish Servicer with all such information known to Trustee as may be reasonably required in connection with the preparation of all tax returns of the Trust. In no event shall Trustee or Servicer (except as provided in SECTIONS 7.4 or 8.4) be liable for any liabilities, costs or expenses of the Trust or the Investor Holders arising under any tax law, including Federal, state, local or foreign income or excise taxes or any other tax imposed or measured by income (or any interest or penalty with respect thereto or arising from a failure to comply therewith).

SECTION XI.12. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF CERTIFICATES. All rights of action and claims under this Agreement or the Certificates may be prosecuted and enforced by Trustee without the possession of any of the Certificates or the production thereof in any proceeding relating thereto, and any such proceeding instituted by Trustee shall be brought in its own name as trustee. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of Trustee, its agents and counsel, be for the ratable benefit of the Holders in respect of which such judgment has been obtained.

SECTION XI.13. SUITS FOR ENFORCEMENT. If a Servicer Default shall occur and be continuing, Trustee, in its discretion may, subject to the provisions of SECTIONS 10.1 and 11.14, proceed to protect and enforce its rights and the rights of the Holders under this Agreement by a suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in this Agreement or in aid of the execution of any power granted in this Agreement or for the enforcement of any other legal, equitable or other remedy as Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of Trustee or the Holders.

SECTION XI.14. RIGHTS OF HOLDERS TO DIRECT TRUSTEE. Holders of Investor Certificates evidencing more than 50% of the aggregate unpaid principal amount of all Investor Certificates (or, with respect to any remedy, trust or power that does not relate to all Series, 50% of the aggregate unpaid principal amount of the Investor Certificates of all Series to which such remedy, trust or power relates) shall have the right to direct the time, method, and place of conducting any proceeding for any remedy available to Trustee, or exercising any trust or power conferred on Trustee relating to such proceeding; PROVIDED that, subject to SECTION 11.1, Trustee shall have the right to decline to follow any such direction if Trustee being advised by counsel determines that the action so directed may not lawfully be taken, or if Trustee in good faith shall, by a Responsible Officer or Responsible Officers of Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability or be unduly prejudicial to the rights of Holders not parties to such

direction; and PROVIDED FURTHER that nothing in this Agreement shall impair the right of Trustee to take any action deemed proper by Trustee and which is not inconsistent with such direction.

SECTION XI.15. REPRESENTATIONS AND WARRANTIES OF TRUSTEE. Trustee represents and warrants as of each Closing Date that:

(a) Trustee is a New York banking corporation organized, existing and in good standing under the laws of the State of New York;

(b) Trustee has full power, authority and right to execute, deliver and perform this Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Agreement; and

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

SECTION XI.16. MAINTENANCE OF OFFICE OR AGENCY. Trustee will maintain at its expense an office or agency (the "CORPORATE TRUST OFFICE") where notices and demands to or upon Trustee in respect of the Certificates and this Agreement may be served (a) in the City of New York, in the case of Registered Certificates and Holders thereof, and (b) in London or Luxembourg, in the case of Bearer Certificates and Holders thereof, if and for so long as any Bearer Certificates are outstanding. The Corporate Trust Office shall initially be located at 101 Barclay Street, New York, New York 10286. Trustee will give prompt notice to Servicer and to Investor Holders of any change in the location of the Certificate Register or any such office or agency.

SECTION XI.17. CONFIDENTIALITY. Information provided by the Credit Card Originator or Transferor to Trustee related to the transaction effected hereunder, including all information related to the Obligors with respect to the Receivables, and any computer software provided to Trustee in connection with the transaction effected hereunder or under any Supplement, in each case whether in the form of documents, reports, lists, tapes, discs or any other form, shall be "CONFIDENTIAL INFORMATION." Trustee and its agents, representatives or employees shall at all times maintain the confidentiality of all Confidential Information and shall not, without the prior written consent of the Credit Card Originator or Transferor, as applicable, disclose to third parties (including Holders) or use such information to compete or assist any other Person in competing with the Credit Card Originator or Transferor or in any manner whatsoever, in whole or in part, except as expressly permitted under this Agreement or under any Supplement or as required to fulfill an obligation of Trustee under this Agreement or under any Supplement, in which case such Confidential Information shall be revealed only to the extent expressly permitted or only to Trustee's agents, representatives

and employees who need to know such Confidential Information to the extent required for the purpose of fulfilling an obligation of Trustee under this Agreement or under any Supplement. Notwithstanding the above, Confidential Information may be disclosed to the extent required by law or legal process, provided that Trustee gives prompt written notice to the Credit Card Originator or Transferor, as applicable, of the nature and scope of such disclosure.

ARTICLE XII TERMINATION

SECTION XII.1. TERMINATION OF TRUST. The Trust and the respective obligations and responsibilities of Transferor, Servicer and Trustee created hereby (other than the obligation of Trustee to make payments to Investor Holders as hereinafter set forth) shall terminate, except with respect to the duties described in SECTIONS 7.4, 8.4, 9.2 and 12.2(b), upon the earlier of (i) January 1, 2021, (ii) the day following the Distribution Date on which the Invested Amount for each Series is zero (PROVIDED that Transferor has delivered a written notice to Trustee electing to terminate the Trust) and (iii) the date provided in SECTION 9.2.

SECTION XII.2. FINAL DISTRIBUTION. (a) Servicer shall give Trustee at least 30 days prior notice of the Distribution Date on which the Investor Holders of any Series or Class may surrender their Investor Certificates for payment of the final distribution on and cancellation of such Investor Certificates (or, in the event of a final distribution resulting from the application of SECTION 2.6, 9.2 or 10.1, notice of such Distribution Date promptly after Servicer has determined that a final distribution will occur, if such determination is made less than 30 days prior to such Distribution Date). Such notice shall be accompanied by an Officer's Certificate setting forth the information specified in SECTION 3.5 covering the period during the then current fiscal year through the date of such notice. Not later than the fifth day of the month in which the final distribution in respect of such Series or Class is payable to Investor Holders, Trustee shall provide notice to Investor Holders of such Series or Class specifying (i) the date upon which final payment of such Series or Class will be made upon presentation and surrender of Investor Certificates of such Series or Class at the office or offices therein designated, (ii) the amount of any such final payment and (iii) that the Record Date otherwise applicable to such payment date is not applicable, payments being made only upon presentation and surrender of such Investor Certificates at the office or offices therein specified (which, in the case of Bearer Certificates, shall be outside the United States). Trustee shall give such notice to the Transfer Agent and Registrar and the Paying Agent at the time such notice is given to Investor Holders.

(b) Notwithstanding a final distribution to the Investor Holders of any Series or Class (or the termination of the Trust), except as otherwise provided in this paragraph, all funds then on deposit in the Collection Account, the Excess Funding Account and any Series Account allocated to such Investor Holders shall continue to be held in trust for the benefit of such Investor Holders and the Paying Agent or Trustee shall pay such funds to such Investor Holders upon surrender of their Investor Certificates (and any excess shall be paid in accordance with any relevant Enhancement Agreement). If all such Investor Holders shall not surrender their Investor Certificates for

cancellation within six months after the date specified in the notice from Trustee described in PARAGRAPH (a), Trustee shall give a second notice to the remaining such Investor Holders to surrender their Investor Certificates for cancellation and receive the final distribution with respect thereto (which surrender and payment, in the case of Bearer Certificates, shall be outside the United States). If within one year after the second notice all such Investor Certificates shall not have been surrendered for cancellation, Trustee may take appropriate steps, or may appoint an agent to take appropriate steps, to contact the remaining such Investor Holders concerning surrender of their Investor Certificates, and the cost thereof shall be paid out of the funds in the Collection Account or any Series Account held for the benefit of such Investor Holders. Trustee and the Paying Agent shall pay to Transferor any moneys held by them for the payment of principal or interest that remains unclaimed for two years. After payment to Transferor, Investor Holders entitled to the money must look to Transferor for payment as general creditors unless an applicable abandoned property law designates another Person.

(c) If the Invested Amount with respect to any Series is greater than zero on its Series Termination Date or such earlier date as is specified in the related Supplement (after giving effect to deposits and distributions otherwise to be made on such date), Trustee will sell or cause to be sold on such Series Termination Date, in accordance with the procedures and subject to the conditions described in such Supplement, Principal Receivables and the related Finance Charge Receivables (or, if a Tax Opinion is obtained, interests therein) in an amount up to 110% of the Invested Amount with respect to such Series on such date (after giving effect to such deposits and distributions; PROVIDED that in no event shall such amount exceed an amount of Principal Receivables (and all associated Finance Charge Receivables) equal to the sum of (i) the product of (A) Transferor Percentage, (B) the aggregate outstanding Principal Receivables, and (C) a fraction the numerator of which is the related Investor Percentage of Collections of Finance Charge Receivables and the denominator of which is the sum of all Investor Percentages with respect to Collections of Finance Charge Receivables of all Series outstanding and (ii) the Invested Amount of such Series). The proceeds from any such sale shall be allocated and distributed in accordance with the applicable Supplement.

SECTION XII.3. TRANSFEROR'S TERMINATION RIGHTS. Upon the termination of the Trust pursuant to SECTION 12.1 and the surrender of the Transferor Certificate and any Supplemental Certificate, Trustee shall assign and convey to Transferor or its designee, without recourse, representation or warranty, all right, title and interest of the Trust in the Receivables, whether then existing or thereafter created, all moneys due or to become due and all amounts received with respect thereto and all proceeds thereof, except for amounts held by Trustee pursuant to SECTION 12.2(b). Trustee shall execute and deliver such instruments of transfer and assignment, in each case without recourse, as shall be reasonably requested by Transferor to vest in Transferor or its designee all right, title and interest which the Trust had in the Receivables and such other related assets.

ARTICLE XIII MISCELLANEOUS PROVISIONS

SECTION XIII.1. AMENDMENT; WAIVER OF PAST DEFAULTS. (a) This Agreement or any Supplement may be amended from time to time (including in connection with (i) adding covenants, restrictions or conditions of Transferor, such further covenants, restrictions or conditions as its Board of Directors and Trustee shall consider to be for the benefit or protection of the Investor Holders, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions a default or Early Amortization Event permitting the enforcement of all or any of the several remedies provided in this Agreement as herein set forth; PROVIDED, HOWEVER, that in respect of any such additional covenant, restriction or condition such amendment may provide for a particular period of grace after default or may provide for an immediate enforcement upon such default or may limit the remedies available to Trustee upon such default, (ii) curing any ambiguity or correcting or supplementing any provision contained herein or in any Supplement which may be defective or inconsistent with any other provision contained herein or in any Supplement or to surrender any right or power conferred upon Transferor, (iii) the issuance of a Supplemental Certificate, (iv) the addition of a Participation Interest or receivables arising in VISA, MasterCard or any other type of open end revolving credit card account to the Trust, (v) the assumption by another entity, in accordance with the provisions of this Agreement, of Transferor's obligations hereunder, or (vi) the provision of additional Enhancement for the benefit of Holders of any Series) by Servicer, Transferor and Trustee without the consent of such Holders as provided for in the applicable Supplement, PROVIDED that (x) Transferor shall have delivered to Trustee an Officer's Certificate to the effect that Transferor reasonably believes that such action shall not adversely affect in any material respect the interests of any Investor Holder, (y) the Rating Agency Condition shall have been satisfied with respect to any such amendment and (z) a Tax Opinion is delivered in connection with any such amendment. The designation of additional or substitute Transferors or additional Credit Card Originators pursuant to SECTION 2.11 or 2.12 shall be subject to this SECTION 13.1 only to the extent that the supplement to this Agreement providing for such designation amends any of the terms of this Agreement.

(b) This Agreement or any Supplement may also be amended from time to time by Servicer, Transferor and Trustee, with the consent of the Holders of Investor Certificates (acting for themselves or through any designated agents, as provided for in any applicable Supplement) evidencing not less than 66-2/3% of the aggregate unpaid principal amount of the Investor Certificates of all adversely affected Series, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Agreement or any Supplement or of modifying in any manner the rights of the Holders; PROVIDED, HOWEVER, that no such amendment shall (i) reduce in any manner the amount of or delay the timing of any distributions to be made to Investor Holders or deposits of amounts to be so distributed or the amount available under any Enhancement without the consent of each affected Holder (provided that any amendment of the terms of an Early Amortization Event shall not be deemed to be within the scope of this CLAUSE (i)), (ii) change the definition of or the manner of calculating the interest of any Investor Holder without

the consent of each affected Investor Holder (acting for themselves or through any designated agents, as provided for in any applicable Supplement) or (iii) reduce the aforesaid percentage required to consent to any such amendment without the consent of each Investor Holder (acting for themselves or through any designated agents, as provided for in any applicable Supplement). Any amendment to be effected pursuant to this paragraph shall be deemed to adversely affect all outstanding Series, other than any Series with respect to which such action shall not, as evidenced by an Opinion of Counsel for Transferor, addressed and delivered to Trustee, adversely affect in any material respect the interests of any Investor Holder of such Series. Trustee may, but shall not be obligated to, enter into any such amendment which affects Trustee's rights, duties or immunities under this Agreement or otherwise.

(c) Promptly after the execution of any such amendment or consent (other than an amendment pursuant to PARAGRAPH (a)), Trustee shall furnish notification of the substance of such amendment to each Investor Holder; and Servicer shall furnish prior notification of the substance of such amendment to (i) each Rating Agency and (ii) each Enhancement Provider, if any, entitled thereto pursuant to the relevant Supplement.

(d) It shall not be necessary for the consent of Investor Holders under this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof. The manner of obtaining such consents and of evidencing the authorization of the execution thereof by Investor Holders shall be subject to such reasonable requirements as Trustee may prescribe.

(e) Any Supplement executed in accordance with the provisions of SECTION 6.3 shall not be considered an amendment to this Agreement for the purposes of this Section.

(f) The Holders of Investor Certificates evidencing more than 66-2/3% of the aggregate unpaid principal amount of the Investor Certificates of each Series, or, with respect to any Series with two or more Classes, of each Class (or, with respect to any default that does not relate to all Series, 66-2/3% of the aggregate unpaid principal amount of the Investor Certificates of each Series to which such default relates or, with respect to any such Series with two or more Classes, of each Class) may, on behalf of all Holders, waive any default by Transferor or Servicer in the performance of their obligations hereunder and its consequences, except the failure to make any distributions required to be made to Investor Holders or to make any required deposits of any amounts to be so distributed. Upon any such waiver of a past default, such default shall cease to exist, and any default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereon except to the extent expressly so waived.

SECTION XIII.2. PROTECTION OF RIGHT, TITLE AND INTEREST TO TRUST. (a) Transferor shall cause this Agreement, all amendments and supplements hereto and all financing statements and continuation statements and any other necessary documents covering the Holders, and Trustee's

right, title and interest to the Trust to be promptly recorded, registered and filed, and at all times to be kept recorded, registered and filed, all in such manner and in such places as may be required by law fully to preserve and protect the right, title and interest of the Holders and Trustee hereunder to all property comprising the Trust Assets. Transferor shall deliver to Trustee file-stamped copies of, or filing receipts for, any document recorded, registered or filed as provided above, as soon as available following such recording, registration or filing.

(b) Within 30 days after Transferor makes any change in its name, identity or corporate structure which would make any financing statement or continuation statement filed in accordance with PARAGRAPH (a) seriously misleading within the meaning of Section 9-402(7) (or any comparable provision) of the UCC, Transferor shall give Trustee notice of any such change and shall file such financing statements or amendments as may be necessary to continue the perfection of the Trust's security interest in the Receivables and the proceeds thereof.

(c) Transferor and Servicer will give Trustee prompt notice of any relocation of any office from which it services Receivables or keeps records concerning the Receivables or of its principal executive office and whether, as a result of such relocation, the applicable provisions of the UCC would require the filing of any amendment of any previously filed financing or continuation statement or of any new financing statement and shall file such financing statements or amendments as may be necessary to perfect or to continue the perfection of the Trust's security interest in the Receivables and the proceeds thereof. Transferor and Servicer will at all times maintain each office from which it services Receivables and its principal executive offices within the United States.

(d) Transferor will deliver to Trustee and any Enhancement Provider entitled thereto pursuant to the relevant Supplement: (i) upon the execution and delivery of each amendment of this Agreement or any Supplement, an Opinion of Counsel to the effect specified in EXHIBIT F-1; (ii) on each Addition Date on which any Supplemental Accounts are to be designated as Accounts pursuant to SECTION 2.8(a) or (b), an Opinion of Counsel to the effect specified in EXHIBIT F-2, and on each Addition Date on which any Participation Interests are to be included in the Trust pursuant to SECTION 2.8(a) or (b), an Opinion of Counsel covering the same substantive legal issues addressed by EXHIBIT F-2 but conformed to the extent appropriate to relate to Participation Interests; and (iii) on or before March 31 of each year, beginning with March 31, 1998, an Opinion of Counsel to the effect specified in EXHIBIT F-2.

SECTION XIII.3. LIMITATION ON RIGHTS OF HOLDERS. (a) The death or incapacity of any Holder shall not operate to terminate this Agreement or the Trust, nor shall such death or incapacity entitle such Holders' legal representatives or heirs to claim an accounting or to take any action or commence any proceeding in any court for a partition or winding up of the Trust, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

(b) No Investor Holder shall have any right to vote (except as expressly provided in this Agreement) or in any manner otherwise control the operation and management of the Trust, or the

obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the Certificates, be construed so as to constitute the Investor Holders from time to time as partners or members of an association, nor shall any Investor Holder be under any liability to any third person by reason of any action by the parties to this Agreement pursuant to any provision hereof.

(c) No Investor Holder shall have any right by virtue of any provisions of this Agreement to institute any suit, action or proceeding in equity or at law upon or under or with respect to this Agreement, unless such Investor Holder previously shall have made, and unless the Holders of Investor Certificates evidencing more than 50% of the aggregate unpaid principal amount of all Investor Certificates (or, with respect to any such action, suit or proceeding that does not relate to all Series, 50% of the aggregate unpaid principal amount of the Investor Certificates of all Series which such action, suit or proceeding relates) shall have made written request to Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have offered to Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby, and Trustee, for 60 days after its receipt of such request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding; it being understood and intended, and being expressly covenanted by each Investor Holder with every other Investor Holder and Trustee, that no one or more Investor Holders shall have any right in any manner whatever by virtue or by availing itself or themselves of any provisions of this Agreement to affect, disturb or prejudice the rights of Holders of any other of the Investor Certificates, or to obtain or seek to obtain priority over or preference to any other Investor Holder, or to enforce any right under this Agreement, except in the manner herein provided and for the equal, ratable and common benefit of all Investor Holders except as otherwise expressly provided in this Agreement. For the protection and enforcement of the provisions of this Section, each and every Investor Holder and Trustee shall be entitled to such relief as can be given either at law or in equity.

SECTION XIII.4. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION XIII.5. NOTICES, PAYMENTS. (a) All demands notices, instructions, directions and communications (collectively, "NOTICES") under this Agreement shall be in writing and shall be deemed to have been duly given if personally delivered at, mailed by registered mail, return receipt requested, or sent by facsimile transmission (i) in the case of Transferor or Servicer, to WFN, 800 Techcenter Drive, Gahanna, Ohio 43230, Attention: Dan Groomes (facsimile no. 614/729-4899), (ii) in the case of Trustee, The Bank of New York, 101 Barclay Street, 12th Floor East, New York, New York 10286, Attention: Asset-Backed Unit (facsimile no. 212-815-5999)), (iii) in the case of the Paying Agent or the Transfer Agent and Registrar, to Trustee at the address above and (iv) to any other Person as specified in any Supplement; or, as to each party, at such other address or facsimile number as shall be designated by such party in a written notice to each other party.

(b) Any Notice required or permitted to be given to a Holder of Registered Certificates shall be given by first-class mail, postage prepaid, at the address of such Holder as shown in the Certificate Register. No Notice shall be required to be mailed to a Holder of Bearer Certificates or Coupons but shall be given as provided below. Any Notice so mailed within the time prescribed in this Agreement shall be conclusively presumed to have been duly given, whether or not the Investor Holder receives such Notice. In addition, (i) if and so long as any Series or Class is listed on the Luxembourg Stock Exchange and such Exchange shall so require, any Notice to Investor Holders shall be published in an Authorized Newspaper of general circulation in Luxembourg within the time period prescribed in this Agreement and (ii) in the case of any Series or Class with respect to which any Bearer Certificates are outstanding, any Notice required or permitted to be given to Investor Holders of such Series or Class shall be published in an Authorized Newspaper within the time period prescribed in this Agreement.

SECTION XIII.6. RULE 144A INFORMATION. For so long as any of the Investor Certificates of any Series or Class are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, each of Transferor, Trustee, Servicer and any Enhancement Provider agree to cooperate with each other to provide to any Investor Holders of such Series or Class and to any prospective purchaser of Certificates designated by such Investor Holder, upon the request of such Investor Holder or prospective purchaser, any information required to be provided to such holder or prospective purchaser to satisfy the condition set forth in Rule 144A(d)(4) under the Securities Act.

SECTION XIII.7. SEVERABILITY OF PROVISIONS. If any one or more of the covenants, agreements, provisions or terms of this Agreement shall for any reason whatsoever be held invalid, then such provisions shall be deemed severable from the remaining provisions of this Agreement and shall in no way affect the validity or enforceability of the remaining provisions or of the Certificates or the rights of the Holders.

SECTION XIII.8. CERTIFICATES NONASSESSABLE AND FULLY PAID. It is the intention of the parties to this Agreement that the Holders shall not be personally liable for obligations of the Trust, that the interests in the Trust represented by the Certificates shall be nonassessable for any losses or expenses of the Trust or for any reason whatsoever and that Certificates upon authentication thereof by Trustee pursuant to SECTION 6.2 are and shall be deemed fully paid.

SECTION XIII.9. FURTHER ASSURANCES. Transferor and Servicer agree to do and perform, from time to time, any and all acts and to execute any and all further instruments required or reasonably requested by Trustee more fully to effect the purposes of this Agreement, including the execution of any financing statements or continuation statements relating to the Receivables for filing under the provisions of the UCC of any applicable jurisdiction.

SECTION XIII.10. NONPETITION COVENANT. Notwithstanding any prior termination of this Agreement, Servicer, Trustee, Transferor, each Holder and each Enhancement Provider, if any, and

each Holder of a Supplemental Certificate shall not, prior to the date which is one year and one day after the last day on which any Investor Certificates shall have been outstanding, with respect to the Trust, petition or otherwise invoke or cause the Trust to invoke the process of any Governmental Authority for the purpose of commencing or sustaining a case against the Trust under any Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Trust or any substantial part of its property or ordering the winding-up or liquidation of the affairs of the Trust.

SECTION XIII.11. NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of Trustee or the Holders, any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege under this Agreement preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges provided under this Agreement are cumulative and not exhaustive of any rights, remedies, powers and privileges provided by law.

SECTION XIII.12. COUNTERPARTS. This Agreement may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which together shall constitute one and the same instrument.

SECTION XIII.13. THIRD-PARTY BENEFICIARIES. This Agreement will inure to the benefit of and be binding upon the parties hereto, the Holders, any Enhancement Provider (to the extent provided in this Agreement and the related Supplement) and their respective successors and permitted assigns. Except as otherwise expressly provided in this Agreement (including SECTION 7.4), no other Person will have any right or obligation hereunder.

SECTION XIII.14. ACTIONS BY HOLDERS. (a) Wherever in this Agreement a provision is made that an action may be taken or a Notice given by Holders, such action or Notice may be taken or given by any Holder, unless such provision requires a specific percentage of Holders.

(b) Any Notice, request, authorization, direction, consent, waiver or other act by the Holder of a Certificate shall bind such Holder and every subsequent Holder of such Certificate and of any Certificate issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or omitted to be done by Trustee or Servicer in reliance thereon, whether or not notation of such action is made upon such Certificate.

SECTION XIII.15. MERGER AND INTEGRATION. Except as specifically stated otherwise herein, this Agreement sets forth the entire understanding of the parties relating to the subject matter hereof, and all prior understandings, written or oral, are superseded by this Agreement.

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

WORLD FINANCIAL NETWORK
NATIONAL BANK, as Transferor
and Servicer,

By_____
Name: Robert Armiak
Title: Treasurer

THE BANK OF NEW YORK,
as Trustee,

By_____
Name:
Title:

EXHIBIT A

FORM OF TRANSFEROR CERTIFICATE

THIS TRANSFEROR CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NEITHER THIS TRANSFEROR CERTIFICATE NOR ANY PORTION HEREOF MAY BE OFFERED OR SOLD EXCEPT IN COMPLIANCE WITH THE REGISTRATION PROVISIONS OF SUCH ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM SUCH REGISTRATION PROVISIONS.

THIS TRANSFEROR CERTIFICATE IS NOT PERMITTED TO BE TRANSFERRED, ASSIGNED, EXCHANGED OR OTHERWISE PLEDGED OR CONVEYED EXCEPT IN COMPLIANCE WITH THE TERMS OF THE POOLING AND SERVICING AGREEMENT REFERRED TO HEREIN.

No. R-1 One Unit

WORLD FINANCIAL NETWORK CREDIT CARD MASTER TRUST III
TRANSFEROR CERTIFICATE

THIS CERTIFICATE REPRESENTS AN INTEREST
IN CERTAIN ASSETS OF THE
WORLD FINANCIAL NETWORK CREDIT CARD MASTER TRUST III

(Not an interest in or obligation of Transferor
or any affiliate thereof)

This certifies that WORLD FINANCIAL NETWORK NATIONAL BANK is the registered owner of a fractional interest in the assets of a trust (the "TRUST") not allocated to the Investor Interest or the interest of any Holder of a Supplemental Certificate pursuant to the Pooling and Servicing Agreement dated as of January 30, 1998 (as amended and supplemented, the "AGREEMENT"), between World Financial Network National Bank, a national banking association, as Transferor ("TRANSFEROR") and as Servicer, and The Bank of New York, a New York banking corporation, as trustee ("TRUSTEE"). To the extent not defined herein, the capitalized terms used herein have the meanings ascribed to them in the Agreement.

This Certificate is the Transferor Certificate issued under, and is subject to, the Agreement. By accepting this Certificate, its Holder assents to, and is bound by, the Agreement.

Transferor has entered into the Agreement, and this Certificate is issued, with the intention that, for Federal, state and local income and franchise tax purposes only, the Investor Certificates (except Transferor Retained Certificates which are held by Transferor) will qualify as debt secured by the Receivables. Transferor, by entering into the Agreement and the Holder of the Transferor Certificate by acceptance of this Transferor Certificate, agree to treat such Investor Certificates for Federal, state and local income and franchise tax purposes as debt under applicable tax law.

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

IN WITNESS WHEREOF, the Holder of the Transferor Certificate has caused this Certificate to be duly executed.

WORLD FINANCIAL NETWORK
NATIONAL BANK,
as Transferor,

BY

Name:
Title:

Dated: January 30, 1998

DATED: JANUARY 30, 1998

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is the Transferor Certificate described in the within-mentioned Pooling and Servicing Agreement dated as of January 30, 1998 between World Financial Network National Bank as Transferor and Servicer and The Bank of New York, as Trustee.

THE BANK OF NEW YORK,
as Trustee

By

Authorized Signatory

EXHIBIT B

FORM OF ASSIGNMENT OF RECEIVABLES IN SUPPLEMENTAL ACCOUNTS

(As required by SECTION 2.8 of
the Pooling and Servicing Agreement)

ASSIGNMENT No. _____ OF RECEIVABLES IN SUPPLEMENTAL ACCOUNTS dated as of _____, ___1/ by and among WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association, as Transferor ("TRANSFEROR") and as Servicer ("SERVICER"), and THE BANK OF NEW YORK, a New York banking corporation ("TRUSTEE"), pursuant to the Pooling and Servicing Agreement referred to below.

WITNESSETH

WHEREAS Transferor, Servicer and Trustee are parties to the Pooling and Servicing Agreement dated as of January 30, 1998 (as may be amended and supplemented from time to time, the "AGREEMENT");

WHEREAS, pursuant to the Agreement, Transferor wishes to designate Supplemental Accounts owned by the Credit Card Originator to be included as Accounts and to convey the Receivables of such Supplemental Accounts, whether now existing or hereafter created, to the Trust as part of the corpus of the Trust (as each such term is defined in the Agreement); and

WHEREAS Trustee is willing to accept such designation and conveyance subject to the terms and conditions hereof;

NOW, THEREFORE, Transferor, Servicer and Trustee hereby agree as follows:

1. DEFINED TERMS. All capitalized terms used herein shall have the meanings ascribed to them in the Agreement unless otherwise defined herein.

"Addition Date" means, with respect to the Supplemental Accounts designated hereby, _____, ____.

"Addition Cut Off Date" means, with respect to the Supplemental Accounts designated hereby, _____, ____.

- ----------

1/ To be dated as of the applicable Addition Date.

2. DESIGNATION OF SUPPLEMENTAL ACCOUNTS. On or before the Document Delivery Date, Transferor will deliver to Trustee an Account Schedule containing a true and complete schedule identifying all such Supplemental Accounts specifying for each such Account, as of the Addition Cut Off Date, its account number, the aggregate amount outstanding in such Account and the aggregate amount of Principal Receivables outstanding in such Account, which Account Schedule shall supplement any other Account Schedule previously delivered to Trustee pursuant to the Agreement.

3. CONVEYANCE OF RECEIVABLES. Transferor does hereby transfer, assign, set over and otherwise convey to the Trust, for the benefit of the Holders, all its right, title and interest in, to and under the Receivables of such Supplemental Accounts existing at the close of business on the Addition Date and thereafter created from time to time until the termination of the Trust, all monies due or to become due and all amounts received with respect thereto and all proceeds thereof. The foregoing does not constitute and is not intended to result in the creation or assumption by the Trust, Trustee, any Investor Holder or any Enhancement Provider of any obligation of Servicer, Transferor, the Credit Card Originator or any other Person in connection with the Accounts, the Receivables or under any agreement or instrument relating thereto, including any obligation to Obligors, merchant banks, merchants clearance systems or insurers.

Transferor agrees to record and file, at its own expense, financing statements (and continuation statements when applicable) with respect to the Receivables now in Supplemental Accounts, meeting the requirements of applicable state law in such manner and in such jurisdictions as are necessary to perfect, and maintain perfection of, the assignment of such Receivables to the Trust, and to deliver a file-stamped copy of each such financing statement or other evidence of such filing to Trustee on or prior to the Addition Date. Trustee shall be under no obligation whatsoever to file such financing or continuation statements or to make any other filing under the UCC in connection with such assignment.

In connection with such assignment, Transferor further agrees, at its own expense, on or prior to the date of this Assignment, to cause the Credit Card Originator to indicate in the appropriate computer files that Receivables created in connection with the Supplemental Accounts and designated hereby have been conveyed to the Trust pursuant to the Agreement and this Assignment for the benefit of the Holders.

Transferor does hereby grant to Trustee a security interest in all of its right, title and interest in and to the Receivables now existing and hereafter created in the Supplemental Accounts, all monies due or to become due and all amounts received with respect thereto and all proceeds thereof. This Assignment constitutes a security agreement under the UCC.

4. ACCEPTANCE BY TRUSTEE. Trustee hereby acknowledges its acceptance on behalf of the Trust of all right, title and interest to the property, now existing and hereafter created, conveyed to the Trust pursuant to SECTION 3(A) of this Assignment, and declares that it shall maintain such right, title

and interest, upon the trust set forth in the Agreement for the benefit of all Holders. Trustee further acknowledges that, prior to or simultaneously with the execution and delivery of this Assignment, Transferor delivered to Trustee the Account Schedule described in SECTION 2 of this Assignment.

5. REPRESENTATIONS AND WARRANTIES OF TRANSFEROR. Transferor hereby represents and warrants to Trustee, on behalf of the Trust, as of the date of this Assignment and as of the Addition Date that:

(a) LEGAL, VALID AND BINDING OBLIGATION. This Assignment constitutes a legal, valid and binding obligation of Transferor enforceable against Transferor in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting the enforcement of creditors' rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);

(b) ELIGIBILITY OF ACCOUNTS. Each Supplemental Account designated hereby is an Eligible Account;

(c) INSOLVENCY. As of each of the Addition Cut Off Date and the Addition Date, no Insolvency Event with respect to the Credit Card Originator or Transferor has occurred and the transfer by Transferor of Receivables arising in the Supplemental Accounts to the Trust has not been made in contemplation of the occurrence thereof;

(d) EARLY AMORTIZATION EVENT. Transferor reasonably believes that (A) the addition of the Receivables arising in the Supplemental Accounts will not, based on the facts known to Transferor, then or thereafter cause an Early Amortization Event to occur with respect to any Series and (B) no selection procedure was utilized by Transferor which would result in the selection of Supplemental Accounts (from among the available Eligible Accounts owned by the Credit Card Originator) that would be materially less favorable to the interests of the Investor Holders of any Series as of the Addition Date than a random selection;

(e) SECURITY INTEREST. Either this Assignment constitutes a valid transfer and assignment to the Trust of all right, title and interest of Transferor in the Receivables and other Trust Assets conveyed to the Trust by Transferor and all monies due or to become due and all amounts received with respect thereto and the proceeds thereof, or this Assignment constitutes a grant of a security interest in such property to the Trustee, for the benefit of the Investor Holders, which, in the case of existing Receivables and the proceeds thereof, is enforceable upon execution and delivery of this Assignment, and which will be enforceable with respect to such Receivables hereafter created and the proceeds thereof upon such creation. Upon the filing of the financing statements described in SECTION 3 of this Assignment and, in the case of the Receivables hereafter created and the proceeds thereof, upon the creation thereof, the Trust shall have a first priority security interest in such property except for Liens permitted under SECTION 2.7(B) of the Agreement;

(f) NO CONFLICT. The execution and delivery by Transferor of this Assignment, the performance of the transactions contemplated by this Assignment and the fulfillment of the terms hereof applicable to Transferor, will not conflict with or violate any Requirements of Law applicable to Transferor or conflict with, result in any breach of any of the material terms and provisions of, or constitute (with or without notice or lapse of time or both) a material default under, any indenture, contract, agreement, mortgage, deed of trust or other instrument to which Transferor is a party or by which it or its properties are bound;

(g) NO PROCEEDINGS. There are no proceedings or investigations pending or, to the best knowledge of Transferor, threatened against Transferor before any court, regulatory body, administrative agency or other tribunal or governmental instrumentality (i) asserting the invalidity of this Assignment, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Assignment, (iii) seeking any determination or ruling that, in the reasonable judgment of Transferor, would materially and adversely affect the performance by Transferor of its obligations under this Assignment, (iv) seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Assignment or (v) seeking to affect adversely the income tax attributes of the Trust under the Federal, or applicable state income or franchise tax systems; and

(h) ALL CONSENTS. All authorizations, consents, orders or approvals or other actions of any Person or of any court or other governmental authority required to be obtained by Transferor in connection with the execution and delivery of this Assignment by Transferor and the performance of the transactions contemplated by this Assignment by Transferor, have been obtained.

6. RATIFICATION OF AGREEMENT. As supplemented by this Assignment, the Agreement is in all respects ratified and confirmed and the Agreement as so supplemented by this Assignment shall be read, taken and construed as one and the same instrument.

7. COUNTERPARTS. This Assignment may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

8. GOVERNING LAW. THIS ASSIGNMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

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

WORLD FINANCIAL NETWORK
NATIONAL BANK,
as Transferor and Servicer,

By

Name:
Title:

THE BANK OF NEW YORK,
as Trustee,

By

Name:
Title:

EXHIBIT C

FORM OF REASSIGNMENT OF RECEIVABLES IN REMOVED ACCOUNTS
(As required by SECTION 2.9 of
the Pooling and Servicing Agreement)

REASSIGNMENT No. _____ OF RECEIVABLES dated as of _____, ____1/by and among WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association, as Transferor ("TRANSFEROR") and as Servicer ("SERVICER") and THE BANK OF NEW YORK, a New York banking corporation ("TRUSTEE"), pursuant to the Pooling and Servicing Agreement referred to below.

WITNESSETH:

WHEREAS Transferor, Servicer and Trustee are parties to the Pooling and Servicing Agreement dated as of January 30, 1998 (as may be amended and supplemented from time to time, the "AGREEMENT");

WHEREAS pursuant to the Agreement, Transferor wishes to remove from the Trust all Receivables in certain designated Accounts owned by the Credit Card Originator (the "REMOVED ACCOUNTS") and to cause Trustee to reconvey the Receivables of such Removed Accounts, whether now existing or hereafter created, from the Trust to Transferor; and

WHEREAS Trustee is willing to accept such designation and to reconvey the Receivables in the Removed Accounts subject to the terms and conditions hereof;

NOW, THEREFORE, Transferor, Servicer and Trustee hereby agree as follows:

1. DEFINED TERMS. All terms defined in the Agreement and used herein shall have such defined meanings when used herein, unless otherwise defined herein.

"REMOVAL DATE" means, with respect to the Removed Accounts designated hereby, _____, _____.

"REMOVAL NOTICE DATE" means, with respect to the Removed Accounts, _____, ___.

2. DESIGNATION OF REMOVED ACCOUNTS. On or before the date that is 10 Business Days after the Removal Date, Transferor will deliver to Trustee an Account Schedule identifying all Accounts

- ----------
1/ To be dated as of the Removal Date.

the Receivables of which are being removed from the Trust, specifying for each such Account, as of the Removal Notice Date, its account number, the aggregate amount outstanding in such Account and the aggregate amount of Principal Receivables in such Account, which Account Schedule shall supplement any Account Schedule previously delivered to Trustee pursuant to the Agreement.

3. CONVEYANCE OF RECEIVABLES. (a) Trustee does hereby transfer, assign, set over and otherwise convey to Transferor, without recourse, on and after the Removal Date, all right, title and interest of the Trust in, to and under the Receivables existing at the close of business on the Removal Date and thereafter created from time to time in the Removed Accounts designated hereby, all monies due or to become due and all amounts received with respect thereto and all proceeds thereof.

(b) In connection with such transfer, Trustee agrees to execute and deliver to Transferor on or prior to the date this Reassignment is delivered, applicable termination statements with respect to the Receivables existing at the close of business on the Removal Date and thereafter created from time to time in the Removed Accounts reassigned hereby and the proceeds thereof evidencing the release by the Trust of its interest in the Receivables in the Removed Accounts, and meeting the requirements of applicable state law, in such manner and such jurisdictions as are necessary to terminate such interest.

4. REPRESENTATIONS AND WARRANTIES OF TRANSFEROR. Transferor hereby represents and warrants to Trustee, on behalf of the Trust, as of the Removal Date:

(a) LEGAL, VALID AND BINDING OBLIGATION. This Reassignment constitutes a legal, valid and binding obligation of Transferor enforceable against Transferor, in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect affecting the enforcement of creditors, rights in general and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity);

[only for removals pursuant to SECTION 2.9(A) of the Agreement][(b) EARLY AMORTIZATION EVENT. Transferor reasonably believes that (A) the removal of the Receivables existing in the Removed Accounts will not, based on the facts known to Transferor, then or thereafter cause an Early Amortization Event to occur with respect to any Series and (B) no selection procedure was utilized by Transferor which would result in a selection of Removed Accounts from among any pools of Accounts of a similar type that would be materially adverse to the interests of the Investor Holders of any Series as of the Removal Date;] and

[(c)] LIST OF REMOVED ACCOUNTS. The list of Removed Accounts delivered pursuant to SECTION 2.9(C) of the Agreement, as of the Removal Date, is true and complete in all material respects.

[only if removals pursuant to SECTION 2.9(A)][(d) DEFAULTED RECEIVABLES. No selection procedure was utilized by Transferor with the intent to include a disproportionately higher level of Defaulted Receivables in the Removed Accounts than exist in the Accounts or to remove Accounts for the intended purpose of mitigating losses to the Trust.]

5. RATIFICATION OF AGREEMENT. As supplemented by this Reassignment, the Agreement is in all respects ratified and confirmed and the Agreement as so supplemented by this Reassignment shall be read, taken and construed as one and the same instrument.

6. COUNTERPARTS. This Reassignment may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

7. GOVERNING LAW. THIS REASSIGNMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

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

WORLD FINANCIAL NETWORK
NATIONAL BANK,
as Transferor and Servicer,

By

Name:
Title:

THE BANK OF NEW YORK,
as Trustee,

By

Name:
Title:

EXHIBIT D

FORM OF ANNUAL SERVICER'S CERTIFICATE

(To be delivered on or before the
90th day following the end of the fiscal year
of Transferor beginning with December 31, 1998,
pursuant to SECTION 3.5 of the Pooling and
Servicing Agreement referred to below)

WORLD FINANCIAL NETWORK NATIONAL BANK

WORLD FINANCIAL NETWORK CREDIT CARD MASTER TRUST III

The undersigned, a duly authorized representative of World Financial Network National Bank, as Servicer ("WFN"), pursuant to the Pooling and Servicing Agreement dated as of January 30, 1998 (as may be amended and supplemented from time to time, the "AGREEMENT"), among WFN, as Transferor and as Servicer, and The Bank of New York, as Trustee, does hereby certify that:

1. WFN is, as of the date hereof, Servicer under the Agreement. Capitalized terms used in this Certificate have their respective meanings as set forth in the Agreement.

2. The undersigned is a Servicing Officer who is duly authorized pursuant to the Agreement to execute and deliver this Certificate to Trustee.

3. A review of the activities of Servicer during the fiscal year ended _____, ____, and of its performance under the Agreement was conducted under my supervision.

4. Based on such review, Servicer has, to the best of my knowledge, performed in all material respects its obligations under the Agreement throughout such year and no default in the performance of such obligations has occurred or is continuing except as set forth in PARAGRAPH 5.

5. The following is a description of each default in the performance of Servicer's obligations under the provisions of the Agreement known to me to have been made by Servicer during the fiscal year ended _____, _____, which sets forth in detail (i) the nature of each such default, (ii) the action taken by Servicer, if any, to remedy each such default and (iii) the current status of each such default: [if applicable, insert "None."]

IN WITNESS WHEREOF, the undersigned has duly executed this Certificate this _____ day of _____, 19___.

WORLD FINANCIAL NETWORK

as Servicer,

By

Name:
Title:

THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS CERTIFICATE NOR ANY PORTION HEREOF MAY BE OFFERED, SOLD, PLEDGED, OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE REGISTRATION PROVISIONS OF THE SECURITIES ACT AND ANY APPLICABLE PROVISIONS OF ANY STATE BLUE SKY OR SECURITIES LAWS OR PURSUANT TO AN AVAILABLE EXEMPTION FROM SUCH REGISTRATION PROVISIONS. THE TRANSFER OF THIS CERTIFICATE IS SUBJECT TO CERTAIN CONDITIONS SET FORTH IN THE POOLING AND SERVICING AGREEMENT REFERRED TO HEREIN.

EXHIBIT E-2

FORM OF UNDERTAKING LETTER

[Date]

Trustee Bank

Attention: [ ]

World Financial Network
National Bank
4590 East Broad Street
Columbus, Ohio 43213
Attention: [ ]

RE: PURCHASE OF $_____1/PRINCIPAL AMOUNT OF World Financial Network Credit Card Master Trust III, [Class __], [__%] [Floating Rate] Asset Backed Certificates, Series [ ]

Dear Sirs:

In connection with our purchase of the above-referenced Asset Backed Certificates (the "CERTIFICATES") we confirm that:

(i) we understand that the Certificates are not being registered under the Securities Act of 1933, as amended (the "SECURITIES ACT"), and are being sold to us in a transaction that is exempt from the registration requirements of the Securities Act;

(ii) any information we desire concerning the Certificates or any other matter relevant to our decision to purchase the certificates is or has been made available to us;

(iii) we have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Certificates, and we (and any account for which we are purchasing under PARAGRAPH (iv)) are able to bear the economic risk of an investment in the Certificates; we (and any account for which we are purchasing under PARAGRAPH (iv)) are an "accredited investor" (as such term is defined in Rule 501(a)(1),

- ---
1/ Not less than $250,000 minimum principal amount.

(2) or (3) of Regulation D under the Securities Act); and we are not, and none of such accounts is, a Benefit Plan;

(iv) we are acquiring the Certificates for our own account or for accounts as to which we exercise sole investment discretion and not with a view to any distribution of the Certificates, subject, nevertheless, to the understanding that the disposition of our property shall at all times be and remain within our control;

(v) we agree that the Certificates must be held indefinitely by us unless subsequently registered under the Securities Act or an exemption from any registration requirements of that Act and any applicable state securities laws available;

(vi) we agree that if at some future time we wish to dispose of or exchange any of the Certificates (such disposition or exchange not being currently foreseen or contemplated), we will not transfer or exchange any of the Certificates unless

(A)(1) the sale is of at least U.S. $250,000 principal amount of Certificates to an Eligible Purchaser (as defined below), (2) a letter to substantially the same effect as paragraphs (i), (ii), (iii), (iv), (v) and (vi) of this letter is executed promptly by the purchaser and (3) all offers or solicitations in connection with the sale, whether directly or through any agent acting on our behalf, are limited only to Eligible Purchasers and are not made by means of any form of general solicitation or general advertising whatsoever; or

(B) the Certificates are transferred pursuant to Rule 144 under the Securities Act by us after we have held them for more than three years; or

(C) the Certificates are sold in any other transaction that does not require registration under the Securities Act and, if Transferor, Servicer, Trustee or the Transfer Agent and Registrar so requests, we theretofore have furnished to such party an Opinion of Counsel satisfactory to such party, in form and substance satisfactory to such party, to such effect; or

(D) the Certificates are transferred pursuant to an exception from the registration requirements of the Securities Act under Rule 144A under the Securities Act; and

(vii) we understand that the Certificates will bear a legend to substantially the following effect:

"THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). NEITHER THIS CERTIFICATE NOR ANY PORTION HEREOF MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE REGISTRATION PROVISIONS OF THE SECURITIES ACT AND ANY APPLICABLE PROVISIONS OF ANY STATE BLUE SKY OR SECURITIES LAWS OR PURSUANT TO AN AVAILABLE EXEMPTION FROM SUCH REGISTRATION PROVISIONS. THE TRANSFER OF THIS CERTIFICATE IS SUBJECT TO CERTAIN CONDITIONS SET FORTH IN THE POOLING AND SERVICING AGREEMENT REFERRED TO HEREIN."

["THIS CERTIFICATE MAY NOT BE ACQUIRED BY OR FOR THE ACCOUNT OF A BENEFIT PLAN (AS DEFINED BELOW)."]*/

The first paragraph of this legend may be removed if Transferor, Servicer, Trustee and the Transfer Agent and Registrar have received an Opinion of Counsel satisfactory to them, in form and substance satisfactory to them, to the effect that such paragraph may be removed.

- ------------------------

* This bracketed text should be included only if the Certificate(s) to be purchased include the legend specified on EXHIBIT E-3.

"ELIGIBLE PURCHASER" means either an Eligible Dealer or a corporation, partnership or other entity which we have reasonable grounds to believe and do believe can make representations with respect to itself to substantially the same effect as the representations set forth herein. "ELIGIBLE DEALER" means any corporation or other entity the principal business of which is acting as a broker and/or dealer in securities. ["BENEFIT PLAN" means (a) any employee benefit plan or other plan, trust or account (including an individual retirement account) that is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Internal Revenue Code of 1986, as amended, or (b) any collective investment fund, insurance company separate or general account or other entity (except an entity registered under the Investment Company Act of 1940, as amended) whose underlying assets include "plan assets" under ERISA by reason of a plan's investment in such entity.]**/ Capitalized terms used but not defined herein shall have the meanings given to such terms in the Pooling and Servicing Agreement, dated as of January 30, 1998, between World Financial Network National Bank and The Bank of New York.

Very truly yours,

_____
(Name of Purchaser)

By:_____
(Authorized Officer)

- ----------

** This bracketed text should be included only if the Certificate(s) to be purchased include the legend specified on Exhibit E-1.

THIS CERTIFICATE MAY NOT BE ACQUIRED BY OR FOR THE ACCOUNT OF A BENEFIT PLAN (AS DEFINED BELOW). 1/

- ---------------------------

1/ The following text should be included in any Certificate in which the above legend appears:

> The [Certificates] may not be acquired by or for the account of (a) any employee benefit plan or other plan, trust or account (including an individual retirement account) that is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or Section 4975 of the Internal Revenue Code of 1986, as amended, or (b) any collective investment fund, insurance company separate or general account or other entity (except an entity registered under the Investment Company Act of 1940, as amended) whose underlying assets include "plan assets" under ERISA by reason of any such plan's investment in such entity (a "Benefit Plan"). By accepting and holding this Certificate, the Holder hereof shall be deemed to have represented and warranted that it is not, and is not acting on behalf of, a Benefit Plan. By acquiring any interest in this Certificate, each applicable Certificate Owner shall be deemed to have represented and warranted that it is not, and is not acting on behalf of, a Benefit Plan.

FORM OF OPINION OF COUNSEL WITH RESPECT
TO AMENDMENTS

Provisions to be included in
Opinion of Counsel to be delivered pursuant
to SECTION 13.2(d)(i)

The opinions set forth below may be subject to all the qualifications, assumptions, limitations and exceptions taken or made in the Opinions Of Counsel delivered on any applicable Closing Date.

(i) The amendment to the [Pooling and Servicing Agreement], [Supplement], attached hereto as Schedule 1 (the "AMENDMENT"), has been duly authorized, executed and delivered by Transferor and Servicer and constitutes the legal, valid and binding agreement of Transferor and Servicer, respectively, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws from time to time in effect affecting creditors' rights generally or the rights of creditors of national banking associations. The enforceability of the respective obligations of Transferor and Servicer is also subject to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law)

(ii) The Amendment has been entered into in accordance with the terms and provisions of SECTION 13.1 of the Pooling and Servicing Agreement.

FORM OF OPINION OF COUNSEL WITH RESPECT
TO ADDITION OF SUPPLEMENTAL ACCOUNTS

Provisions to be included in
Opinion of Counsel to be
delivered pursuant to
SECTION 13.2(d)(ii) or (iii)

The opinions set forth below may be subject to appropriate qualifications, assumptions, limitations and exceptions. PARAGRAPHS 1-4 are not required if the opinion is being delivered solely under SECTION 13.2(d)(iii).

1. The Receivables arising in such Supplemental Accounts constitute either general intangibles, accounts or chattel paper.

2. The Pooling and Servicing Agreement creates in favor of the Trust either a security interest or an ownership interest in Transferor's rights in the Receivables in such Supplemental Accounts and the proceeds thereof (the "SPECIFIED ASSETS").

3. If the transfer of the Specified Assets from Transferor to Trustee pursuant to the provisions of the Pooling and Servicing Agreement constitutes a sale of the Specified Assets to Trustee by Transferor, such transfer, to the extent Ohio law is applied, transfers all right, title and interest of Transferor in and to the Specified Assets to Trustee.

4. If the transfer of the Specified Assets from Transferor to Trustee does not constitute a sale, the security interest in the Specified Assets created by the Pooling and Servicing Agreement will be perfected by the filing of the Financing Statements [as described and defined in such opinion]. Based solely upon our review of the UCC Searches [as described and defined in such opinion], we hereby confirm to you that no Person other than Trustee has filed any financing statement with the Filing Offices [as described and defined in such opinion] that covers the Specified Assets and that would have priority over the security interest, if any, of the Trustee by virtue of such filing.

5. No further filings or actions are required under the UCC or other Ohio law prior to March 31, ____ , in order to maintain the perfection and priority of the security interest created by the Pooling and Servicing Agreement in favor of the Trust in Transferor's rights in the Receivables and the proceeds thereof.

ADS, ALLIANCE DATA SYSTEMS, INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

(SERP)

EFFECTIVE MAY 1, 1999

Alliance Data Systems relies on key individuals, such as yourself, for the continued success of our organization. To assist your financial planning and goals, Alliance Data Systems offers you the opportunity to save for retirement through our 401(k) and Retirement Savings Plan. The Company also contributes to your retirement funds through a company match on your 401(k) contributions and funding the Retirement Savings Plan.

Due to your level of income, the IRS limits the amounts you can contribute to our qualified plan, as well as the amounts Alliance Data Systems can contribute on your behalf. This Supplemental Executive Retirement Plan (SERP) has been designed to help you maximize your pre-tax savings and company contributions that are otherwise restricted due to these IRS limitations.

PURPOSE OF THE SERP:

The Alliance Data Systems' SERP is a nonqualified, unfunded plan that is designed to accomplish two things:

1. The Plan has a contributory component that will allow you to save money on a pre-tax basis (separately and in addition to your 401(k) contribution).
2. The Plan has a restorative component that allows you to continue to receive Retirement Savings Plan contributions that are otherwise limited due to certain IRS restrictions.

ELIGIBILITY:

You must be a regular, full-time associate on the United States payroll of ADS Alliance Data Systems, Inc., and your eligible compensation must be equal to or greater than the IRS compensation limit (currently $160,000) as of December 31 of the previous calendar year. An associate is any person receiving compensation for personal services rendered in the employment of ADS Alliance Data Systems, Inc. In addition, you must be a participant in the ADS Alliance Data Systems, Inc. 401(k) and Retirement Savings Plan.

Eligible compensation is defined as your base annual salary, plus commissions, payments received under the ADS Alliance Data Systems, Inc. Incentive Compensation Plan and bonuses (but not sign-on bonus), up to a maximum of $1 million annually, paid to you while you are a full-time associate. Excluded from eligible compensation are severance payments, disability payments, workers compensation payments, stock option earnings, referral or signing bonuses, and gross-up of wages for contest or other earnings.

IRS LIMITATIONS (AS THEY PERTAIN TO THIS PLAN):

There are two IRS limitations on qualified plans, such as our 401(k) and Retirement Savings Plan, which this Plan takes into consideration.

1. For associates whose eligible compensation reaches the $160,000 IRS compensation limit (subject to cost of living adjustments announced by the IRS) during the plan year, all contributions to the 401(k) and Retirement Savings Plan must stop. This means all pre- and post-tax associate contributions, as well as any Company contributions, such as the employer match. It also means the maximum amount of compensation used to calculate Retirement

Savings Plan contribution is $160,000 (subject to cost of living adjustments announced by the IRS).

For example, assume your eligible compensation as of December 31 is $200,000, you are 48 years old and have 10 years of service. The age and service points under the 401(k) and Retirement Savings Plan would be 4, or 4%. However, only $6,400 ($160,000 x 4%) could be contributed to your 401(k) and Retirement Savings Plan. The remaining $1,600 [($200,000 - $160,000) x 4%] would be "restored" and placed in the Alliance Data Systems' SERP.

2. The maximum allowable associate contribution to a qualified plan is equal to 25% of compensation as defined under Section 415(c) of the Internal Revenue Code, or $30,000, (whichever is less). Compensation for these purposes is calculated by taking into consideration all pre-tax contributions, such as 401(k) contributions, as well as medical, dental, vision, and health care spending account deductions. This is referred to as reaching the "415 Limit". Any amounts that would normally be refunded to you from the qualified plan because of reaching the 415 Limit would instead be directed into the SERP on your behalf.

BASIC PLAN DESIGN:

There are two components: contributory and restorative.

CONTRIBUTORY	RESTORATIVE
- 0% to 16% (in whole percentages) of eligible compensation on a pre-tax basis and contributed to the plan each pay period (subject to eligible compensation of $1 million annually) - 401(k) contributions that would otherwise be returned because of reaching the 415 Limit	- Retirement Savings Plan contributions for compensation in excess of the IRS allowable compensation limit (subject to cost of living adjustments announced by the IRS) that cannot be contributed to the 401(k) and Retirement Savings Plan (subject to eligible compensation of $1 million annually)

Unlike the qualified plan, the SERP does not provide any company match on your contributions.

Your contributions and the restorative contributions from Alliance Data Systems will initially accrue interest at a rate of 8% a year, compounded quarterly. The interest rate is established by Alliance Data Systems and may be reviewed and adjusted periodically at the sole discretion of the 401(k) and Retirement Savings Plan Investment Committee.

Contributions to the SERP are in addition to any contributions you choose to make to Alliance Data Systems' qualified 401(k) and Retirement Savings Plan. Therefore, it's possible you could be contributing 16% to both plans at the same time (a total of 32% of income). You must decide prior to the beginning of the Plan Year, by making an election in accordance with the procedures described in this Plan, how much of a contributory contribution you want to make (i.e., how much of your eligible compensation is to be deferred).

VESTING:

You are always 100% vested in your own contributions. You become 100% vested in the restorative funds after five (5) continuous years of service. For this purpose, a year of service means a calendar year in which you have worked at least 500 hours for ADS Alliance Data Systems, Inc. Years of service worked for a company acquired by ADS Alliance Data Systems, Inc. will not be used to determine years of service for purposes of vesting under this Plan.

In the event of a change of control of Alliance Data Systems, as described under Funding, you will become automatically 100% vested in the restorative funds, regardless if you have five (5) years of service with Alliance Data Systems.

FUNDING:

The SERP is not funded. The amounts you contribute to the plan as well as the restored company contributions are not set aside in a trust. Any payments made to participating associates will be made from the general assets of Alliance Data Systems.

In the event of a change of control of Alliance Data Systems, Alliance Data Systems has established a "rabbi trust", which will fund all deferred and restored amounts, to secure your SERP benefits. A change of control occurs if one person or entity acquires 51% of the voting stock of Alliance Data Systems (other than a person or entity who now owns 51% of the voting stock of Alliance Data Systems), or if there is a merger and more than 50% of the voting stock after the merger is held by the new stockholders. A change of control also occurs if Alliance Data Systems is dissolved or liquidated, or if all or substantially all of the company's assets are sold. However, a change of control will not be considered to occur when ADS Alliance Data Systems, Inc. stock becomes publicly traded on the open stock exchange.

ACCESS TO SERP BENEFITS:

While you are actively employed at Alliance Data Systems, you cannot access your contributions, restored company contributions and accrued interest in your SERP account, unless you experience an unforeseeable financial emergency. Requests for funds must be approved by the Investment Committee or its delegate. An unforeseeable financial emergency means a severe financial hardship resulting from:

- - a sudden and unexpected illness or injury to you or a dependent,
- - loss of your primary residence due to casualty, or
- - other similar unforeseeable circumstances arising out of events that are beyond your control.

Funds cannot be withdrawn to purchase a home or to pay for tuition. Loans are not available.

If approval by the Investment Committee or its delegate is approved for a reason indicated above, voluntary contributions to the SERP will be suspended until the first of the month following 12 months from the date funds are released from the Plan.

DISTRIBUTION OF BENEFITS:

If you cease to be actively employed, you retire, or become totally disabled (under the terms of the long-term disability plan and as determined by Alliance Data Systems' disability carrier at the time of distribution), you will be given the value of your pre-tax contributions, vested restored company contributions, and accrued interest on your pre-tax contributions and vested restored company contributions.

Receiving severance payments from Alliance Data Systems as part of a separation agreement is not considered to be actively employed by Alliance Data Systems.

If you die, your benefits will be paid to your designated beneficiary. If there is no beneficiary on file, benefits will be paid to your estate.

If the Plan is terminated, you will be given the value of your pre-tax contributions, vested restored company contributions, and accrued interest on your pre-tax contributions and vested restored company contributions.

Payments will be made within 60 days of the end of the quarter in which you become eligible for a distribution. All benefits will be paid in one lump-sum payment.

ACCOUNT STATEMENTS:

A summary of your account, reflecting your contributions, restored company contributions and accrued interest will be prepared and distributed annually.

TAXES:

This is a brief summary of tax rules in effect as of the date this Plan is adopted.

While your contributions into the SERP will be taken through payroll deduction on a pre-tax basis, you will be required to pay FICA taxes on any contributions made to the SERP. These contributions and their earnings will not be subject to FICA taxes upon distribution from the Plan.

Restored company contributions made to the Plan are subject to FICA taxes only after you have become vested in these contributions.

When a distribution is made from the plan, the payment is taxed as ordinary income at time of payment and any taxes required to be withheld will be subtracted from any amounts distributed. Distributions are not eligible for any special tax treatment, nor can they be rolled over into an IRA or another qualified plan.

ENROLLMENT PROCESS:

If you wish to take advantage of the pre-tax option of this plan, you must complete the form found at the end of this booklet.

You do not have to do anything to enroll in the restorative component of the SERP. However, you should still complete the Beneficiary Designation section of the form in the event a distribution needs to be made as a result of your death.

FOLLOW THESE STEPS:

1. Complete the Enrollment Form found in the back of this booklet.
2. If you wish to make pre-tax contributions to the SERP, indicate the percentage of pay you wish to defer.
3. ALL PARTICIPANTS NEED TO COMPLETE THE BENEFICIARY DESIGNATION SECTION OF THE FORM.
4. Return the form to the Manager, Corporate Benefits, DAD1, PRIOR TO APRIL 30, 1999.

IMPORTANT NOTE:

You can stop your pre-tax voluntary contribution to the SERP at any time, however, YOU CANNOT DECREASE OR INCREASE YOUR CONTRIBUTION AT ANY TIME DURING THE CALENDAR YEAR. Contribution percentages can only be changed effective each January 1. If you stop contributions during the calendar year, you may not begin making pre-tax contributions until the next January 1.

You will be given an opportunity to change your pre-tax contribution each year prior to January 1.

AMENDMENT AND TERMINATION:

While Alliance Data Systems intends to continue the Supplemental Executive Retirement Plan, it is impossible to predict all future conditions. Therefore, the Investment Committee reserves the right to amend or terminate the plan at any time. However, no amendment may be made that would negatively impact your vested benefit or delay your ability to receive the benefits without your written consent.

OTHER INFORMATION:

PLAN ADMINISTRATION. The SERP is administered by the Alliance Data Systems' Investment Committee. The members of this committee are associates of Alliance Data Systems who are appointed by the Alliance Data Systems' Board of Directors and serve at the discretion of the Board. The Investment Committee has the authority to interpret the plan and decide all matters arising under the plan. Decisions of the Investment Committee are final and binding upon all parties. Additional information about the plan is available by contacting:

Investment Committee
C/o Sr. VP of Human Resources
Alliance Data Systems
17566 Waterview Parkway
Dallas, TX 75252

ERISA, TAX AND SECURITIES MATTERS. While not a qualified plan, the SERP is subject to some provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. It is not subject to any funding requirements and no property is held in the plan. It is not a qualified plan under Section 401(a) of the Internal Revenue Code and Alliance Data Systems may not take a tax deduction for contributions to the plan until the plan participant receives payment.

No person has or may create a lien on a participant's interest in the plan, under the plan, or on behalf of a plan participant or pursuant to any contracts in connection with the plan.

CLAIMS PROCEDURE. In the event a participant or named beneficiary has a dispute concerning the administration of this Plan, it shall first be submitted in writing to the Senior Vice President of Human Resources of the Company. In the event that this Senior Vice President does not provide a response satisfactory to the participant within 90 business days after receipt of the claim, the participant or named beneficiary may submit the dispute in writing within 60 business days thereafter to the Investment Committee, whose decision regarding the dispute shall be final and binding on each participant or person claiming under the plan. The Investment Committee review and decision shall be made within 60 business days, unless special circumstances require an extension of time for processing, in which case a decision shall be rendered within a reasonable period of time, but not later than 120 days after receipt of a request for review.

NOT A CONTRACT OF EMPLOYMENT. This Plan shall not be deemed to constitute a contract between ADS Alliance Data Systems, Inc. and any associate or other person whether or not in the employ of ADS Alliance Data Systems, Inc., nor shall anything herein contained be deemed to give any associate or other person whether or not in the employ of ADS Alliance Data Systems, Inc. any right to be retained in the employ of ADS Alliance Data Systems, Inc., or to interfere with the right of ADS Alliance Data Systems, Inc. to discharge any associate at any time and to treat the associate without any regard to the effect which such treatment might have upon said associate as a participant of the Plan.

NON-ASSIGNABILITY. Except as may otherwise be required by law, no distribution or payment under the Plan to any participant, named beneficiary, heirs and successors shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; nor shall any such distribution or payment be in any way liable for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to such distribution or payment. If any participant, named beneficiary, heir or successor is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any such distribution or payment, voluntarily or involuntarily, the Investment Committee, in their discretion, may cancel such distribution or payment or may hold or cause to be held or applied such distribution or payment or any part thereof to or for the benefit of such participant, named beneficiary, heir or successor in such manner as the Investment Committee shall direct.

GOVERNING LAW. The provisions of the Plan shall be construed, administered and governed under applicable Federal law and the laws of the State of Ohio.

Alliance Data Systems Supplemental Executive Retirement Plan

ENROLLMENT/BENEFICIARY DESIGNATION FORM

PLEASE PRINT
EMPLOYEE DATA

- ---
Last Name First Name M.I.

- ---
Social Security Number
( )
- ---
Work Phone Work Location

DEFERRAL ELECTION
I elect to participate in the Supplemental Executive Retirement Plan and elect the following savings percentage to be deducted from my eligible compensation:

/ /	/ /	/ /	/ /	/ /	/ /	/ /	/ /	/ /	/ /	/ /	/ /	/ /	/ /	/ /	/ /
1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	16%

BENEFICIARY DESIGNATION
PRIMARY BENEFICIARIES
I name the following as my primary beneficiary(ies) who, if living at the time of my death, will receive my SERP account balance. If any primary beneficiary is not living at the time of my death, his or her share will be paid proportionately to the remaining primary beneficiaries.

Name/Social Security Number	%	Relationship	Birth Date	Address
- ---	----	---	---	---
- ---	----	---	---	---
- ---	----	---	---	---

CONTINGENT BENEFICIARIES
In the event no primary beneficiary survives me, I name the following as my contingent beneficiary(ies) who, if living at the time of my death, his or her share will be paid proportionately to the remaining contingent beneficiary(ies).

Name/Social Security Number	%	Relationship	Birth Date	Address
- ---	----	---	---	---
- ---	----	---	---	---
- ---	----	---	---	---

By signing below, I acknowledge that:
- I authorize the savings deferrals indicated above.
- I understand this election is irrevocable until the end of the calendar year and shall continue in effect except: (1) I can stop my contributions at any time and (2) I can make a new election in the month of December to be effective the immediately following January 1.
- I understand the plan is not funded through a qualified trust. Accounts are paid out of company assets, backed by the good faith of Alliance Data Systems.

Signature_____Date_____
RETURN THIS FORM TO MANAGER, CORPORATE BENEFITS, DAD1, DALLAS, TEXAS

EXHIBIT A

WORLD FINANCIAL NETWORK HOLDING CORPORATION AND ITS SUBSIDIARIES STOCK OPTION AND RESTRICTED STOCK PURCHASE PLAN

Section 1. PURPOSE. The purpose of the World Financial Network Holding Corporation and its Subsidiaries Stock Option and Restricted Stock Purchase Plan (the "Plan") is to promote the interests of World Financial Network Holding Corporation, a Delaware corporation (the "Company"), and any Subsidiary thereof and the interests of the Company's stockholders by providing an opportunity to stockholders and selected employees, officers, directors and other persons performing services for the Company or any Subsidiary thereof as of the date of the adoption of the Plan or at any time thereafter to purchase Common Stock of the Company. By encouraging such stock ownership, the Company seeks to attract, retain and motivate such employees and other persons and to encourage such employees and other persons to devote their best efforts to the business and financial success of the Company. It is intended that this purpose will be effected by the granting of "non-qualified stock options" and/or "incentive stock options" to acquire the Common Stock of the Company, and/or by the granting of rights to purchase the Common Stock of the Company on a "restricted stock" basis. Under the Plan, the Committee shall have the authority (in its sole discretion) to grant "incentive stock options" within the meaning of Section 422(b) of the Code, "non-qualified stock options" as described in Treasury Regulation Section 1.83-7 or any successor regulation thereto, or "restricted stock" awards.

Section 2. DEFINITIONS. For purposes of the Plan, following terms used herein shall have the following meanings s a different meaning is clearly required by the context:

2.1. "Award" shall mean an award of the right to purchase Common Stock granted under the provisions of Section 7 of the Plan.

2.2 "BOARD OF DIRECTORS" shall mean the Board of Directors of the Company.

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

2.4. "COMMITTEE" shall mean the committee of the Board Directors referred to in Section 5 hereof; provided, that if no such committee is appointed by the Board of Directors, the Board of Directors shall have all of the authority and obligations of the Committee under the Plan.

2.5. "COMMON STOCK" shall mean the Common Stock, $1.00 par value, of the Company.

2.6. "EMPLOYEE" shall mean, with respect to an ISO, any person, including, without limitation, an officer or director of the Company, who, at the time an ISO is granted to such person hereunder, is employed on a full-time basis by the Company or any Parent or Subsidiary of the Company.

2.7. "ELIGIBLE OPTIONEE" shall mean, with respect to a Non-Qualified Option and/or an Award, any stockholder of the Company, and any person (or any profit sharing or similar plan established in whole or in part for the benefit of any such person) employed by, or performing services for, the Company or any Parent or Subsidiary of the Company including, without limitation, directors and officers of the Company and employees of any stockholder of the Company that is performing services for the Company.

2.8. "ISO" shall mean an option granted to a Participant pursuant to the Plan that constitutes and shall be treated as an "incentive stock option" as defined in Section 422(b) of the Code.

2.9. "NON-QUALIFIED OPTION" shall mean an Option granted to a Participant pursuant to the Plan that is intended to be, and qualifies as, a "non-qualified stock option" as described in Treasury Regulation Section 1.83-7 or any successor regulation thereto and that shall not constitute or be treated as an ISO.

2.10. "OPTION" shall mean any ISO or Non-Qualified Option granted to an Employee or Eligible Optionee pursuant to the Plan.

2.11. "PARTICIPANT" shall mean any Employee or Eligible Optionee to whom an Award and/or an Option is granted under the Plan.

2.12. "Parent" of the Company shall have the meaning set forth in Section 424(e) of the Code.

2.13. "SUBSIDIARY" of the Company shall have the meaning set forth in Section 424(f) of the Code.

Section 3. ELIGIBILITY. Awards and/or Options may be granted to any Employee or Eligible Optionee. The Committee shall have the sole authority to select the persons to whom Awards and/or Options are to be granted hereunder, and to determine whether a person is to be granted a Non-Qualified Option, an ISO or an Award or any combination thereof. No person shall have any right to participate in the Plan unless selected

for participation by the Committee. Any person selected by the Committee for participation during any one period will not by virtue of such participation have the right to be selected as a Participant for any other period.

Section 4. COMMON STOCK SUBJECT TO THE PLAN.

4.1. NUMBER OF SHARES. The total number of shares of Common Stock for which options and/or Awards may be granted under the Plan shall not exceed in the aggregate Eight Million Two Hundred Seventy Thousand (8,270,000) shares of Common Stock (subject to adjustment as provided in Section 8 hereof).

4.2. REISSUANCE. The shares of Common Stock that may be subject to Options and/or Awards granted under the Plan may be either authorized and unissued shares or shares reacquired at any time and now or hereafter held as treasury stock as the Committee may determine. In the event that any outstanding Option expires or is terminated for any reason, the shares allocable to the unexercised portion of such Option may again be subject to an Option and/or Award granted under the Plan. If any shares of Common Stock issued or sold pursuant to an Award or the exercise of an Option shall have been repurchased by the Company, then such shares may again be subject to an Option and/or Award granted under the Plan.

4.3. SPECIAL ISO LIMITATIONS

(a) The aggregate fair market value (determined as of the date an ISO is granted) of the shares of Common Stock with respect to which ISOs are exercisable for the first time by an Employee during any calendar year (under all incentive stock option plans of the Company or any Parent or Subsidiary of the Company) shall not exceed $100,000.

(b) No ISO shall be granted to an Employee who, at the time the ISO is granted, owns (actually or constructively under the provisions of Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary of the Company, unless (i) the option price is at least 110% of the fair market value (determined as of the time the ISO IS granted) of the shares of Common Stock subject to the ISO and (ii) the ISO by its terms is not exercisable more than five years from the date it is granted.

4.4. LIMITATIONS NOT APPLICABLE TO NON-QUALIFIED OPTIONS OR AWARDS. Notwithstanding any other provision of the Plan, the provisions of Sections 4.3(a) and (b) shall not apply, nor shall be construed to apply, to any Non-Qualified Option or Award granted under the Plan.

Section 5. ADMINISTRATION OF THE PLAN.

5.1. ADMINISTRATION. The Plan shall be administered by a committee of the Board of Directors (the "Committee") established by the Board of Directors and consisting of no less than three persons. All members of the Committee shall be "disinterested persons" within the meaning of Rule l6b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Committee shall be appointed from time to time by, and shall serve at the pleasure of, the Board of Directors.

5.2. GRANT OF OPTIONS/AWARDS.

(a) OPTIONS. The Committee shall have the sole authority and discretion under the Plan (i) to select the Employees and Eligible Optionees who are to be granted options hereunder; (ii) to designate whether any Option to be granted hereunder is to be an ISO or a Non-Qualified Option; (iii) to establish the number of shares of Common Stock that may be subject to each Option; (iv) to determine the time and the conditions subject to which Options may be exercised in whole or in part; (v) to determine the amount (not less than the par value per share) and the form of the consideration that may be used to purchase shares of Common Stock upon exercise of any option (including, without limitation, the circumstances under which issued and outstanding shares of Common Stock owned by a Participant may be used by the Participant to exercise an Option); (vi) to impose restrictions and/or conditions with respect to shares of Common Stock acquired upon exercise of an Option; (vii) to determine the circumstances under which shares of Common Stock acquired upon exercise of any Option may be subject to repurchase by the Company; (viii) to determine the circumstances and conditions subject to which shares acquired upon exercise of an Option may be sold or otherwise transferred, including, without limitation, the circumstances and conditions subject to which a proposed sale of shares of Common Stock acquired upon exercise of an option may be subject to the Company's right of first refusal (as well as the terms and conditions of any such right of first refusal); (ix) to establish a vesting provision for any Option relating to the time when (or the circumstances under which) the Option may be exercised by a Participant, including, without limitation, vesting provisions that may be contingent upon (A) the Company's meeting specified financial goals, (B) a change of control of the Company or (C) the occurrence of other specified events; (x) to accelerate the time when outstanding options may be exercised, PROVIDED, however, that any ISOs shall be deemed "accelerated" within the meaning of Section 424(h) of the Code; and (xi) to establish any other terms, restrictions and/or conditions applicable to any Option not inconsistent with the provisions of the Plan.

Notwithstanding anything in the Plan to the contrary, in no event shall any Option granted to any director or officer of the Company who is subject to Section 16 of the Exchange Act become exercisable, in whole or in part, prior to the date that is six months after the date such Option is granted to such director or officer.

(b) AWARDS. The Committee shall have the sole authority and discretion under the Plan (i) to select the Employees and Eligible Optionees who are to be granted Awards hereunder; (ii) to determine the amount to be paid by a Participant to acquire shares of Common Stock pursuant to an Award, which amount may be equal to, more than, or less than 100% of the fair market value of such shares on the date the Award is granted (but in no event less than the par value of such shares); (iii) to determine the time or times and the conditions subject to which Awards may be made; (iv) to determine the time or times and the conditions subject to which the shares of Common Stock subject to an Award are to become vested and no longer subject to repurchase by the Company; (v) to establish transfer restrictions and the terms and conditions on which any such transfer restrictions with respect to shares of Common Stock acquired pursuant to an Award shall lapse; (vi) to establish vesting provisions with respect to any shares of Common Stock subject to an Award, including, without limitation, vesting provisions which may be contingent upon (A) the Company's meeting specified financial goals, (B) a change of control of the Company or (C) the occurrence of other specified events; (vii) to determine the circumstances under which shares of Common Stock acquired pursuant to an Award may be subject to repurchase by the Company; (viii) to determine the circumstances and conditions subject to which any shares of Common Stock acquired pursuant to an Award may be sold or otherwise transferred, including, without limitation, the circumstances and conditions subject to which a proposed sale of shares of Common Stock acquired pursuant to an Award may be subject to the Company's right of first refusal (as well as the terms and conditions of any such right of first refusal); (ix) to determine the form of consideration that may be used to purchase shares of Common Stock pursuant to an Award (including, without limitation, the circumstances under which issued and outstanding shares of Common Stock owned by a Participant may be used by the Participant to purchase the Common Stock subject to an Award); (x) to accelerate the time at which any or all restrictions imposed with respect to any shares of Common Stock subject to an Award will lapse; and (xi) to establish any other terms, restrictions and/or conditions applicable to any Award not inconsistent with the provisions of the Plan. Notwithstanding anything in the Plan to the contrary, in no event shall any Option granted to any director or officer of the Company who is subject to Section 16 of the Exchange Act become exercisable, in whole or in part, prior to the date that is six months after the date such Option is granted to such director or officer.

5.3. INTERPRETATION. The Committee shall be authorized to interpret the Plan and may, from time to time,

adopt such rules and regulations, not inconsistent with the provisions of the Plan, as it may deem advisable to carry out the purposes of the Plan.

5.4. FINALITY. The interpretation and construction by the Committee of any provision of the Plan, any Option and/or Award granted hereunder or any agreement evidencing.any such Option and/or Award shall be final and conclusive upon all parties.

5.5. EXPENSES, Etc. All expenses and liabilities incurred by the Committee in the administration of the Plan shall be borne by the Company. The Committee may employ attorneys, consultants, accountants or other persons in connection with the administration of the Plan. The Company, and its officers and directors, shall be entitled to rely upon the advice, opinions or valuations of any such persons. No member of the Committee shall be liable for any action, determination or interpretation taken or made in good faith with respect to the Plan or any Option and/or Award granted hereunder.

Section 6. TERMS AND CONDITIONS OF OPTIONS.

6.1. ISOs. The terms and conditions of each ISO granted under the Plan shall be specified by the Committee and shall be set forth in an ISO agreement between the Company and the Participant in such form as the Committee shall approve. The terms and conditions of each ISO shall be such that each ISO issued hereunder shall constitute and shall be treated as an "incentive stock option" as defined in Section 422(b) of the Code. The terms and conditions of any ISO granted hereunder need not be identical to those of any other ISO granted hereunder.

The terms and conditions of each ISO shall include the following:

(a) The option price shall be fixed by the Committee but shall in no event be less than 100% (or 110%) in the case of an Employee referred to in Section 4.3(b) hereof) of the fair market value of the shares of Common Stock subject to the ISO on the date the ISO is granted. For purposes of the Plan, the fair market value per share of Common Stock as of any day shall mean the average of the closing prices of sales of shares of Common Stock on all national securities exchanges on which the Common Stock may at the time be listed or, if there shall have been no sales on any such day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day the Common Stock shall not be so listed, the average of the representative bid and asked prices quoted in the NASDAQ system as of 3:30 p.m., New York time, on such day, or, if on any day the Common Stock shall not be quoted in the NASDAQ system,

the average of the high and low bid and asked prices on such day in the over-the-counter market as reported by National Quotation Bureau Incorporated, or any similar successor organization. If at any time the Common Stock is not listed an any national securities exchange or quoted in the NASDAQ system or the over-the-counter market, the fair market value of the shares of Common Stock subject to an Option on the date the ISO is granted shall be the fair market value thereof determined in good faith by the Board of Directors.

(b) ISOS, by their terms, shall not be transferable otherwise than by will or the laws of descent and distribution, and, during a Participant's lifetime, an ISO shall be exercisable only by the Participant.

(c) The Committee shall fix the term of all ISOs granted pursuant to the Plan (including, without limitation, the date on which such ISO shall expire and terminate); PROVIDED, HOWEVER, that such term shall in no event exceed ten years from the date on which such ISO is granted (or, in the case of an ISO granted to an Employee referred to in Section 4.3(b) hereof, such term shall in no event exceed five years from the date on which such ISO is granted). Each ISO shall be exercisable in such amount or amounts, under such conditions and at such times or intervals or in such installments as shall be determined by the Committee in its sole discretion; PROVIDED, however, that in no event shall any ISO granted to any director or officer of the Company who is subject to Section 16 of the Exchange Act become exercisable, in whole or in part, prior to the date that is six months after the date such ISO is granted to such director or officer.

(d) To the extent that the Company or any Parent or Subsidiary of the Company is required to withhold any Federal, state or local taxes in respect of any compensation income realized by any Participant as a result of any "disqualifying disposition" of any shares of Common Stock acquired upon exercise of an ISO granted hereunder, the Company shall deduct from any payments of any kind otherwise due to such Participant the aggregate amount of such Federal, state or local taxes required to be so withheld or, if such payments are insufficient to satisfy such Federal, state or local taxes, such Participant will be required to pay to the Company, or make other arrangements satisfactory to the Company regarding payment to the Company of, the aggregate amount of any such taxes. All matters with respect to the total amount of taxes to be withheld in respect of any such compensation income shall be determined by the Board of Directors, in its sole discretion.

(e) In the sole discretion of the Committee the terms and conditions of any ISO may include any of the following provisions:

(i) In the event that (x) the Company or any Parent or Subsidiary of the Company terminates a Participant's employment "for cause" or (y) a Participant terminates his employment by such entity for any reason whatsoever other than as a result of his death or "disability" (within the meaning of Section 22(e)(3) of the Code), the unexercised portion of any ISO held by such Participant at that time may only be exercised within one month after the date on which the Participant ceased to be so employed, and only to the extent that the Participant could have otherwise exercised such ISO as of the date on which he ceased to be so employed.

(ii) In the event a Participant shall cease to be employed by the Company or any Parent or Subsidiary of the Company on a full-time basis as a result of the termination of such Participant's employment.by such entity other than "for cause" or as a result of his death or disability (within the meaning of Section 22(e)(3) of the Code), the unexercised portion of any ISO held by such Participant at that time may only be exercised within three months after the date on which the Participant ceased to be so employed, and only to the extent that the Participant could have otherwise exercised such ISO as of the date on which he ceased to be so employed.

(iii) In the event a Participant shall cease to be employed by the Company or any Parent or Subsidiary of the Company on a full-time basis by reason of his "disability" (within the meaning of Section 22(e)(3) of the Code), the. unexercised portion of any ISO held by such Participant at that time may only be exercised within one year after the date on which the Participant ceased to be so employed, and only to the extent that the Participant could have otherwise exercised such ISO as of the date on which he ceased to be so employed.

(iv) in the event a Participant shall die while in the employ of the Company or a Parent or Subsidiary of the Company (or within a period of one month after ceasing to be an Employee for any reason other than his ,disability,, (within the meaning of Section 22(e)(3) of the Code) or within'a period of one year after ceasing to be an Employee by reason of such "disability"), the unexercised portion of any ISO held by such Participant at the time of his death may only be exercised within one year after the date of such Participant's death, and only to the extent that the

Participant could have otherwise exercised such ISO at the time of his death. In such event, such ISO may be exercised by the executor or administrator of the Participant's estate or by any person or persons who shall have acquired the ISO directly from the Participant by bequest or inheritance.

6.2. NON-OUALIFIED OPTIONS. The terms and conditions of each Non-Qualified Option granted under the Plan shall be specified by the Committee, in its sole discretion, and shall be set forth in a written option agreement between the Company and the Participant in such form as the Committee shall approve. The terms and conditions of each Non-Qualified Option will be such (and each Non-Qualified Option Agreement shall expressly so state) that each Non-Qualified Option issued hereunder shall not constitute nor be treated as an "incentive stock option" As defined in Section 422(b) of the Code, butwill be a "non-qualified stock option" for Federal, state and local income tax purposes. The terms and conditions of any Non-Qualified Option granted hereunder need not be identical to those of any other Non-Qualified Option granted hereunder.

The terms and conditions of each Non-Qualified Option Agreement shall include the following:

(a) The option (exercise) price shall be fixed by the Committee and may be equal to, more than or less than 100% of the fair market value of the shares of Common Stock subject to the Non-Qualified Option on the date such Non-Qualified Option is granted.

(b) The Committee shall fix the term of all Non-Qualified Options granted pursuant to the Plan (including, without limitation, the date on which such Non-Qualified Option shall expire and terminate). Such term may be more than ten years from the date on which such Non-Qualified Option is granted. Each Non-Qualified Option shall be exercisable in such amount or amounts, under such conditions (including, without limitation, provisions governing the rights to exercise such Non-Qualified Option), and at such times or intervals or in such installments as shall be determined by the Committee-in its sole discretion; PROVIDED, however, that in no event shall any Non- Qualified Option granted to any director or officer of the Company who is subject to Section 16 of the Exchange Act become exercisable, in whole or in part, prior to the date that is six months after the date such Non-Qualified option is granted to such director or officer.

(c) Unless the agreement pursuant to which any Non- Qualified Option is granted shall otherwise provide, no Non-Qualified Option shall be transferable otherwise than by will or the laws of descent and distribution, and during a Participant's

lifetime a Non-Qualified Option shall be exercisable only by the Participant.

(d) To the extent that the Company is required to withhold any Federal, state or local taxes in respect of any compensation income realized by any Participant in respect of a Non-Qualified Option granted hereunder or in respect of any shares of Common Stock acquired upon exercise of a Non-Qualified Option, the Company shall deduct from any payments of any kind otherwise due to such Participant the aggregate amount of such Federal, state or local taxes required to be so withheld or, if such payments are insufficient to satisfy such Federal, state or local taxes, or if no such payments are due or to become due to such Participant, then, such Participant will be required to pay to the Company, or make other arrangements satisfactory to the Company regarding payment to the Company of, the aggregate amount of any such taxes. All matters with respect to the total amount of taxes to be withheld in respect of any such compensation income shall be determined by the Board of Directors, in its sole discretion.

7. TERMS AND CONDITIONS OF AWARDS. The terms and conditions of each Award granted under the Plan shall be specified by the Committee, in its sole discretion, and shall be set forth in a written agreement between the Participant and the Company, in such form as the Committee shall approve. The terms and provisions of any Award granted hereunder need not be identical to those of any other Award granted hereunder.

The terms and conditions of each Award shall include the following:

(a) The amount to be paid by a Participant to acquire the shares of Common Stock pursuant to an Award shall be fixed by the Committee and may be equal to, more than or less than 100% of the fair market value of the shares of Common Stock subject to the Award on the date the Award is granted (but in no event less than the par value of such shares).

(b) Each Award shall contain such vesting provisions, such transfer restrictions and such other restrictions and conditions as the Committee, in its sole discretion, may determine, including, without limitation, the circumstances under which the Company shall have the right and option to repurchase shares of Common Stock acquired pursuant to an Award.

(c) Stock certificates representing Common Stock acquired pursuant to an Award shall bear a legend referring to any restrictions imposed on such Stock and such other matters as the Committee may determine.

(d) To the extent that the Company is required to withhold any Federal, state or local taxes in respect of any compensation income realized by the Participant in respect of an Award granted hereunder, in respect of any shares acquired pursuant to an Award, or in respect of the vesting of any such shares of Common Stock, then the Company shall deduct from any payments of any kind otherwise due to such Participant the aggregate amount of such Federal, state or local taxes required to be so withheld, or if such payments are insufficient to satisfy such Federal, state or local taxes, or if no such payments are due or to become due to such Participant, then such Participant will be required to pay to the Company, or make other arrangements satisfactory to the Company regarding payment to the Company of, the aggregate amount of any such taxes. All matters with respect to the total amount of taxes to be withheld in respect of any such compensation income shall be determined by the Committee, in its sole discretion.

Section 8. ADJUSTMENTS. (a) In the event that, after the adoption of the Plan by the Board of Directors, the outstanding shares of the Company's Common Stock shall be increased or decreased or changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another entity through reorganization, merger or consolidation, recapitalization, reclassification, stock split, split-up, combination or exchange of shares or declaration of any dividends payable in Common Stock, the Board of Directors shall appropriately adjust (i) the number of shares of Common Stock (and the option price per share) subject to the unexercised portion of any outstanding Option (to the nearest possible full share); PROVIDED, however, that the limitations of Section 424 of the Code shall apply with respect to adjustments made to ISOS, (ii) the number of shares of Common Stock to be acquired pursuant to an Award which have not become vested, and (iii) the number of shares of Common Stock for which Options and/or Awards may be granted under the Plan, as set forth in Section 4.1 hereof, and such adjustments shall be effective and binding for all purposes of the Plan.

(b) if any capital reorganization or reclassification of the capital stock of the Company or any consolidation or merger of the Company with another entity, or the sale of all or substantially all its assets to another entity, shall be effected in such a way that holders of Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock, then, subject to Section 8(c) below, each holder of an Option shall thereafter have the right to purchase, upon the exercise of the Option in accordance with the terms and conditions specified in the option agreement governing such Option and in lieu of the shares of Common Stock immediately theretofore receivable upon the exercise of such Option, such

shares of stock, securities or assets (including, without limitation, cash) as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such Common Stock immediately theretofore so receivable had such reorganization, reclassification, consolidation, merger or sale not taken place.

(c) Notwithstanding Section B(b) hereof (but only if expressly provided in any option agreement), in the event of (i) any offer to holders of the Company's Common Stock generally relating to the acquisition of all or substantially all of their shares, including, without limitation, through purchase, merger or otherwise, or (ii) any proposed transaction generally relating to the acquisition of substantially all of the assets or business of the Company (herein sometimes referred to as an "Acquisition"), the Board of Directors may, in its sole discretion, cancel any outstanding options (PROVIDED, however, that the limitations of Section 424 of the Code shall apply with respect to adjustments made to ISOs) and pay or deliver, or cause to be paid or delivered, to the holder thereof an amount in cash or securities having a value (as determined by the Board of Directors acting in good faith) equal to the product of (A) the number of shares of Common Stock (the "Option Shares") that, as of the date of the consummation of such Acquisition, the holder of such Option had become entitled to purchase (and had not purchased) multiplied by (B) the amount, if any, by which (1) the ,formula or fixed price per share paid to holders of shares of Common Stock pursuant to such Acquisition exceeds (2) the option price applicable to such Option Shares.

Section 9. EFFECT OF THE PLAN ON EMPLOYMENT RELATIONSHIP. Neither the Plan nor any Option and/or Award granted hereunder to a Participant shall be construed as conferring upon such Participant any right to continue in the employ of (or otherwise provide services to) the Company or any Subsidiary or Parent thereof, or limit in any respect the right of the Company or any Subsidiary or Parent thereof to terminate such Participant's employment or other relationship with the Company or any Subsidiary or Parent, as the case may be, at any time.

Section 10. AMENDMENT OF THE PLAN. The Board of Directors may amend the Plan from time to time as it deems desirable; PROVIDED, HOWEVER, that (i) without the approval of the holders of a majority of the outstanding capital stock of the Company entitled to vote thereon or consent thereto, the Board of Directors may not amend the Plan (x) to increase (except for increases due to adjustments in accordance with Section 8 hereof) the aggregate number of shares of Common Stock for which Options and/or Awards may be granted hereunder, (y) to decrease the minimum exercise price specified by the Plan in respect of ISOs

or (z) to change the class of Employees eligible to receive ISOs under the Plan and (ii) without the approval of the Participant or Participants adversely effected, the Board of Directors may not amend the Plan in a manner that has an adverse effect on the vested rights of any Participant under any Award or Option theretofore granted under the Plan.

Section 11. TERMINATION OF THE PLAN. The Board of Directors may terminate the Plan at any time. Unless the Plan shall theretofore have been terminated by the Board of Directors, the Plan shall terminate ten years after the date of its initial adoption by the Board of Directors. No Option and/or Award may be granted hereunder after termination of the Plan. The termination or amendment of the Plan shall not alter or impair any rights or obligations under any Option and/or Award theretofore granted under the Plan.

Section 12. EFFECTIVE DATE OF THE PLAN. The Plan shall be effective as of August 27, 1996, the date on which the Plan was adopted by the Board of Directors and approved by the stockholders of the Company.

* * * * *

Form of Resolution to be Adopted
by the Board of Directors of
Alliance Data Systems Corporation

RENAMING OF STOCK OPTION AND RESTRICTED STOCK PURCHASE PLAN

RESOLVED that the World Financial Network Holding Corporation and its Subsidiaries Stock Option and Restricted Stock Purchase Plan (the "Plan") adopted by World Financial Network Holding Corporation (now known as "Alliance Data Systems Corporation") be amended to reflect the name change of the Corporation from "World Financial Network Holding Corporation" to "Alliance Data Systems Corporation"; and

RESOLVED, that in connection with such amendment, the title of the Plan and the first sentence of Section 1 of the Plan are hereby amended and restated in their entirety to read as follows:

"ALLIANCE DATA SYSTEMS CORPORATION AND ITS SUBSIDIARIES
STOCK OPTION AND RESTRICTED STOCK PURCHASE PLAN

Section 1. PURPOSE. The purpose of the Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Purchase Plan (the "Plan") is to promote the interests of Alliance Data Systems Corporation, a Delaware corporation (the "Company"), and any Subsidiary thereof and the interests of the Company's stockholders by providing an opportunity to stockholders and selected employees, officers, directors and other persons performing services for the Company or any Subsidiary thereof as of the date of the adoption of the Plan or at any time thereafter to purchase Common Stock of the Company."

RESOLVED that, except as expressly provided in the preceding resolutions, nothing herein shall affect or be deemed to affect any provisions of the Plan, and except only to the extent that they may be varied hereby, all of the terms of the Plan shall remain unchanged and in full force and effect.

AMENDMENT NO. 2
TO THE
ALLIANCE DATA SYSTEMS CORPORATION
AND ITS SUBSIDIARIES
STOCK OPTION AND RESTRICTED STOCK PLAN

WHEREAS, Alliance Data Systems Corporation (the "Company") has adopted The Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Plan (the "Plan"); and

WHEREAS, the Company desires to amend the Plan to increase the number of shares of common stock available for options and awards under the Plan to 15,000,000 (fifteen million).

NOW THEREFORE, the Plan is hereby amended as follows:

1. Section 4.1 of the Plan is hereby amended to read as follows:

"NUMBER OF Shares. The total number of shares of Common Stock for which Options and/or Awards may be granted under the Plan shall not exceed in the aggregate fifteen million (15,000,000) shares of Common Stock (subject to adjustment as provided in Section 8 hereof."

AMENDMENT NO. 3
TO THE
ALLIANCE DATA SYSTEMS CORPORATION
AND ITS SUBSIDIARIES
STOCK OPTION AND RESTRICTED STOCK PURCHASE PLAN

WHEREAS, Alliance Data Systems Corporation (the "Company") has adopted The Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Purchase Plan (the "Plan"); and

W'HEREAS, the Company desires to amend the Plan to (1) clarify certain provisions, (2) authorize options and award amendments, (3) modify the vesting and forfeiture provisions, (4) provide for limited transferability of options, and (5) provide the Company with a right of first refusal to purchase option shares.

NOW THEREFORE, the Plan is hereby amended as follows:

1. Section 5.1 of the Plan is hereby amended to read:

"5.1 ADMINISTRATION. The Plan shall be administered by one or more committees appointed by the Board of Directors (the "Committee"), and the individual or individuals who hold the positions Chairman and Chief Executive Officer of the Company. Each Committee shall consist of no less than three persons. The Board of Directors shall appoint the members of the Committee from time to time and may remove any Committee member at any time. The Committee may delegate its responsibilities and authority under the Plan to another party and any party acting pursuant to such a delegation shall be deemed to be the Committee for all purposes of the Plan. At least one Committee shall be comprised of members of the Board of Directors appointed by the Board of Directors (the "Board Committee"). The Board Committee shall be responsible for and make all determinations with respect to (i) all matters under the Plan pertaining to Participants who are members of the Executive Committee of the Company (the "Executive Committee"), and (ii) the number of shares available under the Plan for Option and Award grants to Participants who are not members of the Executive Committee of the Company (the "Pool"). The Chairman and Chief Executive Officer of the Company (collectively, the "Executives") shall have the authority, be responsible for and make all determinations with respect to all matters under the Plan pertaining to Participants who are not members of the Executive Committee other than (i) the determination of the number of shares of Common Stock available under the Pool, and (ii) the making of Plan, Option Agreement and Award Agreement amendments. The Board Committee and the Executives shall each be deemed to be the Committee for all purposes of the Plan, except as is otherwise provided for herein."

2. The Plan is hereby amended by adding the following new Section 5.2(c) to read as follows:

"(c) TERMINATION OF AWARDS AND OPTIONS. Notwithstanding any provision in the Plan to the contrary, each Award and Option granted under the Plan shall terminate four weeks following the date on which the Participant receives an agreement or document containing the terms and conditions of the Option or Award (the "Agreement") unless prior to the end of such four week period the Participant executes and returns to the Company both the Agreement and the Company's Confidentiality and Non-Solicitation Agreement."

3 The Plan is hereby arnended by adding the following new Section 5.2(d):

"(d) BONA FIDE OFFER TO PURCHASE SHARES. If a Participant shall at any time prior to the date on which an underwritten public offering of the Company's Common Stock, registered under the Securities Act of 1933, as Amended ("Public Offering"), desire to sell all or any of the Common Stock acquired by the Participant pursuant to an Option or an Award ("Plan Shares") and obtains a bona fide written offer which Participant desires to accept (referred to in this Section as the "Offer") to purchase all, or a portion of the Participant's Plan Shares the Participant shall transmit copies of the Offer to the Company within five (5) business days after Participant's receipt of the Offer. Except as provided below, prior to a Public Offering a Participant may sell Plan Shares only for cash. The Offer shall set forth its date, the proposed price per share of Common Stock, the number of shares of Common Stock being sold, and the other terms and conditions upon which the purchase is proposed to be made, as well as the name and address of the prospective purchaser. Transmittal of the Offer to the Company by Participant shall constitute an offer by Participant to sell all of the Plan Shares which are subject to the Offer to the Company at a price equal to the cash consideration plus the fair market value of the non-cash considerations specified in the Offer for such Common Stock (the "Purchase Price") and upon the other terms set forth in the Offer, except as hereinafter provided. For a period of sixty (30) days after the submission of the Offer to the Company, the Company shall have the option, exercisable by notice to Participant, to accept Participant's offer as to all, but not less than all, of the Plan Shares that are the subject of the Offer. If the Company does not exercise its option to purchase within the specified 60 day period or if the Company waives, in writing, the 30 day period, the Purchaser may then, and only then, accept the

offer from the prospective purchaser. Any sale of Plan Stock which occurs without complying with the provisions of this Section 5.2(d) is null and void.

5. The first paragraph of Section 6.1 of the Plan is hereby amended by adding the following sentence to the end thereof,

"If any portion of an Option designated as an ISO is determined for any reason not to qualify as an incentive stock option within the meaning of Section 422 of the Code, such Option shall be treated as a Non-Qualified Option for all purposes under the provisions of the Plan."

6. Subsection 6.I(e)(i) of Plan is hereby amended by adding the following to the end of such subsection:

"Notwithstanding anything herein to the contrary, if the Committee determines, after full consideration of the facts presented on behalf of the Company and the Participant, that the Participant has been engaged in disloyalty to the Company or any of its affiliates, including, without limitation, fraud, embezzlement theft, commission of a felony or proven dishonesty in the course of his employment or service, or has disclosed trade secrets or confidential information of the Company or of an affiliate, any unexercised ISO previously granted to the Participant shall terminate immediately and the Participant shall forfeit all shares of Common Stock for which the Company has not yet delivered the share certificates upon refund by the Company of the option price. The Company may also withhold delivery of share certificates pending the resolution of any inquiry that could lead to a finding resulting in a forfeiture."

7. The Plan is hereby amended to add the following new Section 11 and to redesignate current Sections 11 and 12 as Sections 12 and 13.

"Section 11. AMENDMENT OF AN AWARD OR OPTION. Subject to the provisions of the Plan, the Committee shall have the right to amend any Option or Award issued to a Participant, subject the Participant's consent, if such amendment is not favorable to the Participant or if such amendment has the effect of changing an ISO to a Non-Qualified Option; provided, however, that the consent of the Participant shall not be required for any amendment made pursuant to Section 5.2(a)(x) or Section 5.2(b)(x)."

AMENDMENT NO. 4
TO THE
ALLIANCE DATA SYSTEMS CORPORATION
AND ITS SUBSIDIARIES
STOCK OPTION AND RESTRICTED STOCK PLAN

WHEREAS, Alliance Data Systems Corporation (the "Company") has adopted The Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Plan (the "Plan"); and

WHEREAS, the Company desires to amend the Plan to increase the number of shares of common stock available for options and awards under the Plan to 21,500,000 (twenty-one million five hundred thousand).

NOW THEREFORE, the Plan is hereby amended as follows:

1. Section 4.1 of the Plan is hereby amended to read as follows:

"NUMBER OF Shares. The total number of shares of Common Stock for which Options and/or Awards may be granted under the Plan shall not exceed in the aggregate twenty-one million five hundred thousand (21,500,000) shares of Common Stock (subject to adjustment as provided in Section 8 hereof)."

AMENDMENT NO. 5
TO THE
ALLIANCE DATA SYSTEMS CORPORATION
AND ITS SUBSIDIARIES
STOCK OPTION AND RESTRICTED STOCK PLAN

WHEREAS, Alliance Data Systems Corporation (the "Company") has adopted The Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Plan (the "Plan"); and

WHEREAS, the Company desires to amend the Plan to increase the number of shares of Common Stock available for Options and Awards under the Plan to twenty six million seven hundred fifty thousand (26,750,000);

NOW THEREFORF,, the Plan is hereby amended as follows:

Section 4.1 of the Plan is hereby amended to read as follows:

> "NUMBER OF SHARES". The total number of shares of Common Stock for which Options and/or Awards may be granted under the Plan shall not exceed the aggregate 26.75 million (26,750,000) shares of Common Stock (subject to adjustment as provided in Section 8 herein)."

AMENDMENT NO. 6
TO THE
ALLIANCE DATA SYSTEMS CORPORATION
AND ITS SUBSIDIARIES
STOCK OPTION AND RESTRICTED STOCK PLAN

WHEREAS, Alliance Data Systems Corporation (the "Company") has adopted The Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Plan (the "Plan"); and

WHEREAS, the Company desires to amend the Plan to provide for limited transferability of Options;

NOW THEREFORE, the Plan is hereby amended as follows:

Section 6.2(c) of the Plan is hereby amended to read as follows:

> Except as otherwise provided in this Section 6.2(c), no Option shall be transferable otherwise than by will or the laws of descent and distribution, and during a Participants lifetime an Option shall be exercisable only by the Participant. Notwithstanding the foregoing, an Option, other than an ISO, shall be transferable pursuant to a "domestic relations order" as defined in the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder, and also shall be transferable, without payment of consideration, to (a) immediate family members of the holder (i.e, spouse or former spouse, parents, issue including adopted and "step" issue, or siblings), (b) trusts for the benefit of immediate family members, (e) partnerships whose only partners are such family members, and (d) to any transferee permitted by a rule adopted by the Committee in an individual case. Any transferee will be subject to all of the conditions set forth in the Option prior to its transfer."

ALLIANCE DATA SYSTEMS CORPORATION

INCENTIVE STOCK OPTION AGREEMENT

Employee/Optionee:

EXAMPLE

Number of shares of
Common Stock subject
to this Agreement:

Pursuant to the Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Purchase Plan (the "Plan"), the Board of Directors of Alliance Data Systems Corporation (the "Company") has granted to you on this date an option (the "Option") to purchase the number of shares of the Company's Common Stock, $.01 par value ("Common Stock"), set forth above. Such shares (as the same may be adjusted as described in Section 13 below) are herein referred to as the "Option Shares". The Option shall constitute and be treated at all times by you and the Company as an "incentive stock option" as defined under Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code"). If any portion of this incentive stock option is determined for any reason not to qualify as an incentive stock option within the meaning of Section 422 of the Code, such Option shall be treated as a Non-Qualified Option for all purposes under the provisions of the Plan. The terms and conditions of the Option are set out below.

1. DATE OF GRANT. The Option is granted to you on , 1999 (the "Grant Date").

2. TERMINATION OF OPTION. Your right to exercise the Option (and to purchase the Option Shares) shall expire and terminate in all events on the earlier of (i) the tenth anniversary of the Grant Date or (ii) the date provided in Section 9 below in the event you cease to be employed by the Company or any subsidiary or parent there of. Notwithstanding any provision in the Plan to the contrary, this Option shall terminate four weeks following the date on which you received this Agreement unless prior to the end of such four week period you execute and return to the Company both the Agreement and the Company's Confidentiality and Non-Solicitation Agreement.

3. OPTION PRICE. The purchase price to be paid upon the exercise of the Option is $1.25 per share, the fair market value of a share of Common Stock (as determined by the Board of Directors of the Company) on the Grant Date (subject to adjustment as provided in Section 13 hereof).

4. VESTING PROVISIONS. Except as provided in Section 5 below, you will not be entitled to exercise the option (and purchase any Option Shares) prior to FEBRUARY 1, 2007. Commencing on FEBRUARY 1, 2007 and on each of the two anniversaries of such date on which you shall continue to be employed on a full-time

basis by the Company or any subsidiary or parent thereof, you shall become entitled to exercise the Option with respect to 33-1/3% of the Option Shares (rounded to the nearest whole share) until the Option expires and terminates pursuant to Section 2 hereof.

5. ACCELERATED VESTING PROVISIONS.

(a) Prior to the beginning of each fiscal year of the Company, the Board of Directors may establish Actual Operating Income (as hereinafter defined) goals ("Operating Income Goal") and designated percentages of outstanding options that will become vested prior to the time such options would otherwise vest ("Designated Percentage") for achieving various levels of the Operating Income Goal. If an Operating Income Goal is satisfied, you will be entitled, effective as of the February 1 which immediately follows the end of the applicable fiscal year of the Company, to exercise a percentage of the Option Shares (rounded to the nearest whole share) equal to the Designated Percentage for the Operating Income Goal attained, until the Option expires and terminates pursuant to Section 2 hereof, provided the Company is not in material violation of any covenants contained in, or otherwise in default under, any credit agreement.

(b) For the purposes of this Agreement, the following terms shall have the meanings set forth below:

"ACTUAL OPERATING INCOME" shall mean, with respect to any fiscal year, Operating Income (as hereinafter defined) for such fiscal year as calculated by the Board of Directors of the Company based on the audited consolidated financial statements of the Company and its subsidiaries for such fiscal year, which financial statements shall be conclusive and binding upon the Company and you.

"OPERATING INCOME" shall mean, with respect to any fiscal year:

(i) the net income (calculated (x) before preferred and common stock dividends and (y) exclusive of the effect of any extraordinary or other material non-recurring gain or loss outside the ordinary course of business) of the Company and its consolidated subsidiaries, determined on a consolidated basis for such period (Consolidated Net Income); plus

(ii) to the extent deducted in determining Consolidated Net Income for such period, the aggregate amount of (x) interest charges, whether expended or capitalized, incurred or accrued by the Company and its consolidated subsidiaries during such period, (y) provision for income taxes and (z) amortization and other similar non-cash charges.

Notwithstanding the Operating Income Goals established by the Board of Directors prior to the beginning of a fiscal year of the Company, if at any time or from time to time after the date hereof the Company or any of its subsidiaries acquires a business or substantially all of the assets of a business, or any assets material to the business of the Company or any of its subsidiaries are sold, the Board of Directors of the Company shall make such adjustments to the Operating Income Goals, as the Board of Directors of the Company in its discretion deems equitable in light of each such acquisition or sale. Any such determination by the Board of Directors shall be effective and binding for all purposes of this Agreement.

(c) The satisfaction of any and all conditions set forth in this Section 5 regarding your right to exercise the Option (and purchase any Option Shares) shall be determined by the Board of Directors of the Company.

(d) Notwithstanding anything contained herein to the contrary, no new rights to exercise the Option with respect to any Option Shares shall be acquired under this Section 5 after the date on which you cease to be employed on a full-time basis by the Company or any subsidiary or parent thereof.

6. ADDITIONAL PROVISIONS RELATING TO EXERCISE. (a) Once you become entitled to exercise the Option (and purchase Option Shares) as provided in Sections 4 and 5 hereof, such right will continue until the date on which the option expires and terminates pursuant to Section 2 hereof.

(b) The Board of Directors of the Company, in its sole discretion, may at any time accelerate the time set forth in Sections 4 and 5 hereof at which the Option may be exercised by you with respect to any Option Shares.

7. EXERCISE OF OPTION. To exercise the Option, you must deliver a completed copy of the attached Option Exercise Form to the address indicated on the Form, specifying the number of Option Shares being purchased as a result of such exercise, together with payment of the full option price for the option Shares being purchased. Payment of the option price must be made in cash, by certified or official bank check, or by such other consideration as shall be approved at the time by the Board of Directors of the Company.

8. TRANSFERABILITY OF OPTION. The Option may not be transferred by you (other than by will or the laws of descent and distribution) and may be exercised during your lifetime only by you.

9. TERMINATION OF EMPLOYMENT. (a) In the event that (i) the Company or any subsidiary or parent thereof terminates your employment by such entity "for cause" or (ii) you terminate your employment by such entity for any reason whatsoever (other than as a result of your death or "disability" (within the meaning of Section 22(e)(3) of the Code)), then the Option may only be exercised within one month after

such termination, and only to the same extent that you were entitled to exercise the Option on the date your employment was so terminated and had not previously done so. Notwithstanding anything herein to the contrary, if the Committee determines, after full consideration of the facts presented on behalf of the Company and you, that you have been engaged in disloyalty to the Company or any of its affiliates, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of your employment or service, or you have disclosed trade secrets or confidential information of the Company or of an affiliate, any unexercised portion of this Option shall terminate immediately and you shall forfeit all shares of Common Stock for which the Company has not yet delivered the share certificates upon refund by the Company of the option price. The Company may also withhold delivery of share certificates pending the resolution of any inquiry that could lead to a finding resulting in a forfeiture.

(b) In the event that you cease to be employed on a full-time basis by the Company or any subsidiary or parent thereof as a result of the termination of your employment by the Company or any subsidiary or parent thereof at any time other than "for cause" or as a result of your death or "disability" (within the meaning of Section 22(e)(3) of the Code), the Option may only be exercised within three months after the date you cease to be so employed, and only to the same extent that you were entitled to exercise the Option on the date you ceased to be so employed by reason of such termination and had not previously done so.

(c) In the event that you cease to be employed on a full-time basis by the Company or any subsidiary or parent thereof by reason of a "disability" (within the meaning of Section 22(e)(3) of the Code), the Option may only be exercised within one year after the date you cease to be so employed, and only to the same extent that you were entitled to exercise the Option on the date you ceased to be so employed by reason of such disability and had not previously done so.

(d) In the event that you die while employed by the Company or any subsidiary or parent thereof (or within a period of one month after ceasing to be employed by the Company or any subsidiary or parent thereof for any reason described in Section 9(a) hereof, within a period of three months after ceasing to be employed by the Company or any subsidiary or parent thereof for any reason described in Section 9 (b) hereof or within a period of one year after ceasing to be employed by the Company or any subsidiary or parent thereof for any reason described in Section 9(c) hereof), the Option may only be exercised within one year after your death. In such event, the Option may be exercised during such one-year period by the executor or administrator of your estate or by any person who shall have acquired the Option through bequest or inheritance, but only to the same extent that you were entitled to exercise the Option immediately prior to the time of your death and you had not previously done so.

(e) Notwithstanding any provision contained in this Section 9 to the contrary, in no event may the Option be exercised to any extent by anyone after the tenth anniversary of the Grant Date.

10. COMPANY'S RIGHT AND OPTION TO REPURCHASE OPTION SHARES. (a) In the event that you cease to be employed by the Company or any subsidiary or parent thereof on a full-time basis for any reason (including, without limitation, as a result of your death, disability, incapacity, retirement, resignation or dismissal with or without cause) at any time prior to the date on which an underwritten public offering of the Company's Common Stock, registered under the Securities Act of 1933, as amended (the "Securities Act"), has been completed, the Company shall have the right and option, but not the obligation, to purchase from you (or in the case of your death, your legal representative) any or all of the Option Shares (i) held by you on the date you cease to be so employed by the Company or (ii) purchased by you after such date as permitted by Section 9 above. In the event that the Company exercises such right and option, the Company shall pay to you as the purchase price for such Option Shares (the "Purchase Price") an amount per share equal to the fair market value thereof as of the date you ceased to be employed by the Company or any subsidiary or parent thereof, such fair market value to be determined by the Board of Directors of the Company.

(b) The Company may exercise the right and option described in Section 10(a) above by giving you (or, in the case of your death, your legal representative) a written notice of election to purchase at any time within 60 days after the date your employment ceases, which notice of election shall specify the number of Option Shares to be purchased and the Purchase Price for such Option Shares. The closing for the purchase by the Company of such Option Shares pursuant to the provisions of this Section 10 (the "Purchase Date") will take place at the offices of the Company on the date specified in such written notice, which date shall be a business day not later than 60 days after the date such notice is given. At such closing, you will deliver such Option Shares, duly endorsed for transfer, against payment in cash of the Purchase Price thereof. To the extent the Company chooses not to exercise its right and option under this Section 10 to purchase any of such Option Shares, such Shares shall thereafter cease to be subject to the provisions of this Agreement.

11. BONA FIDE OFFER TO PURCHASE SHARES. If at any time prior to the date on which an underwritten public offering of the Company's Common Stock, registered under the Securities Act of 1933, as amended (the "Securities Act"), has been completed, ("Public Offering") you desire to sell all or any of the Common Stock acquired by you under this Option ("Plan Shares") and you obtain a bona fide written offer which you desire to accept (referred to in this Section as the "Offer") to purchase all, or a portion of your Plan Shares, you shall transmit copies of the Offer to the Company within five (5) business days after your receipt of the Offer. The Offer shall set forth its date, the proposed price per share of Common Stock, the number of shares of Common Stock being sold, and the other terms and conditions upon which the purchase is proposed to be made, as well as the name and address of the prospective purchaser. Transmittal of

the Offer to the Company by you shall constitute an offer by you to sell all of the Plan Shares which are subject to the Offer to the Company at a price equal to the cash consideration plus the fair market value of any non-cash consideration specified in the Offer for such Common Stock (the "Purchase Price") and upon the other terms set forth in the Offer, except as hereinafter provided. For a period of thirty (30) days after the submission of the Offer to the Company, the Company shall have the option, exercisable by notice to you, to accept your offer as to all, but not less than all, of the Plan Shares that are the subject of the Offer. If the Company does not exercise its option to purchase within the specified 30 day period, or if the Company waives, in writing, the 30 day period, you may then, and only then, accept the offer from the prospective purchaser. Any sale of Plan Stock which occurs without complying with the provisions of this Section 11 is null and void.

12. REPRESENTATIONS. (a) You represent and warrant to the Company that, upon exercise of the Option, you will be acquiring the Option Shares for your own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof, and you understand that (i) neither the Option nor the Option Shares have been registered with the Securities and Exchange Commission by reason of their issuance in a transaction exempt from the registration requirements of the Securities Act and (ii) the Option Shares must be held indefinitely by you unless a subsequent disposition thereof is registered under said Act or is exempt from such registration. The stock certificates for any Option Shares issued to you will bear the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THEY HAVE BEEN REGISTERED UNDER THAT ACT OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

(b) You further represent and warrant that you understand the Federal, state and local income tax consequences of the granting of the Option to you, the acquisition of rights to exercise the Option with respect to any Option Shares, the exercise of the Option and purchase of Option Shares, and the subsequent sale or other disposition of any Option Shares. In addition, you understand that the Company will be required to withhold Federal, state or local taxes in respect of any compensation income realized by you as a result of any "disqualifying disposition" of any Option Shares acquired upon exercise of the Option granted hereunder. To the extent that the Company is required to withhold any such taxes as a result of any such "disqualifying disposition", you hereby agree that the Company may deduct from any payments of any kind otherwise due to you an amount equal to the total Federal, state and local taxes required to be so withheld, or if such payments are inadequate to satisfy such Federal, state and local taxes, or if no such payments are due or to become due to you, then you agree to provide the Company with cash funds or make other arrangements satisfactory to the Company

regarding such payment. It is understood that all matters with respect to the total amount of taxes to be withheld in respect of, any such compensation income shall be determined by the Board of Directors in its sole discretion.

13. NOTICE OF SALE. You agree to give the Company prompt notice of any sale or other disposition of any option Shares that occurs (i) within two years from the date of the granting of the Option to you, or (ii) within one year after the transfer of such Option Shares to you upon the exercise of the option.

14. ADJUSTMENTS; REORGANIZATION, RECLASSIFICATION, CONSOLIDATION, MERGER OR SALE. (a) In the event that, after the date hereof, the outstanding shares of the Company's Common Stock shall be increased or decreased or changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation through reorganization, merger or consolidation, recapitalization, reclassification, stock split, split-up, combination or exchange of shares or declaration of any dividends payable in Common Stock, the Board of Directors of the Company shall appropriately adjust the number of shares of Common Stock (and the option price per share) subject to the unexercised portion of the Option (to the nearest possible full share), and such adjustment shall be effective and binding for all purposes of this Agreement and the Plan subject in all cases to the limitations of Section 424 of the Code.

(b) If any capital reorganization or reclassification of the capital stock of the Company or any consolidation or merger of the Company with another entity, or the sale of all or substantially all its assets to another entity, shall be effected after the date hereof in such a way that holders of Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock, then you shall thereafter have the right to receive, upon the basis and upon the terms and conditions specified in the Option and in lieu of the shares of Common Stock of the Company immediately theretofore receivable upon the exercise of the Option, such shares of stock, securities or assets (including cash) as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore so receivable had such reorganization, reclassification, consolidation, merger or sale not taken place.

15. CONTINUATION OF EMPLOYMENT. Neither the Plan nor the Option shall confer upon you any right to continue in the employ of the Company or any subsidiary or parent thereof, or limit in any respect the right of the Company or any subsidiary or parent thereof to terminate your employment or other relationship with the Company or any subsidiary or parent thereof, as the case may be, at any time.

16. PLAN DOCUMENTS. This Agreement is qualified in its entirety by reference to the provisions of the Plan applicable to "incentive stock options" as defined in Section 422(b) of the Code, which are hereby incorporated herein by reference.

17. AMENDMENT. Subject to the provisions of the Plan, the Committee shall have the right to amend this Option, subject your consent, if such amendment is not

favorable to you; provided, however, that your consent shall not be required for any amendment made pursuant to Section 5.2(a)(x) or Section 5.2(b)(x) of the Plan.

18. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. If any one or more provisions of this Agreement shall be found to be illegal or unenforceable in any respect, the validity and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

Please acknowledge receipt of this Agreement by signing the enclosed copy of this Agreement in the space provided below and returning it promptly to the Secretary of the Company.

ALLIANCE DATA SYSTEMS CORPORATION

By: _____
J. Michael Parks
Chairman and CEO

Accepted and Agreed:

_____
EMPLOYEE

ALLIANCE DATA SYSTEMS CORPORATION AND ITS SUBSIDIARIES
STOCK OPTION AND RESTRICTED STOCK PURCHASE PLAN

OPTION EXERCISE FORM

I, , a Participant under the Alliance Data Systems Corporation and its Subsidiaries Stock option and Restricted Stock Purchase Plan (the "Plan"), do hereby exercise the right to purchase _____ shares of Common Stock, $.01 par value, of Alliance Data Systems Corporation pursuant to the option granted to me on _____ __, ____ under the Plan. Enclosed herewith is $_____ an amount equal to the total exercise price for the shares of Common Stock being purchased pursuant to this option Exercise Form.

Date: _____ _____
Signature

_____
Social Security Number

- ---
- ---

Send a completed copy of this Option Exercise Form to:

Alliance Data Systems Corporation
800 Techcenter Drive
Gahanna, Ohio 43230
Attention: Corporate Secretary

ALLIANCE DATA SYSTEMS CORPORATION

NON-QUALIFIED STOCK OPTION AGREEMENT

EXAMPLE

Employee/Optionee:

Number of shares of
common stock subject
to this Agreement:

Pursuant to the Alliance Data Systems Corporation and its Subsidiaries Stock Option and Restricted Stock Purchase Plan (the "Plan"), the Board of Directors of Alliance Data Systems Corporation (the "Company") has granted to you on this date an option (the "Option") to purchase the number of shares of the Company, a Common Stock, $1.00 par value ("Common Stock), set forth above. such shares (as the same may be adjusted as described in Section 12 below) are herein referred to as the "Option Shares". The Option shall constitute and be treated at all times by you and the company as a "non-qualified stock option" for Federal income tax purposes and shall not constitute and shall not be treated as an "incentive stock option" as defined under Section 422(b) of the Internal Revenue Code of 1986, as amended (the "Code"). The terms and conditions of the Options are set out below.

1. DATE OF GRANT. The Option is granted to you on _____, _____(the "Grant Date").

2. TERMINATION OF OPTION. Your right to exercise the Option (and to purchase the Option Shares) shall expire on the ____ anniversary of the Grant Date or (ii) the date provided in Section 8 below in the event you cease to be employed by the Company or any subsidiary or parent thereof. Notwithstanding any provision in the Plan to the contrary, this Option shall terminate FOUR weeks following the date on which you received this Agreement unless prior to the end of such two week period you execute and return to the Company both the Agreement and the Company's Confidentiality and Non-Solicitation Agreement.

3. OPTION PRICE. The purchase price to be paid upon the exercise of the option $1.00 per share (subject to adjustment as provided in Section 12 hereof).

4. VESTING PROVISIONS. Except as provided in Section 5 below, you will not be entitled to exercise the Option (and purchase any Option Shares) prior to _____, ____. Commencing on _____, ____and on each of the two anniversaries of such date on which you shall continue to be employed on a full-time basis by the Company or any subsidiary or parent thereof, you shall become entitled to

exercise the Option with respect to 33-1/3% of the Option Shares (rounded to the nearest whole share) until the option expires and terminates pursuant to Section 2 hereof.

5. ACCELERATED VESTING PROVISIONS.

(a) Prior to the beginning of each fiscal year of the Company, the Board of Directors may establish Actual Operating Income (as hereinafter defined) goals ("Operating Income Goal") and designated percentages of outstanding options that will become vested prior to the time such options would otherwise vest ("Designated Percentage") for achieving various levels of the Operating Income Goal. If an Operating Income Goal is satisfied, you will be entitled, effective as of the February 1 which immediately follows the end of the applicable fiscal year of the Company, to exercise a percentage of the Option Shares (rounded to the nearest whole share) equal to the Designated Percentage for the Operating Income Goal attained, until the Option expires and terminates pursuant to Section 2 hereof, provided the Company is not in material violation of any covenants contained in, or otherwise in default under, any credit agreement.

(b) For the purposes of this Agreement, the following terms shall have the meanings set forth below:

"ACTUAL OPERATING INCOME" shall mean, with respect to any fiscal year, Operating Income (as hereinafter defined) for such fiscal year as calculated by the Board of Directors of the Company based on the audited consolidated financial statements of the Company and its subsidiaries for such fiscal year, which financial statements shall be conclusive and binding upon the Company and you.

"OPERATING INCOME" shall mean, with respect to any fiscal year:

(i) the net income (calculated (x) before preferred and common stock dividends and (y) exclusive of the effect of any extraordinary or other material nonrecurring gain or loss outside the ordinary course of business) of the Company and its consolidated subsidiaries, determined on a consolidated basis for such period (Consolidated Net Income); plus

(ii) to the extent deducted in determining Consolidated Net Income for such period, the aggregate amount of (x) interest charges, whether expended or capitalized, incurred or accrued by the Company and its consolidated subsidiaries during such period, (y) provision for income taxes and (z) amortization and other similar non-cash charges.

Notwithstanding the Operating Income Goals established by the Board of Directors prior to the beginning of a fiscal year of the Company, if at any time or from time to time after the date hereof the Company or any of its subsidiaries acquires a business, or substantially all of the assets of a business, or any assets material to the business of the Company or any of its subsidiaries are sold, the Board of Directors of the Company shall make such adjustments to the Operating Income Goals, as the Board of Directors of the Company in its discretion deems equitable in light of each such acquisition or sale. Any such determination by the Board of Directors shall be effective and binding for all purposes of this Agreement.

(c) The satisfaction of any and all conditions set forth in this Section 5 regarding your right to exercise the Option (and purchase any Option Shares) shall be determined by the Board of Directors of the Company.

(d) Notwithstanding anything contained herein to the contrary, no new rights to exercise the Option with respect to any Option Shares shall be acquired under this Section 5 after the date on which you cease to be employed on a full-time basis by the Company or any subsidiary or parent thereof.

6. ADDITIONAL PROVISIONS RELATING TO EXERCISE.

(a) Once you become entitled to exercise the Option (and purchase Option Shares) as provided in Sections 4 and 5 hereof, such right will continue until the date on which the Option expires and terminates pursuant to Section 2 hereof.

(b) The Board of Directors of the Company, in its sole discretion, may at any time accelerate the time set forth in Sections 4 and 5 at which the Option may be exercised by you with respect to any Option Shares.

7. EXERCISE OF OPTION. To exercise the Option, you must deliver a completed copy of the attached Option Exercise Form to the address indicated on the Form, specifying the number of Option shares being purchased as a result of such exercise, together with payment of the full option price for the option Shares being purchased. Payment of the option price must be made in cash, by certified or official bank check, or by such other consideration as shall be approved by the Board of Directors of the Company.

8. TERMINATION OF EMPLOYMENT.

(a) In the event that (i) the Company or any subsidiary or parent thereof terminates your employment by such entity "for cause" or (ii) you terminate your employment by such entity for any reason whatsoever (other than as a result of your death or "disability" (within the meaning of Section 22(e)(3) of the Code)), then the Option may only be exercised within one month after such termination, and only to the same extent that you were entitled to exercise the Option on the date your employment was so terminated and had not previously done so. Notwithstanding anything herein to the contrary, if the Committee determines, after full consideration of the facts presented on behalf of the Company and you, that you have been engaged in disloyalty to the Company or any of its affiliates, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of your employment or service, or you have disclosed trade secrets or confidential information of the Company or of an affiliate, any unexercised portion of this Option shall terminate immediately and you shall forfeit all shares of Common Stock for which the Company has not yet delivered the share certificates upon refund by the Company of the option price. The Company may also withhold delivery of share certificates pending the resolution of any inquiry that could lead to a finding resulting in a forfeiture.

(b) In the event that you cease to be employed on a full-time basis by the Company or any subsidiary or parent thereof as a result of the termination of your employment by the Company or any subsidiary or parent thereof at any time other than "for cause" or as a result of your death or "disability" (within the meaning of Section 22(e)(3) of the Code), the Option may only be exercised within six months after the date you cease to be so employed, and only to the same extent that you were entitled to exercise the Option on the date you ceased to be so employed by reason of such termination and had not previously done so.

(c) In the event that you cease to be employed on a full-time basis by the Company or any subsidiary or parent thereof by reason of a "disability" (within the meaning of Section 22(e)(3) of the Code), the Option may only be exercised within one year after the date you cease to be so employed, and only to the same extent that you were entitled to exercise the Option on the date you ceased to be so employed by reason of such disability and had not previously done no.

(d) In the event that you die while employed by the Company or any subsidiary or parent thereof (or within a period of one month after ceasing to be employed by the Company or any subsidiary or parent thereof for any reason described in Section 8(a) hereof, within a period of three months after ceasing to be employed by the Company or any subsidiary or parent thereof for any reason described in Section 8(b) hereof or within a period of one year after ceasing to be employed by the Company or any subsidiary or parent thereof for any reason described in Section 8(c) hereof), the Option may only be exercised within one year after your death. In such event, the Option may be exercised during such one-year period by the executor or administrator of your

estate or by any person who shall have acquired the Option through bequest or inheritance, but only to the same extent that you were entitled to exercise the option immediately prior to the time of your death and you had not previously done so.

(e) Notwithstanding any provision contained in this Section 8 to the contrary, in no event may the Option be exercised to any extent by anyone after the tenth anniversary of the Grant Date.

9. COMPANY'S RIGHT AND OPTION TO REPURCHASE OPTION SHARES.

(a) In the event that you cease to be employed by the Company or any subsidiary or parent thereof on a full-time basis for any reason (including, without limitation, as a result of your death, disability, incapacity, retirement, resignation or dismissal with or without cause) at any time prior to the date on which an underwritten public offering of the Company's Common Stock, registered under the Securities Act of 1933, as amended (the "Securities Act"), has been completed, the Company shall have the right and Option but not the obligation, to purchase from you (or in the case of your death, your legal representative) any or all of the Options Shares (i) held by you on the date you cease to be so employed by the Company or (ii) purchased by you after such date as permitted by Section 8 above. In the event that the Company exercises such right and option, the Company shall pay to you as the purchase price for such option Shares (the "Purchase Price") an amount per share equal to the fair market value thereof as of the date you ceased to be employed by the Company or any subsidiary or parent thereof, such fair market value so be determined by the Board of Directors of the Company.

(b) The Company may exercise the right and option described in Section 9(a) above by giving you (or, in the case of your death, your legal representative) a written notice of election to purchase at any time within 60 days after the date your employment ceases, which notice of election shall specify the number of Option Shares to be purchased and the Purchase Price for ouch Option Shares. The closing for the purchase by the Company of such Option Shares pursuant to the provisions of this Section 9 (the "Purchase Date") will take place at the offices of the Company on the date specified in such written notice, which date shall be a business day not later than 60 days after the date such notice is given. At such closing, you will deliver such Option Shares, duly endorsed for transfer, against payment in cash of the Purchase Price thereof To the extent the Company chooses not to exercise its right and option under this Section 9 to purchase any of such Option Shares, such shares shall thereafter cease to be subject to the provisions of this Agreement.

10. BONA FIDE OFFER TO PURCHASE SHARES. If at any time prior to the date on which an underwritten public offering of the Company's Common Stock, registered under the Securities Act of 1933, as amended, has been completed, ("Public Offering") you desire to sell all or any of the Common Stock acquired by you under this Option ("Plan Shares") and you obtain a bona fide written offer which you desire to accept (referred to in this Section as the "Offer") to purchase all, or a portion of your Plan

Shares, you shall transmit copies of the Offer to the Company within five (5) business days after your receipt of the Offer. The Offer shall set forth its date, the proposed price per share of Common Stock, the number of shares of Common Stock being sold, and the other terms and conditions upon which the purchase is proposed to be made, as well as the name and address of the prospective purchaser. Transmittal of the Offer to the Company by you shall constitute an offer by you to sell all of the Plan Shares which are subject to the Offer to the Company at a price equal to the cash consideration plus the fair market value of any non-cash consideration specified in the Offer for such Common Stock (the "Purchase Price") and upon the other terms set forth in the Offer, except as hereinafter provided. For a period of sixty (60) days after the submission of the Offer to the Company, the Company shall have the option, exercisable by notice to you, to accept your offer as to all, but not less than all, of the Plan Shares that are the subject of the Offer. If the Company does not exercise its option to purchase within the specified 60 day period, or if the Company, in writing, waives the 30 day period, you may then, and only then, accept the offer from the prospective purchaser. Any sale of Plan Stock which occurs without complying with the provisions of this Section 9(c) is null and void.

11. REPRESENTATIONS.

(a) You represent and warrant to the Company that, upon exercise of the Option, you will be acquiring the Option Shares for your own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof, and you understand that (i) neither the Option nor the Option Shares have been registered with the Securities and Exchange Commission by reason of their issuance in a transaction exempt from the registration requirements of the Securities Act and (ii) the Option Shares must be held indefinitely by you unless a subsequent disposition thereof is registered under said Act or is exempt from such registration. The stock certificates for any option Shares issued to you will bear the following legend:

> THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF UNLESS THEY HAVE BEEN REGISTERED UNDER THAT ACT O&AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

(b) You further represent and warrant that you understand the Federal, State and local income tax consequences of the granting of the Option to you, the acquisition of rights to exercise the Option with respect to any option shares, the exercise of the Option and purchase of Option Shares, and the subsequent sale or other disposition of any Option Shares. In, addition, you understand that the Company will be required to withhold Federal, state or local taxes in respect of any compensation income realized by you upon exercise of the option granted hereunder. To the extent that the Company is required to withhold any such taxes, you hereby agree that the Company may deduct from any payments of any kind otherwise due to you an amount equal to the total federal, state and local taxes required to be so withheld, or if such payments are inadequate to

satisfy such Federal, state and local taxes, or if no such payments are due or, to become due to you, then you agree to provide the Company with cash funds or make other arrangements satisfactory to the Company regarding such payment. It is understood that all matters with respect to the total amount of taxes to be withhold "in respect of any such compensation income shall be determined by the Board of Directors in its sole discretion.

12. ADJUSTMENTS REORGANIZATION RECLASSIFICATION CONSOLIDATION MERGER OR SALE.

(a) In the event that, after the date hereof, the outstanding shares of the Company's Common Stock shall be increased or decreased or changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation through reorganization, merger or consolidation, recapitalization, reclassification, stock split, split-up, combination or exchange of shares or declaration of any dividends payable in Common Stock, the Board of Directors of the Company shall appropriately adjust the number of shares of Common Stock (and the option price per share) subject to the unexercised portion of the Option (to the nearest possible full share), and such adjustment shall be effective and binding for all purposes of this Agreement and the Plan.

(b) If any capital reorganization or reclassification of the capital stock of the Company or any consolidation or merger of the Company with another entity, or the sale of all or substantially all its assets to another entity, shall be effected after the date hereof in such a way that holders of Common Stock shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock, then you shall thereafter have the right to receive, upon the basis and upon the terms and conditions specified in the Option and in lieu of the Shares of Common Stock of the Company immediately theretofore receivable upon the exercise of the option, such shares of stock, securities or assets (including cash) as may be issued or payable with respect to or in exchange for a number of outstanding shares of such Common Stock equal to the number of shares of such stock immediately theretofore so receivable had such reorganization, reclassification, consolidation, merger or sale not taken place.

13. CONTINUATION OF EMPLOYMENT. Neither the Plan nor the option shall confer upon you any right to continue in the employ of the Company or any subsidiary or parent, thereof, or limit in any respect the right of the Company or any subsidiary or parent thereof to terminate your employment or other relationship with the Company or any subsidiary or parent thereof, as the came may be, at any time.

14. AMENDMENT. Subject to the provisions of the Plan, the Committee shall have the right to amend this Option, subject your consent, if such amendment is not favorable to you; provided, however, that your consent shall not be required for any amendment made pursuant to Section 5.2(a)(x) or Section 5.2(b)(x) of the Plan.

15. PLAN DOCUMENTS. This Agreement is qualified in its entirety by reference to the provisions of the Plan, which are hereby incorporated herein by reference.

16. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. If any one or more provisions of this Agreement shall be found to be illegal or unenforceable in any respect, the validity and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

Please acknowledge receipt of this Agreement by signing the enclosed copy of this Agreement in the space provided below and returning it promptly to the Secretary of the Company.

ALLIANCE DATA SYSTEMS CORPORATION

By

Accepted and Agreed:

- ---
Employee Optionee

CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT

CONFIDENTIALITY AND NON-SOLICITATION AGREEMENT dated as of _____ 19xx by and between ALLIANCE DATA SYSTEMS CORPORATION, a Delaware corporation (the "Company"), and (the "Employee").

WITNESSETH:

WHEREAS the Employee is currently employed by the Company or an affiliate thereof; and

WHEREAS the Employee has access to proprietary information pertaining to the business and operations of the Company and its subsidiaries, and has resources and expertise sufficient to enable the Employee to provide services to third parties in competition with the Company and its subsidiaries; and

WHEREAS in connection with the employment of the Employee by the Company and in consideration of the grant by the Company to the Employee on the date hereof of an incentive stock option to purchase an aggregate shares of Common Stock, $.01 par value, of the Company, on the terms and subject to the conditions specified in the Incentive Stock Option Agreement being executed and delivered by the Company and the Employee simultaneously with the execution and delivery of this Agreement, the Employee has agreed to preserve certain confidential information and to refrain from soliciting employees of the Company and its subsidiaries for the period of time specified herein;

NOW, THEREFORE, for and in consideration of the premises hereof and the mutual covenants contained herein, the parties hereto hereby covenant and agree as follows:

1. CONFIDENTIALITY ETC. The Employee hereby acknowledges that, as an officer and/or member of management of the Company and/or one or more of its subsidiaries, the Employee has had, and has, access to proprietary and otherwise confidential information that directly or indirectly relates to the business, prospects, operations, personnel and other aspects of the Company and its Affiliates (as hereinafter defined). The Employee hereby covenants and agrees that, during the Employee's employment by the Company or any of its Affiliates and for a period of two years after the Employee ceases to be employed by the Company or any of its Affiliates for any reason whatsoever (such period of employment and two-year period following the cessation of such employment being referred to herein as the "Restricted Period"), the Employee shall not use for his or her, as the case may be, benefit or disclose at any time (except as required by applicable law or in connection with the performance of the Employee's services for the Company or any of its Affiliates):

(a) any information obtained or developed by the Employee while in the employ of or acting as a consultant to the Company or any of the Company's Affiliates, in each case relating to any inventions, products, discoveries, improvements, processes, manufacturing, marketing and service methods or techniques, formulae, designs, styles, specifications, databases, computer programs (whether in source code or object code),

know-how, strategies and data, whether or not patentable or registerable under copyright or similar statutes, which may pertain to the business, products, services or processes of the Company or any of its Affiliates, or any customers, clients, suppliers, products, employees, financial affairs, or methods of design, distribution, marketing, service, procurement or management of the Company or any of its Affiliates; or

(b) any other confidential or proprietary information or matter relating to the Company or any of the Company's Affiliates;

except any such information (i) which at the time is generally known to the public other than as a result of disclosure by the Employee not permitted hereunder or (ii) which becomes available to the Employee on a non-confidential basis from a source (other than the Company or any of its Affiliates or any of their respective employees or representatives) that is not prohibited from disclosing such information to the Employee by a legal, contractual or fiduciary obligation. The Employee further covenants and agrees that the Employee will not take with him or her, following termination of the Employee's employment with the Company or any of its Affiliates, as the case may be, any document, papers or materials in any form containing any confidential information described in clauses (a) and (b) above, except in each case information described in clauses (i) and (ii) above. For the purposes of this Agreement, the term "Affiliate" or "Affiliates" of the Company shall mean any corporation or other entity that is controlled, directly or indirectly, by the Company. As used in the preceding sentence, the word "control" shall mean, with respect to any entity, the power to vote or direct the voting of more than 50% of the voting equity interests in such entity.

2. NON-SOLICITATION. (a) During the Restricted Period the Employee agrees not to (i) solicit for employment any employee of the Company or any of its Affiliates or (ii) advise or recommend to any other person, firm, partnership or corporation that competes with the Company in the Business (as hereinafter defined) in those areas of the United States where the Company conducts the Business, that they employ or solicit for employment any employee of the Company or any of its Affiliates. For purposes of this Agreement, the term "Business" means the business of providing merchant transaction processing, credit card or other card-based credit or loan services or credit authorization, payment and/or settlement services for card-based products.

(b) The Employee agrees that the limitations set forth in this Section 2 (including, without limitation, any time or territorial limitations) are reasonable and properly required for the adequate protection of the business of the Company (and of its Affiliates).

3. STOCK OPTION. Simultaneously with the execution and delivery hereof, pursuant to an agreement of even date herewith, the Company is granting to the Employee an incentive stock option to purchase the number of shares of Common Stock, $ 1.00 par value, of the Company set forth in the recitals to this Agreement on the terms and subject to the conditions specified in said agreement.

4. REMEDIES. The Employee acknowledges and agrees that the Company's remedy at law, if any, for any breach or threatened breach of the provisions of Sections 1 and 2 above would be inadequate and, therefore, agrees that the Company and any of the Company's Affiliates shall be entitled to injunctive and other equitable relief, in addition to any other available rights and remedies (whether for money damages or otherwise), in case of any such breach or threatened breach, and the Employee hereby waives any request that the Company or any of the Company's Affiliates provide a bond or other security in connection with any such proceeding or the issuance of any such injunction.

5. NON-ASSIGNABILITY. Neither this Agreement nor any right or interest hereunder shall be assignable by the Employee, or any of the heirs, legal representatives or permitted assigns of the Employee, without the Company's prior written consent.

6. BINDING EFFECT. Without limiting or diminishing the effect of Section 5 hereof, this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, successors, legal representatives and assigns.

7. NOTICES. Any notice required or permitted to be given under this Agreement shall be sufficient in all respects if given in writing and (i) delivered personally, (ii) mailed by certified or registered mail, return receipt requested and postage prepaid, or (iii) sent via a nationally recognized overnight courier, in each case (A) if to the Company, to it at 5001 Spring Valley Road, West Tower, Suite 650, Dallas, Texas 75244, Attention: Vice President of Benefits and Compensation, with a copy to Reboul, MacMurray, Hewitt, Maynard & Kristol, 45 Rockefeller Plaza, New York, New York 10111, Attention: Mark M. Sugino, Esq.; (B) if to the Employee, at the Employee's home address most recently filed with the Company; or (C) to such other address or addresses as any party shall have designated in writing to the other parties hereto.

8. GOVERNING LAW: JURISDICTION AND VENUE. This Agreement shall be governed in all respects by the laws of the State of New York, without giving effect to the principles of conflicts of law.

9. SEVERABILITY. If any provision or part of this Agreement shall be determined to be invalid, illegal or unenforceable in whole or in part, neither the validity of the remaining part of such provision nor the validity of any other provision of this Agreement shall in any way be affected thereby.

10. WAIVER. Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant or condition, nor shall any waiver or relinquishment of any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times.

11. ENTIRE AGREEMENT; MODIFICATIONS. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements, oral and written, between the parties hereto with respect to the subject matter hereof.

This Agreement may be modified or amended only by an instrument in writing signed by all parties hereto.

12. COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Company and the Employee have each duly executed and delivered this Agreement as of the day and year first above written.

ALLIANCE DATA SYSTEMS CORPORATION

By:_____
Name: J. Michael Parks
Title: Chairman and Chief Executive Officer

Employee

ALLIANCE DATA SYSTEMS

1999 INCENTIVE COMPENSATION PLAN

1

TABLE OF CONTENTS

TIME LINE

DATE	EVENT
FEBRUARY 10, 1999	1999 COMPANY AND BUSINESS UNIT OBJECTIVES APPROVED AT BOARD OF DIRECTORS MEETING
MARCH 31	INDIVIDUAL OBJECTIVES COMPLETED, APPROVED AND FILED WITH THE HUMAN RESOURCES (SENIOR BUSINESS CONSULTANT OR FACILITY HR MANAGER)
THROUGHOUT 1999	PERIODIC REVIEWS OF PROGRESS ON INDIVIDUAL OBJECTIVES
FEBRUARY 2000	YEAR END EVALUATION OF 1999 COMPANY / BUSINESS UNIT AND INDIVIDUAL PERFORMANCE AGAINST OBJECTIVES
FEBRUARY	SET COMPANY, BUSINESS UNIT AND INDIVIDUAL OBJECTIVES FOR YEAR 2000
MARCH	PAYOUT OF INCENTIVE COMPENSATION EARNED FOR PLAN YEAR 1999

PLAN OBJECTIVES

The Alliance Data System's Incentive Plan ("Plan") is designed to provide incentive compensation for the achievement of specific, predetermined goals. The intent of the Plan is to:

- Strengthen individual commitment to strategic, financial and key value objectives,
- Link a portion of incentive opportunity to company, business unit and individual results, and
- Provide an opportunity for associates to share in the success they help create.

EFFECTIVE DATE

The Plan Year is January 1, 1999 through December 31, 1999.

ELIGIBILITY

Associates are covered by this Plan if they are:

- In pay grades 1-11, 6T - 11T, and in non-sales Grades 41-50.
- Employed by Alliance Data Systems before October 1, 1999. (Newly hired associates, and associates newly promoted into eligible positions for the first time, are eligible for prorated incentive compensation).
- Performing at a satisfactory level as determined by the Company.
- On active status on the date of award distribution or eligible under guidelines for retirement, disability or leave of absence.

Part-time associates working a schedule equal to a minimum of 25 hours per week are eligible for the plan.

Associates are not eligible if they:

- Are participating in a sales commission or other incentive plan, unless approved by the Business Unit Head and CEO.
- Are temporary or contract employees.
- Are hired on or after October 1, 1999 or are promoted into one of the pay grades listed above on or after October 1, 1999.

INCENTIVE COMPENSATION (IC) TARGETS

Each participant has an incentive compensation target. This target is expressed as a percent of annual base earnings. The Compensation Committee of the Board of Directors assigns IC targets for positions on the Executive Committee. The CEO and business unit/department heads approve IC targets for other positions using such factors as job function, reporting level and pay grade. Unless otherwise determined, IC targets are shown in the following table.

GRADE LEVEL	IC TARGET (% OF ANNUAL SALARY*)
Member of Executive Committee	At the discretion of the Compensation Committee
3 - 4 & 50	At the discretion of the Executive Committee
5	20%
6 & 7	15%
8 - 10, 8T - 10T, 41 - 43	10%
11 & 11T	5%

* ANNUAL SALARY EQUALS TOTAL BASE EARNING BETWEEN JANUARY 1, 1999 AND DECEMBER 31, 1999.

Incentive compensation earned for the 1999 Plan year is paid in the first quarter of the following year. Status changes can affect the amount of incentive a participant receives. Status changes include:

- Transfers between Business Units
- Changes in position involving a change in pay grade.
- Leave of absences
- Retirements, deaths and disabilities

When a participant transfers between business units during the plan year, the incentive shall be prorated by the period of time, calculated in whole months, the associate worked in each business unit. For purposes of calculating results, transfers between business units will be effective the first of the month following the date of transfer. The end-of-year performance factor for each business unit will be used to calculate prorated incentive amounts.

If there is a grade level change during the performance period and this triggers a change in incentive target, the incentive will be prorated for the period of time the associate performed in each grade level.

If a participant takes a leave of absence in excess of 30 consecutive days, either paid or unpaid, during the performance period, he or she may be eligible for a prorated award at the discretion of the Executive Committee member for that line of business and Corporate Compensation.

If a participant retires, becomes disabled or dies during the performance period, he or she may be eligible for a prorated award at the discretion of the Executive Committee member for that line of business and Corporate Compensation. In the event of death, any incentive award is made to the beneficiary named in the company paid life insurance program.

WEIGHTINGS

Incentive Compensation objectives are weighted to reflect the position's impact on company, business unit and individual goals.

The weighting allocation depends on the evaluated level of the position and where the position resides in terms of a business unit or support function, as shown below:

- PARTICIPANTS ASSIGNED TO BUSINESS UNITS.

POSITION	COMPANY PERFORMANCE	BUSINESS UNIT PERFORMANCE	INDIVIDUAL PERFORMANCE
ADS Corporate Executive Team	70%	20%	10%
Grades 3-7 & 50	50%	30%	20%
Grades 8-10, 8T-10T, & 41-43	30%	30%	40%
Grade 11, 11T	50%	50%	0%

- PARTICIPANTS ASSIGNED TO NON-BUSINESS UNITS*

POSITION	COMPANY PERFORMANCE	BUSINESS UNIT PERFORMANCE	INDIVIDUAL PERFORMANCE
ADS Corporate Executive Team	90%	0%	10%
Grades 3-7 & 50	80%	0%	20%
Grades 8-10, 8T-10T, 41-43	60%	0%	40%
Grade 11, 11T	100%	0%	0%

* Non-Business Units are Computer Information Services, Corporate Finance, Corporate Human Resources, Legal, and designated functions within Subscriber Services and Business Planning and Development.

EXAMPLE: ASSUME TARGET INCENTIVE OF $ 8,000 FOR ASSOCIATE IN GRADE 8

WEIGHTING %		
COMPANY	BUSINESS UNIT	INDIVIDUAL

Target Incentive	30% - $2,400	30% - $2,400	40% - $3,200
Performance Results	90% of Target	110% of target	105% of Target
Payout Results*	83% x $2,400	125% x $2,400	112.5% x $3,200
Incentive Earned	$1,992	$3,000	$3,600

Total IC Payout - $ 8,592

*See Attachment - A for Payout Percentages

SETTING OBJECTIVES

Company, business unit and individual objectives are established and communicated at the beginning of the Plan year. The degree to which these objectives are accomplished determines the level of incentive earned from the plan.

COMPANY OBJECTIVE: Operating Income is the measure for determining Company performance. The Board of Directors of the company approves the level of Operating Income to be achieved for minimum, target and maximum payout. Operating Income is defined as earnings before taxes, interest expense, amortization of intangibles, and start up costs. The relationship between level of performance achieved and incentive pay out, for company, business unit and individual objectives, is reflected in Attachment - A.

BUSINESS UNIT GOALS: The CEO and the Business Unit President determines the appropriate financial and operational objectives for the business unit. These objectives are communicated to participants in that business unit prior to the development of individual objectives.

INDIVIDUAL GOALS: WITH THE EXCEPTION OF ASSOCIATES IN GRADES 11, 11T AND 41 - 43, each plan participant in collaboration with their manager develops individual objectives. Generally, 1-4 objectives are sufficient. These objectives must be important to the organization and be items the participant can truly impact. They also need to be consistent with the strategic direction of the business unit and company. NOTE: For participants in Grades 1-7, 6T, 7T and 50, these objectives are the same objectives submitted for the Performance Management Process pilot program.

Individual objectives should be reviewed on a periodic basis. Adjustments to objectives may be made to remain consistent with newly identified company and business unit direction.

In developing objectives, a few basic principles will help you approach the challenge systematically. Objectives have three characteristics, which answer these questions.

1 What is to be accomplished?
2 How are you going to measure success?
3 What is the time frame involved?

The best tool to use when writing your objectives is the SMART rule, as described follows:

SPECIFIC & SIGNIFICANT

- X Identify a specific and tangible outcome - not several rolled into one.
- X Objectives should reflect how Associates should spend their time by allowing an appropriate "weight" and priority to each objective.
- X The objective should be a clear and concise statement.

MEASURABLE

- X Identify how the associate and manager will know if the objective has been achieved.
- X What criteria will be used to measure the outcome (i.e., what, how much, quality standards).

ATTAINABLE

- X Should be challenging, but reasonable to achieve.
- X Can the associate impact the outcome through his/her own performance.

RESULTS-ORIENTED

- X Focus on an end result - WHAT is to be achieved vs. how it is achieved.

TIME-RELATED

- X Should have a defined completion date.

Individual objectives should be completed in writing, signed by the associate, approved by the manager and given to the Human Resources Senior Business Consultant or Facility HR Manager by March 31, 1999. Associates in Grades 8-10 should use Attachment - B for documenting objectives. Associates in Grades 1-7, 6T, 7T and 50 should use forms associated with the annual Performance Management process. And, associates in Grade 11 and 11T have their entire incentive compensation tied to company and business performance and are therefore not required to complete formal individual objectives for incentive compensation purposes.

MANAGERS WHO FAIL TO SUBMIT INDIVIDUAL OBJECTIVES FOR THEIR ASSOCIATES AND REVIEW YEAR-END RESULTS WITH THE ASSOCIATES WITHIN THE DESIGNATED DEADLINES WILL FORFEIT ALL INCENTIVE COMPENSATION FOR THEMSELVES AND THE INDIVIDUAL COMPONENT FOR THE ASSOCIATE. YEAR-END RESULTS SHOULD BE SIGNED BY THE ASSOCIATE AND APPROVED BY TWO LEVELS OF MANAGEMENT.

Newly hired or promoted associates should have individual objectives completed within 30 days of the date of hire or promotion.

OTHER TERMS AND CONDITIONS

- - All decisions by the Company will be final in the interpretation and administration of the Plan and shall lie within the Company's sole and absolute discretion. Decisions shall be final, conclusive, and binding on all parties concerned.

- - Participant's rights under the Plan may not be assigned or transferred in any way.

- - The Alliance Data System's 1999 Incentive Plan may be amended, modified, suspended or terminated by the Company at any time, without prior consent or prior notice to associates. The Compensation Committee at its sole discretion without prior consent by or prior notice may change objectives at any time to associates.

- - The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make other segregation of assets to assure the payment of the amounts under the Plan. Rights to the payment of amounts under the Plan shall be no greater than the rights of the Company's general creditors.

- - Texas state law governs the validity, construction, interpretation, administration, and effect of the Plan, and rights relating to the Plan shall be governed by the substantive laws, but not the choice of law rules, of the State of Texas.

- - All applicable employment and tax deductions plus 401(k) contribution deferrals will be withheld from the incentive payout.

- - No associate has the right or is guaranteed the right to participate in the Plan by virtue of being an employee or fulfilling any specific position with Alliance Data Systems. Selection for participation in the Plan is solely within the discretion of the Compensation Committee. Alliance Data Systems may offer participation in the Plan to additional associates or terminate the participation of any Participant in the Plan at any time during the Plan Year.

- - Revenues and earnings classified as "windfalls" or business losses may or may not be excluded in whole or in part from the calculation of operating income objective at the discretion of the Compensation Committee. Similarly, significant declines in revenue and operating income volume will be reviewed prior to any incentive compensation award.

- - Notice to participate in the Plan shall not impair or limit the Company's rights to transfer, promote, or demote plan participants to other jobs or to terminate their employment. Nor shall it create any claim or right to receive any payment under the Plan or any right to be retained in the employ of Alliance Data Systems.

- - The Plan is established for the current fiscal year. There shall be no obligation on the part of the Company to continue the Plan in the same or a modified form for any future years.

- - In the event that a participant has a dispute concerning the administration of this Plan, it shall first be submitted in writing to the Senior Vice President of Human Resources of the Company. In the event that this Senior Vice President does not provide a response satisfactory to the Participant within 30 business days, the Participant may submit the dispute in writing within five business days thereafter to the Executive

Committee, whose decision regarding the dispute shall be final and binding on each Participant or person claiming under the Plan.

- - The Plan is effective January 1, 1999, and supersedes and replaces all previous Incentive Compensation Plans. All such previous plans, unless earlier terminated, are terminated at midnight, December 31, 1998. If not renewed by the Compensation Committee or their designated representative, the Plan will automatically terminate on December 31, 1999.

- - In the event the associate's performance is below satisfactory standards, he or she may receive no incentive compensation regardless of the performance results of the company and business units, at the discretion of the company.

ATTACHMENT - A

PERFORMANCE / PAYOUT TABLE

% OF OBJECTIVE(s) ACHIEVED (COMPANY, BUSINESS UNIT AND INDIVIDUAL*)	% PAYOUT
< 80%	0%
80% (Threshold Perf.)	65% (Threshold for Payout)
81%	67%
82%	69%
83%	70%
84%	72%
85%	74%
86%	76%
87%	77%
88%	79%
89%	81%
90%	83%
91%	84%
92%	86%
93%	88%
94%	89%
95%	91%
96%	93%
97%	95%
98%	96%
99%	98%
100% (Target Perf.)	100.0% (Target Payout)
101%	102.5%
102%	105.0%
103%	107.5%
104%	110.0%
105%	112.5%
106%	115.0%
107%	117.5%
108%	120.0%
109%	122.5%

110%		125.0%	
111%		127.5%	
112%		130.0%	
113%		132.5%	
114%		135.0%	
115%		137.5%	
116%		140.0%	
117%		142.5%	
118%		145.0%	
119%		147.5%	
120%	(Max Perf. Payable)	150.0%	(Maximum Payout)
> 120%		150.0%	

* COMPANY AND/OR BUSINESS UNIT PERFORMANCE MUST BE AT TARGET OR ABOVE IN ORDER FOR THE PLAN TO PAY INDIVIDUAL OBJECTIVES ABOVE 100% OF TARGET.

FOR ASSOCIATES IN GRADES 8-10 ONLY

ATTACHMENT - B

ALLIANCE DATA SYSTEMS
INCENTIVE COMPENSATION PLAN
1999 INDIVIDUAL PERFORMANCE OBJECTIVES

Name:			Target IC (%)		
Position Title:			Grade Level:		
(a) SPECIFIC OBJECTIVES / STANDARDS OF MEASURE (END RESULTS TO BE ACHIEVED)	(b) ACCOMPLISHMENTS / RESULTS (ACTUAL RESULTS ACHIEVED IN PERFORMANCE PERIOD)	RATINGS	(c) WEIGHTING %	(d) ACTUAL PERF. %	(e) OVERALL PERF. SCORE % (c x d)
1.					
2.					
3.					
4.					
5.					
			100%		
		Total Score on Specific Objectives (add column "e") >			

Signed by - Associate

1st Level Manager

2nd Level Manager

WELSH, CARSON, ANDERSON & STOWE

320 PARK AVENUE
SUITE 2500
NEW YORK, NEW YORK 10022-6815

TELEPHONE NO.
(212) 893-9500
FACSIMILE NO.
(212) 893-9575

February 19, 1997

Mr. Michael Parks
3347 South 161st Circle
Omaha, NE 68130

Dear Mike:

On behalf of the Board of Directors of Alliance Data Systems, Inc. this letter will confirm the terms of your appointment:

Position:	Chairman of the Board and Chief Executive Officer Alliance Data Systems, Inc.
Effective Date:	March 10, 1997
Compensation:	Total cash compensation "on plan" of $875,000 for FY1997. Salary: $475,000; Bonus target $400,000 "at plan"; Bonus of $100,000 guaranteed for first two years. 1997 Fiscal Year Operating Plan: $94.3 million Percentage of Target Bonus: --- 0% less than $88 mm (excluding $100,000 guarantee) 100% at $94.3 mm 200% (capped) at and more than $102 mm Bonus for EBITDAS achievement within the range of $88-102 target would be pro rated, e.g. @ $98 million the bonus would be 150% of target percentage.

Equity: 3,000,000 ten year stock options exercisable @ $1.00 per share: 2,000,000 shares vest annually over four years based upon the achievement of EBITDAS performance (see schedule below). In addition, 1,000,000 shares will vest on second year anniversary as long as employment continues or if terminated for reasons other than cause (e.g. criminal activity, gross negligence).

Options granted will be a combination of incentive and non qualified stock options. "Make up" provision for a missed year will be included. Adjustments in the operating income performance targets will be made for acquisitions which require additional capital or non operating charges or benefits.

ACCELERATED
PERFORMANCE VESTING 2,000,000 SHARES

Year	EBITDAS	Vesting
1996	$82.0 million	starting point
1997	$96.3 million	25%
1998	$113.2 million	25%
1999	$133.0 million	25%
2000	$156.3 million	25%

In the event Alliance is acquired within the four year accelerated vesting period, performance options will vest automatically if WCAS achieves 40% internal rate of return on its investment. If IRR is below 40%, vesting will be at discretion of the Board of Directors. 1,000,000 two year guaranteed options will vest automatically on acquisition. CEO will agree to assist in acquisition transition.

In the event employee is severed and the Company is still privately held, the exercise period for options will extend for one year. If the Company is publicly held and the employee is severed, the exercise period will be ninety days.

Other: Customary relocation reimbursement package
"Bridge" house loan of $800,000 at fixed rate to be repaid when mortgage can be arranged.

Initially, salary and benefits continuation will extend for two and one half years. After first employment anniversary salary continuation will extend for 18 months.

Mike, this letter cannot possibly do an adequate job of conveying how enthusiastic the entire Board of Directors is with respect to your agreeing to lead Alliance Data Systems. We believe the situation is a superb matching of your impressive skills and experience and the many opportunities and challenges facing the Company. We look forward to working with you to build a Company that will create significant shareholder value by becoming a fast-growing industry leader.

Sincerely,

/s/ Robert A. Minicucci
Robert A. Minicucci

Agreed & Accepted

/s/ Michael Parks
- ----------

Confirmed

/s/ Robert A. Minicucci

Robert A. Minicucci
on behalf of
The Board of Directors
Alliance Data Systems, Inc.

RAM/bg

cc: Bruce Anderson
Anthony deNicola
Kenneth Gilman
Bruce Soll

[Alliance Data Systems letterhead]

May 4, 1998

Mike Parks
Chairman and CEO

Ivan Szeftel
1318 Flat Rock Road
Penn Valley, PA 19072

Dear Ivan,

I am pleased to offer you the position of President-Retail Services Division. You will report directly to me and be a member of the executive committee. Your salary for the first year of employment will be $300,000, paid semi-monthly. In the second year of your employment, the base salary shall increase to not less than $325,000, paid semi-monthly. The base salary for each successive year will be reviewed annually, but shall not be less than $325,000.

You will also be awarded a signing bonus of $25,000 to be paid 30 days following the beginning of your employment. If you resign without good cause within 1 year of employment, you will be obligated to return this bonus in full with your resignation letter.

In addition, you will be eligible for an incentive bonus of $200,000 for the achievement of the company's annual financial goals. For fiscal year 1998, the pay out of incentive will be based on the company's performance against goal and be prorated based on the number of months of your employment for the fiscal year ending January 31, 1999.

Ivan, you will also be granted 1,000,000 options to purchase ADS common stock at $1.00 per share. The grant shall be governed by the terms and conditions contained in the Incentive Stock Option Agreement and the company's Incentive Stock Options Plan. Additional benefits will be the same as other senior executives of ADS, including 4 weeks of vacation, family medical, dental, and vision insurance, life insurance, accident and travel insurance, disability insurance and participation in the company's 401K and retirement savings plan. You will be eligible for benefits at the earliest possible date allowable by our agreements with providers, but no later than the first of the month following 30 days of employment.

In the event you are terminated without cause, you shall be entitled to receive the following severance payments: (1) Six months base salary if terminated within the first year of your employment; (2) Nine months base salary if terminated with the second year of employment; and (3) 12 months base salary if terminated after your second year of employment. The severance payment shall be paid either in a lump sum within 14 days of the date of termination or in equal bi-monthly installments for no more than six, nine, or twelve months, as the case may be. In the event ADS elects to make bi-monthly installment payments, we shall continue to cover at company expense, you and your family under ADS' group medical, dental, and vision insurance plans for the severance period, as if you were an active employee. After the severance period, Executive may elect to invoke his rights under COBRA. "Without Cause" shall mean any reason

except the commission of a felony, dishonesty, fraud, material misrepresentation, willful misconduct, and gross neglect of responsibilities.

You will also be paid according to the above severance arrangement for termination by yourself for "good reason". Good reason shall include a material change in job title, position, responsibilities, change in our home base and work location understanding, or any material breach in terms of this letter.

If you are terminated without cause as a result of a change in control, or subsequent to a change of control, you will be entitled to receive 12 months base salary paid on the same basis as described in connection with a termination without cause.

If you choose to terminate employment, you must provide 60 days notice.

You will be required to sign the company's confidentiality and non-solicitation agreement. In the event you are terminated, the restricted period will be reduced to the number of months on which your severance payment is based.

We have agreed that you shall continue to reside in the Philadelphia area and this shall be your home base and work location. All business travel expenses from the Philadelphia area will be paid by ADS, consistent with the company's "away from home" travel policies for a member of the Company's Executive Committee. ADS will pay the cost of installing a video-conference unit at your home base work location, and shall pay the necessary expenses for the business use of the video-conference unit.

It is the intent of the home base and work location plan to spend three of every five nights of the work week at home, and to spend an average of three full days a week at ADS offices in Columbus, Ohio and during these three days to make whatever trips are necessary to the company's headquarters in Dallas, Texas. We will provide a mutually agreeable (furnished and serviced) apartment in Columbus, Ohio at the company's expense. The remaining two workdays will be available for client and prospect visits from your home base location, as well as staff and administrative duties.

Ivan, I am pleased to have you become part of our executive management team and look forward to your contribution toward our success.

Sincerely,

/s/ J. Michael Parks

J. Michael Parks

cc: Art Buhl, Executive Recruiter

I ACCEPT THIS OFFER OF EMPLOYMENT:_____ DATE:_____

REGISTRATION RIGHTS AGREEMENT

January 24, 1996

To each of the parties
listed on Annex A hereto

Dear Sirs:

This will confirm that in consideration of (i) the purchase by certain of you (individually a "Purchaser" and collectively the "Purchasers"), severally, of an aggregate 28,571,429 shares of Common Stock, $.01 par value ("Common Stock"), of Business Services Holdings, Inc., a Delaware corporation (the "Company"), pursuant to the Securities Purchase Agreement dated as of January 24, 1996 (the "Purchase Agreement") among the Company and the Purchasers named therein, (ii) the agreement by certain of you pursuant to the terms of the Purchase Agreement to purchase up to an additional 23,270,000 shares of Common Stock, and (iii) the acquisition by JCP Telecom Systems, Inc., a Delaware corporation (the "Seller"), of a stock purchase warrant (the "Warrant") of the Company exercisable for an aggregate 1,503,759 shares of Common Stock pursuant to the Acquisition Agreement dated as of January 12, 1996 between the Company and the Seller, the Company hereby covenants and agrees with each of you, and with each subsequent holder of Restricted Stock (as such term is defined herein), as follows:

1. CERTAIN DEFINITIONS. As used herein, the following terms shall have the following respective meanings:

"COMMISSION" shall mean the Securities and Exchange Commission, or any other Federal agency at the time administering the Securities Act.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934 or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"PUBLIC SALE" means any sale of Common Stock to the public pursuant to an offering registered under the Securities Act or to the public pursuant to the provisions of Rule 144 (or any successor or similar rule) adopted under the Securities Act.

"REGISTRATION EXPENSES" shall mean the expenses so described in Section 7 hereof.

"RESTRICTED STOCK" shall mean (i) an aggregate 28,571,429 shares of Common Stock sold and delivered to the Purchasers pursuant to the Purchase Agreement, (ii) to the extent issued and sold to any Purchasers pursuant to the terms of the Purchase Agreement, up to an aggregate 23,270,000 shares of Common Stock sold and delivered to the Purchasers pursuant to the Purchase Agreement, (iii) the Warrant Shares and (iv) any securities issued upon exchange, adjustment or transfer of any such shares, the certificates for which are required to bear the legend set forth in Section 2 below. The respective number of shares of Restricted Stock held by each of you as of the date hereof is set forth opposite your name on Schedule I hereto.

"SECURITIES ACT" shall mean the Securities Act of 1933 or any similar Federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"SELLING EXPENSES" shall mean the expenses so described in Section 7 hereof.

"WARRANT SHARES" shall mean the shares of Common Stock issuable upon exercise of the Warrants.

2. RESTRICTIVE LEGEND. Each certificate representing Restricted Stock and each certificate issued upon exchange or transfer thereof, other than in a Public Sale or as otherwise permitted by the last paragraph of Section 3, shall be stamped or otherwise imprinted with a legend substantially in the following form:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NEITHER THE SECURITIES EVIDENCED BY THIS CERTIFICATE, NOR ANY INTEREST THEREIN, MAY BE OFFERED, SOLD, TRANSFERRED, ENCUMBERED OR OTHERWISE DISPOSED OF UNLESS EITHER (I) THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SAID ACT AND LAWS RELATING THERETO OR (II) THE ISSUER HAS RECEIVED AN OPINION OF COUNSEL, REASONABLY SATISFACTORY IN FORM AND SUBSTANCE TO THE ISSUER, STATING THAT SUCH REGISTRATION IS NOT REQUIRED."

3. NOTICE OF PROPOSED TRANSFER. Prior to any proposed transfer of any Restricted Stock (other than under the

circumstances described in Section 4 or 5 hereof), the holder thereof shall give written notice to the Company of its intention to effect such transfer. Each such notice shall describe the manner of the proposed transfer and, if requested by the Company, shall be accompanied by an opinion of counsel reasonably satisfactory to the Company (it being agreed that Reboul, MacMurray, Hewitt, Maynard & Kristol shall be satisfactory) to the effect that the proposed transfer of the Restricted Stock may be effected without registration under the Securities Act and any applicable state securities laws, whereupon the holder of such Restricted Stock may transfer such Restricted Stock in accordance with the terms of its notice, PROVIDED, HOWEVER, that, in the case of any Purchaser that is a partnership, no such opinion or other documentation shall be required if such notice shall cover a distribution by such partnership to its partners. Each certificate of Restricted Stock transferred as above provided shall bear the legend set forth in Section 2, unless (i) such transfer is to the public in accordance with the provisions of Rule 144 (or any other rule permitting public sale without registration under the Securities Act) or (ii) the opinion of counsel referred to above is to the further effect that the transferee and any subsequent transferee (other than an affiliate of the Company) would be entitled to transfer such securities in a Public Sale without registration under the Securities Act.

The foregoing restrictions on transferability of Restricted Stock shall terminate as to any particular shares of Restricted Stock when such shares shall have been effectively registered under the Securities Act and sold or otherwise disposed of in accordance with the intended method of disposition by the seller or sellers thereof set forth in the registration statement concerning such shares. Whenever a holder of Restricted Stock is able to demonstrate to the Company (and its counsel) that the provisions of Rule 144(k) of the Securities Act are available to such holder without limitation, such holder of Restricted Stock shall be entitled to receive from the Company, without expense, a new certificate not bearing the restrictive legend set forth in Section 2.

4. REQUIRED REGISTRATION.

(a) At any time, the holders of Restricted Stock constituting at least a majority of the total Restricted Stock outstanding at such time may request the Company to register under the Securities Act all or any portion of the Restricted Stock held by such requesting holder or holders for sale in the manner specified in such notice. For the purposes of this Section 4 and Section 5 hereof, the holders of the Warrants shall be deemed to be the holders of the number of shares of Restricted Stock then issuable upon the exercise of the Warrants; PROVIDED, HOWEVER, that the only securities

which the Company shall be required to register pursuant hereto shall be shares of Common Stock; PROVIDED, FURTHER, HOWEVER, that, in any underwritten public offering contemplated by this Section 4 and Section 5 hereof, the holders of the Warrants shall be entitled to sell such securities to the underwriters for exercise and sale of the shares of Common Stock issuable upon exercise thereof.

(b) Promptly following receipt of any notice under this Section 4, the Company shall immediately notify any holders of Restricted Stock from whom notice has not been received and shall use its best efforts to register under the Securities Act, for public sale in accordance with the method of disposition specified in such notice from requesting holders, on the same basis as shares are to be sold by requesting holders pursuant to paragraph (a) above, the number of shares of Restricted Stock specified in such notice (and in any notices received from other holders within 20 days after their receipt of such notice from the Company). If the holders of a majority of the Restricted Stock requesting registration require an underwritten public offering, the Company shall designate the managing underwriter of such offering, subject to the approval of the selling holders of a majority of the Restricted Stock covered by the offering, which approval shall not be unreasonably withheld. The Company shall be obligated to register Restricted Stock pursuant to this Section 4 on two occasions only. Notwithstanding anything to the contrary contained herein, the obligation of the Company under this Section 4 shall be deemed satisfied only when a registration statement covering all shares of Restricted Stock specified in notices received as aforesaid, for sale in accordance with the method of disposition specified by the requesting holder, shall have become effective and, it such method of disposition is a firm commitment underwritten public offering, all such shares shall have been sold pursuant thereto.

(c) The Company shall be entitled to include in any registration statement referred to in this Section 4, for sale in accordance with the method of disposition specified by the requesting holders, shares of Common Stock to be sold by the Company for its own account, except as and to the extent that, in the opinion of the managing underwriter (if such method of disposition shall be an underwritten public offering), such inclusion would adversely affect the marketing of the Restricted Stock to be sold. Except as provided in this paragraph (c), the Company will not effect any other registration of its Common Stock, whether for its own account or that of other holders (except with respect to a registration statement filed on Form S-8 or any successor form), from the date of receipt of a notice from requesting

holders pursuant to this Section 4 until the completion of the period of distribution of the registration contemplated thereby or withdrawal of the registration.

5. INCIDENTAL REGISTRATION. If the Company at any time (other than pursuant to Section 4 hereof) proposes to register any of its Common Stock under the Securities Act for sale to the public, whether for its own account or for the account of other securityholders or both (except with respect to registration statements on Forms S-4 or S-8 or another form not available for registering the Restricted Stock for sale to the public), it will give written notice at such time to all holders of outstanding Restricted Stock of its intention to do so. Upon the written request of any such holder, given within 30 days after receipt of any such notice by the Company, to register any of its Restricted Stock (which request shall state the intended method of disposition thereof), the Company will use its best efforts to cause the Restricted Stock as to which registration shall have been so requested to be included in the securities to be covered by the registration statement proposed to be filed by the Company, all to the extent requisite to permit the sale or other disposition by the holder (in accordance with its written request) of such Restricted Stock so registered. In the event that any registration pursuant to this Section 5 shall be, in whole or in part, an underwritten public offering of Common Stock, any request by a holder pursuant to this Section 5 to register Restricted Stock shall specify that either (i) such Restricted Stock is to be included in the underwriting on the same terms and conditions as the shares of Common Stock otherwise being sold through underwriters under such registration or (ii) such Restricted Stock is to be sold in the open market without any underwriting, on terms and conditions comparable to those normally applicable to offerings of common stock in reasonably similar circumstances. The number of shares of Restricted Stock to be included in such an underwriting may be reduced (PRO RATA among the requesting holders based upon the number of shares so requested to be registered) if and to the extent that the managing underwriter shall be of the opinion that such inclusion would adversely affect the marketing of the securities to be sold by the Company therein, PROVIDED, HOWEVER, that such number of shares of Restricted Stock shall not be reduced if any shares are to be included in such underwriting for the account of any person other than the Company.

Notwithstanding anything to the contrary contained in this Section 5, in the event that there is a firm commitment underwritten offering of securities of the Company pursuant to a registration covering Restricted Stock and a holder of Restricted Stock does not elect to sell his Restricted Stock to the underwriters of the Company's securities in connection with such offering, such holder shall refrain from selling such Restricted

Stock so registered pursuant to this Section 5 during the period of distribution of the Company's securities by such underwriters and the period in which the underwriting syndicate participates in the after market; PROVIDED, HOWEVER, that such holder shall, in any event, be entitled to sell its Restricted Stock in connection with such registration commencing on the 90th day after the effective date or such registration statement.

6. REGISTRATION PROCEDURES. If and whenever the Company is required by the provisions of Section 4 or 5 hereof to use its best efforts to effect the registration of any of the Restricted Stock under the Securities Act, the Company will, subject to its right to cease or postpone any registration pursuant to Section 5 hereof, as expeditiously as possible:

(a) prepare (and afford counsel for the selling holders reasonable opportunity to review and comment thereon) and file with the Commission a registration statement (which, in the case of an underwritten public offering pursuant to Section 4 hereof, shall be on Form S-1, Form S-3 or other form of general applicability satisfactory to the managing underwriter selected as therein provided) with respect to such securities and use its best efforts to cause such registration statement to become and remain effective for the period of the distribution contemplated thereby (determined as hereinafter provided);

(b) prepare (and afford counsel for the selling holders reasonable opportunity to review and comment thereon) and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the period specified in paragraph (a) above and as comply with the provisions of the Securities Act with respect to the disposition of all Restricted Stock covered by such registration statement in accordance with the sellers' intended method of disposition set forth in such registration statement for such period;

(c) furnish to each seller and to each underwriter such number of copies of the registration statement and the prospectus included therein (including each preliminary prospectus) as such persons may reasonably request in order to facilitate the public sale or other disposition of the Restricted Stock covered by such registration statement;

(d) use its best efforts to register or qualify the Restricted Stock covered by such registration statement under the securities or blue sky laws of such jurisdictions as the sellers of Restricted Stock or, in the case of an underwritten public offering, the managing underwriter,

shall reasonably request (provided that the Company will not be required to (i) qualify generally to do business in any jurisdiction where it would not otherwise be required to qualify but for this paragraph (d), (ii) subject itself to taxation in any such jurisdiction or (iii) consent to general service of process in any jurisdiction);

(e) immediately notify each seller under such registration statement and each underwriter, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus contained in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(f) use its best efforts (if the offering is underwritten) to furnish, at the request of any seller, on the date that Restricted Stock is delivered to the underwriters for sale pursuant to such registration: (i) an opinion dated such date of counsel representing the Company for the purposes of such registration, addressed to the underwriters and to such seller, stating that such registration statement has become effective under the Securities Act and that (A) to the best knowledge of such counsel, no stop order suspending the effectiveness thereof has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Securities Act, (B) the registration statement as theretofore amended, the related prospectus, and each amendment or supplement thereof, comply as to form in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder (except that such counsel need express no opinion as to financial statements contained therein) and (C) to such other effects as may reasonably be requested by counsel for the underwriters or by such seller or its counsel, and (ii) a letter dated such date from the independent public accountants retained by the Company, addressed to the underwriters and to such seller, stating that they are independent public accountants within the meaning of the Securities Act and that, in the opinion of such accountants, the financial statements of the Company included in the registration statement as theretofore amended, the related prospectus, or any amendment or supplement thereof, comply as to form in all material respects with the applicable accounting requirements of the Securities Act, and additionally covering such other financial matters (including information as to the period ending no more than five business days prior to the date of such letter) with

respect to the registration in respect of which such letter is being given as such underwriters or seller may reasonably request, and

(g) make available for inspection by each seller, any underwriter participating in any distribution pursuant to such registration statement, and any attorney, accountant or other agent retained by such seller or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement.

For purposes of paragraphs (a) and (b) above and of Section 4(c) hereof, the period of distribution of Restricted Stock in a firm commitment underwritten public offering shall be deemed to extend until each underwriter has completed the distribution of all securities purchased by it, and the period of distribution of Restricted Stock in any other registration shall be deemed to extend until the earlier of the sale of all Restricted Stock covered thereby or six months after the effective date thereof.

In connection with each registration hereunder, the selling holders of Restricted Stock will furnish to the Company in writing such information with respect to themselves and the proposed distribution by them as shall be reasonably necessary in order to assure compliance with federal and applicable state securities laws.

In connection with each registration pursuant to Sections 4 and 5 hereof covering an underwritten public offering, the Company agrees to enter into a written agreement with the managing underwriter selected in the manner herein provided in such form and containing such provisions as are customary in the securities business for such an arrangement between major underwriters and companies of the Company's size and investment stature, provided that such agreement shall not contain any such provision applicable to the Company which is inconsistent with the provisions hereof and provided, further, that the time and place of the closing under said agreement shall be as mutually agreed upon between the Company and such managing underwriter.

7. EXPENSES. All expenses incurred by the Company in complying with Sections: 4 and 5 hereof, including without limitation all registration and filing fees, printing expenses, fees and disbursements of counsel and independent public accountants for the Company, fees of the National Association of Securities Dealers, Inc., transfer taxes, fees of transfer agents and registrars, costs of insurance and fees and expenses of one counsel

for the sellers of Restricted Stock, but excluding any Selling Expenses, are herein called "Registration Expenses". All underwriting discounts and selling commissions applicable to the sale of Restricted Stock are herein called "Selling Expenses".

The Company will pay all Registration Expenses in connection with each registration statement filed pursuant to Section 4 or 5 hereof. All Selling Expenses in connection with any registration statement filed pursuant to Section 4 or 5 hereof shall be borne by the participating sellers in proportion to the number of shares sold by each, or by such persons other than the Company (except to the extent the Company shall be a seller) as they may agree.

8. INDEMNIFICATION. In the event of a registration or any of the Restricted Stock under the Securities Act pursuant to Section 4 or 5 hereof, the Company will indemnify and hold harmless each seller of such Restricted Stock thereunder and each underwriter of Restricted Stock thereunder and each officer, director and each other person, if any, who controls such seller or underwriter within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such seller or underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such Restricted Stock was registered under the Securities Act pursuant to Section 4 or 5, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each such seller, each such underwriter and each such controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action, PROVIDED, HOWEVER, that the Company will not be liable in any such case if and to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by such seller, such underwriter or such controlling person in writing specifically for use in such registration statement or prospectus.

In the event of a registration of any of the Restricted Stock under the Securities Act pursuant to Section 4 or 5 hereof, each seller of such Restricted Stock thereunder, severally and not jointly, will indemnify and hold harmless the Company and each officer, director and each other person, if any, who con-

trols the Company within the meaning of the Securities Act, each officer of the Company who signs the registration statement, each director of the Company, each underwriter and each person who controls any underwriter within the meaning of the Securities Act, against all losses, claims, damages or liabilities, joint or several, to which the Company or such officer or director or underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the registration statement under which such Restricted Stock was registered under the Securities Act pursuant to Section 4 or 5, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company and each such officer, director, underwriter and controlling person for any legal or other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action, PROVIDED, HOWEVER, that such seller will be liable hereunder in any such case if and only to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information pertaining to such seller, as such, furnished in writing to the Company by such seller specifically for use in such registration statement or prospectus, PROVIDED, FURTHER, HOWEVER, that the liability of each seller hereunder shall be limited to the proportion of any such loss, claim, damage, liability or expense which is equal to the proportion that the public offering price of shares sold by such seller under such registration statement bears to the total public offering price of all securities sold thereunder, but not to exceed the proceeds received by such seller from the sale of Restricted Stock covered by such registration statement.

Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party hereunder, notify the indemnifying party in writing thereof, but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to the indemnified party other than under this Section 8. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel satisfactory to such indemnified party, and, after notice from the

indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, the indemnifying party shall not be liable to much indemnified party under this Section 8 for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation and of liaison with counsel so selected, PROVIDED, HOWEVER, that, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be reasonable defenses available to it which are different from or additional to those available to the indemnifying party, or if the interests of the indemnified party reasonably may be deemed to conflict with the interests of the indemnifying party, the indemnified party (or, if there is more than one indemnified party, all of the indemnified parties collectively) shall have the right to select a separate counsel and to assume such legal defenses and otherwise to participate in the defense of such action, with the expenses and fees of such separate counsel and other expenses related to such participation to be reimbursed by the indemnifying party as incurred.

Notwithstanding the foregoing, any indemnified party shall have the right to retain its own counsel in any such action, but the fees and disbursements of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party shall have failed to retain counsel for the indemnified person as aforesaid or (ii) the indemnifying party and such indemnified party shall have mutually agreed to the retention of such counsel. It is understood that the indemnifying party shall not, in connection with any action or related actions in the same jurisdiction, be liable for the fees and disbursements of more than one separate firm qualified in such jurisdiction to act as counsel for the indemnified party (or, if there is more than one indemnified party, all of the indemnified parties collectively). The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment.

If the indemnification provided for in this Section 8 is unavailable to an indemnified party under the first or second paragraphs hereof in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the sellers of Restricted Stock and any other sellers participating in the

registration statement on the other from the sale of shares pursuant to the registered offering of securities as to which indemnity is sought or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the Company on the one hand and of the sellers of Restricted Stock and any other sellers participating in the registration statement on the other in connection with the statement or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the sellers of Restricted Stock and any other sellers participating in the registration statement on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) to the Company bear to the total net proceeds from the offering (before deducting expenses) to the sellers of Restricted Stock and any other sellers participating in the registration statement. The relative fault of the Company on the one hand and of the sellers of Restricted Stock and any other sellers participating in the registration statement on the other shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the sellers of Restricted Stock or other sellers participating in the registration statement and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company and the sellers of Restricted Stock agree that it would not be just and equitable if contribution pursuant to this Section 8 were determined by PRO RATA allocation (even if the sellers of Restricted Stock were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in the immediately preceding paragraph. The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in the immediately preceding paragraph shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 8, no seller of Restricted Stock shall be required to contribute any amount in excess of the proceeds received by such seller from the sale of Restricted Stock covered by the registration statement filed pursuant hereto. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

9. CHANGES IN COMMON STOCK. If, and as often as, there are any changes in the Common Stock by way of stock split, stock dividend, combination or reclassification, or through merger, consolidation, reorganization or recapitalization, or by any other means, appropriate adjustment shall be made in the provisions hereof, as may be required, so that the rights and privileges granted hereby shall continue with respect to the Common Stock as so changed and shall apply to any securities received in any such transaction.

10. MISCELLANEOUS. (a) All covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto, including, without limitation, the rights to indemnification under Section 8 hereof, shall bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not. Without limiting the generality of the foregoing, the registration rights conferred herein on the holders of Restricted Stock shall inure to the benefit of any and all subsequent holders from time to time of the Restricted Stock; PROVIDED, HOWEVER, that, notwithstanding anything to the contrary herein contained, the Company shall have no obligation to register any Restricted Stock pursuant to Section 4 or Section 5 hereof for any holder of such Restricted Stock until such time as such holder has executed and delivered to the Company its agreement to be bound by the terms and provisions hereof to the same extent as if such holder were an original signatory hereto.

(b) All notices, requests, consents and other communications hereunder shall be in writing and shall be sent by telecopier, national overnight courier service or certified mail, return receipt requested, in each case with postage prepaid, addressed as follows:

if to the Company, to it at

if to any holder of Restricted Stock, to it at the address set forth in Schedule I hereto;

if to any subsequent holder of Restricted Stock, to it at such address as may have been furnished to the Company in writing by such holder;

or, in any case, at such other address or addresses as shall have been furnished in writing to the Company (in the case of a holder of Restricted Stock) or to the holders of Restricted Stock (in the case of the Company).

(c) This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(d) This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, whether oral or written, relating to the subject matter hereof. This Agreement may not be modified or amended except in writing signed by the Company and the holders of not less than 66-2/3% of the Restricted Stock PROVIDED, HOWEVER, that in the event such amendment or waiver adversely affects the rights and/or obligations of any holder or class or series of holders under this Agreement in a manner different from the wanner in which it affects the rights and/or obligations of any other holder or class or series of holders, as the case may be, such amendment or waiver shall also require the written consent of such holder, or a majority of such class or series of holders, as the case may be.

(e) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Please indicate your acceptance of the foregoing by signing and returning the enclosed counterpart of this letter, whereupon this letter (herein sometimes called "this Agreement") shall be a binding agreement between the Company and you.

Very truly yours,

BUSINESS SERVICES HOLDINGS, INC.

By: /s/ Anthony J. de Nicola

Name: Anthony J. de Nicola
Title: President

AGREED TO AND ACCEPTED
as of the date first
above written.

WELSH, CARSON, ANDERSON & STOWE VII, L.P.
By WCAS VII Partners, General Partner

By: /s/ Anthony J. de Nicola

General Partner

WCAS INFORMATION PARTNERS, L.P.
By WCAS INFO Partners, General Partner

By: /s/ Patrick J. Welsh

General partner

WCAS CAPITAL PARTNERS II, L.P.
By WCAS CP II Partners, General Partner

By: /s/ Anthony J. de Nicola

General Partner

/s/ Patrick J. Welsh

Patrick J. Welsh

/s/ Russell L. Carson
- ----------
Russell L. Carson

/s/ Bruce K. Anderson
- ----------
Bruce K. Anderson

/s/ Richard H. Stowe
- ----------
Richard H. Stowe

/s/ Andrew M. Paul
- ----------
Andrew M. Paul

/s/ Thomas E. McInerney
- ----------
Thomas E. McInerney

/s/ Laura VanBuren
- ----------
Laura VanBuren

/s/ James B. Hoover
- ----------
James B. Hoover

/s/ Robert A. Minicucci
- ----------
Robert A. Minicucci

/s/ Anthony J. deNicola
- ----------
Anthony J. deNicola

/s/ David F. Bellet
- ----------
David F. Bellet

JCP TELECOM SYSTEMS, INC.

By: /s/ [Illegible]

WCA MANAGEMENT CORPORATION

By: /s/ [Illegible]

ANNEX A

Name of Holder	No. of Shares Of Common Stock \ Warrant Shares
Welsh, Carson, Anderson & Stowe VII, L.P.	23,982,500
WCAS Capital Partners II, L.P.	3,571,429
WCAS Information Partners, L.P.	100,000
WCA Management Corporation	17,500
Patrick J. Welsh	150,000
Russell L. Carson	115,000
Bruce K. Anderson	250,000
Richard H. Stowe	75,000
Andrew M. Paul	50,000
Thomas E. McInerney	75,000
Laura VanBuren	5,000
James B. Hoover	10,000
Robert A. Minicucci	50,000
Anthony J. deNicola	20,000
David Bellet (DLJSC as Custodian for the IRA FBO David F. Bellet)	100,000
JCP Telecom Systems, Inc.	1,503,759 (Warrant Shares)

SCHEDULE I

NAMES AND ADDRESSES OF HOLDERS

Welsh, Carson, Anderson & Stowe VII, L.P.
WCAS Capital Partners II, L.P.
WCAS Information Partners, L.P.
WCA Management Corporation
Patrick J. Welsh
Russell L. Carson
Bruce K. Anderson
Richard H. Stowe
Andrew M. Paul
Thomas E. McInerney
Laura VanBuren
James B. Hoover
Robert A. Minicucci
Anthony J. deNicola
c/o Welsh, Carson, Anderson & Stowe
One World Financial Center
New York, NY 10281

David Bellet (DLJSC as Custodian for the IRA FBO David F. Bellet)
Pershing Division of Donaldson, Lufkin & Jenrette Securities Corporation
P.O. Box 2050
Jersey City, New Jersey 07399

JCP Telecom Systems, Inc.
6501 Legacy Drive
Plano, Texas 75024

- ---
- ---

SECURITIES PURCHASE AGREEMENT

Among

WORLD FINANCIAL NETWORK HOLDING CORPORATION

LIMITED COMMERCE CORP.

and

THE OTHER SECURITYHOLDERS
NAMED ON SCHEDULE I AND SCHEDULE II HERETO

Dated as of August 30, 1996

- ---
- ---

TABLE OF CONTENTS

INDEX TO SCHEDULES

SECURITIES PURCHASE AGREEMENT

SECURITIES PURCHASE AGREEMENT dated as of August 1996 among WORLD FINANCIAL NETWORK HOLDING CORPORATION, a Delaware corporation (the "Company"), LIMITED COMMERCE CORP., a Delaware corporation (the "Purchaser"), the securityholders whose names appear on Schedule I hereto (hereinafter sometimes referred to individually as a "Schedule I Securityholder" and collectively as the "Schedule I Securityholders") and WCAS CAPITAL PARTNERS II, L.P., a Delaware limited partnership (the "Schedule II Securityholder" and, together with the Schedule I Securityholders, the "Selling Securityholders").

RECITALS

WHEREAS the Selling Securityholders hold all of the issued and outstanding shares of capital stock of Business Services Holdings, Inc., a Delaware corporation ("BSH"), and 60% of the issued and outstanding shares of capital stock of the Company; and

WHEREAS the Purchaser holds the remaining 40% of the issued and outstanding shares of capital stock of the Company; and

WHEREAS the Company and BSH have entered into an Agreement and Plan of Merger dated as of August , 1996 (the "Merger Agreement"), pursuant to which BSH and the Company have agreed on the terms and conditions pursuant to which BSH will be merged (the "Merger") with and into the Company, with the Company as the surviving corporation of the Merger; and

WHEREAS upon the effectiveness of the Merger, the issued and outstanding shares of Common Stock, $.01 par value ("BSH Common Stock"), of BSH shall be converted into an aggregate 28,571,429 shares of Common Stock, $.01 par value ("Common Stock"), of the Company, and the issued and outstanding shares of Preferred Stock, $1 par value ("BSH Preferred Stock"), of BSH shall be converted into an aggregate 25,899,999 shares of Common Stock; and

WHEREAS, upon the effectiveness of the Merger, the Company will assume, among other things, the obligations and liabilities of BSH under and in respect of (i) the 10% Subordinated Notes Due January 24, 2002 of BSH (the "Notes") in the aggregate principal amount of $50,000,000 and (ii) the Securities Purchase Agreement dated as of January 24, 1996 (the "BSH Securities Purchase Agreement"), among BSH and the Selling Securityholders; and

WHEREAS the Purchaser, on the one hand, and the Selling Securityholders, on the other hand, desire to maintain their proportionate investments in the Company following the effectiveness of the Merger, and, in connection therewith, (i) the Selling Securityholders have agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Selling Securityholders, (x) forty percent (40%) of the shares of Common Stock received by each Selling Securityholder in connection with the Merger, being an aggregate 21,788,572 shares of Common Stock, and (y) forty percent (40%) of the principal amount of the Notes (being an aggregate $20,000,000 principal amount of Notes), in each case on the terms and subject to the conditions hereinafter set forth, and (ii) the Purchaser is willing to assume forty percent (40%) of the financing obligations of the Schedule I Securityholders under Sections 1.03 and 1.04 of the BSH Securities Purchase Agreement; and

WHEREAS, it is a condition to the consummation of the transactions contemplated by the Merger Agreement that the BSH Securities Purchase Agreement be amended to the extent required to give effect to the transactions contemplated by the Merger Agreement;

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

I.

SALE AND TRANSFER OF SECURITIES; CLOSING; PURCHASE PRICE

SECTION 1.01. SALE AND TRANSFER OF SECURITIES.

(a) THE SCHEDULE I COMMON SHARES. Subject to the terms and conditions set forth herein, each Schedule I Securityholder shall sell to the Purchaser, and the Purchaser shall purchase from such Schedule I Securityholder on the Closing Date (as hereinafter defined), the number of shares (the "Schedule I Common Shares") of Common Stock set forth opposite the name of such Schedule I Securityholder on Schedule I hereto under the heading "Number of Common Shares".

(b) THE SCHEDULE II COMMON SHARES. Subject to the terms and conditions set forth herein, the Schedule II Securityholder shall sell to the Purchaser, and the Purchaser shall purchase from the Schedule II Securityholder on the Closing Date, the number of shares (the "Schedule II Common Shares" and, collectively with the Schedule I Common Shares, the "Common Shares") of Common Stock set forth opposite the name of the

Schedule II Securityholder on Schedule II hereto under the heading "Number of Common Shares".

(c) THE NOTES. Subject to the terms and conditions set forth herein, the Schedule II Securityholder shall sell to the Purchaser, and the Purchaser shall purchase from the Schedule II Securityholder on the Closing Date, the principal amount of notes set forth opposite the name of the Schedule II Securityholder on Schedule II hereto under the heading "Principal Amount of Note". The purchase of the principal amount of Notes shall also constitute the purchase of any accrued and unpaid interest in respect of such principal amount. The Common Shares and the Note are herein referred to as the "Securities".

SECTION 1.02. DELIVERY OF SHARES AND NOTES: REISSUANCE OF NOTES AND PAYMENT OF PURCHASE PRICE. (a) At the closing on the Closing Date (i) each Selling Securityholder shall deliver to the Purchaser a certificate or certificates in definitive form, registered in the name of such Securityholder, evidencing the Shares being sold by such Selling Securityholder hereunder, duly endorsed for transfer or accompanied by stock transfer powers duly endorsed in blank, with all requisite stock transfer taxes paid and stamps affixed and (ii) the Schedule II Securityholder shall surrender to the Company the Note, duly endorsed as to the principal amount being sold to the Purchaser by the Schedule II Securityholder.

(b) At the Closing on the Closing Date, subject to surrender of the Note as aforesaid, the Company shall issue and deliver to each of the Purchaser and the Schedule II Securityholder a new Note in the principal amounts being sold to the Purchaser and being retained by the Schedule II Securityholder, respectively. Interest on the Note shall be apportioned between the Purchaser and the Schedule II Securityholder as of the close of business on the Closing Date.

(c) As payment in full of the purchase price for the Shares and the Note and against delivery of the certificates evidencing the Shares and surrender of the Note and issuance of the new Notes as aforesaid, at the closing on the Closing Date, the Purchaser shall:

(i) pay to each Schedule I Securityholder the amount set opposite the name of such Schedule I Securityholder in Schedule I hereto under the heading "Price of Common Shares" being $1.00 for each Schedule I Common Share being sold by such Schedule I Securityholder, by transfer of such amount to such Schedule I Securityholder by wire transfer to an account designated by Welsh, Carson, Anderson & Stowe VII, L.P. ("WCAS VII") in writing prior to the Closing Date; and

(ii) pay to the Schedule II Securityholder the amount set opposite the name of such Schedule II Securityholder in Schedule II hereto under the headings "Purchase Price of Subordinated Note" and "Purchase Price of Common Shares" being the sum of (x) $1.00 for each Schedule II Common Share being sold by such Schedule II Securityholder, (y) $18,571,428 in respect of the $20,000,000 principal amount of Notes being sold by the Schedule II Securityholder and (z) $333,333.33 representing accrued and unpaid interest on the Notes being purchased by the Purchaser from the date of original issue thereof through the Closing Date, by wire transfer to an account designated by WCAS VII in writing prior to the Closing Date.

SECTION 1.03. CLOSING. The closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Reboul, MacMurray, Hewitt, Maynard & Kristol, 45 Rockefeller Plaza, New York, N.Y. 10111 on August 30, 1996, at 10 a.m. Eastern Daylight Time, or at such other place or at such other date and time as the Selling Securityholders and the Purchaser may mutually agree (the date and time of the Closing being herein called the "Closing Date").

SECTION 1.04. ASSUMPTION OF OBLIGATION TO PURCHASE ADDITIONAL SHARES. (a) The Purchaser hereby assumes from the Schedule I Securityholders forty percent (40%) of the Selling Securityholders' obligation under the BSH Securities Purchase Agreement to purchase up to an aggregate $46,540,000 in equity securities from the Company, in all respects as if the Purchaser had been a Purchaser under the BSH Securities Purchase Agreement. In no event shall any provision of the BSH Securities Purchase Agreement be amended or modified without the prior written consent of the Purchaser. In addition, the Purchaser shall not be obligated to make any payment pursuant to this Section 1.04(a) unless the Selling Securityholders have provided documentation reasonably satisfactory to the Purchaser demonstrating that the payment of additional consideration under the BSH Securities Purchase Agreement is required. In no event will the Purchaser be required to make any payment pursuant to this Section 1.04(a) unless each Selling Securityholder has theretofore made all corresponding payments to be made by such Selling Securityholder in accordance with the BSH Securities Purchase Agreement.

(b) The Company hereby agrees that the assumption by the Purchaser of a portion of the obligation of the Schedule I Securityholders to provide additional financing pursuant to the BSH Securities Purchase Agreement as provided in Section 1.04(a) above shall relieve such Schedule I Securityholders of their respective proportionate shares of the obligation to provide such additional financing under the BSH Securities Purchase Agreement.

II.

REPRESENTATIONS AND WARRANTIES OF
THE SELLING SECURITYHOLDERS

Each Selling Securityholder represents and warrants as to itself only, to the Purchaser as follows:

SECTION 2.01. AUTHORIZATION OF AGREEMENTS, ETC. (a) Such Selling Securityholder has full legal capacity and power to execute and deliver this Agreement and to perform such Selling Securityholder's obligations hereunder.

(b) The execution and delivery by such Selling Securityholder of this Agreement, and the performance by each Selling Securityholder of such Selling Securityholder's obligations hereunder, have been duly authorized (in the case of each corporation and partnership that is a Selling Securityholder) by all requisite corporate or partnership action on its part, and will not violate any provision of law, any order of any court or other agency of government, any judgment, award or decree or any provision of any indenture, agreement or other instrument which such Selling Securityholder is a party, or by which such Selling Securityholder or any of such Selling Securityholder's properties or assets is bound or affected, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument.

SECTION 2.02. VALIDITY. This Agreement has been duly executed and delivered by such Selling Securityholder and constitutes a legal, valid and binding agreement of such Selling Securityholder, enforceable against such Selling Securityholder in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights in general and to general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law.

SECTION 2.03. GOVERNMENTAL APPROVALS. ETC. Other than compliance by the Purchaser and the Company with the requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") with respect to the transactions contemplated hereby, no order, authorization, approval or consent from, or filing with, any federal or state governmental or public body or other authority having jurisdiction over such Selling Securityholder is required for the execution, delivery and performance of this Agreement or is necessary in order to ensure the legality, validity, binding effect or enforceability of this Agreement.

SECTION 2.04. LITIGATION RELATING TO TRANSACTION. There are no actions, suits, proceedings or claims pending before any court, arbitrator or government agency against or affecting the Purchaser which might enjoin or prevent the consummation of the transactions contemplated by this Agreement or the Escrow Agreement.

SECTION 2.05. BROKERS' OR FINDERS' FEES. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried out by such Selling Shareholder directly, without the intervention of any person on behalf of the Selling Shareholder in such manner as to give rise to any claim by any person against the Purchaser for a finder's fee, brokerage commission or similar payment.

SECTION 2.06. TITLE TO SHARES AND NOTE. Such Securityholder is the lawful holder of record and beneficial owner of the number of shares of Common Stock and the principal amount of the Note being sold by such Selling Securityholder to the Purchaser hereunder and has good and valid title thereto, in each case free and clear of any and all pledges, security interests, liens, charges or other encumbrances of any nature whatsoever, except as otherwise provided in the Stockholders Agreement dated as of January 31, 1996 (the "Original Stockholders Agreement") among the Company, the Purchaser and certain of the Selling Securityholders, as amended and restated by the Amended and Restated Stockholders Agreement of even date herewith (collectively with the Original Stockholders Agreement, the "Stockholders Agreement"). All shares of Common Stock to be sold by such Selling Securityholder have been duly authorized and validly issued by the Company and are non-assessable and, except as provided in the Stockholders Agreement, the issuance thereof was not subject to any preemptive or similar rights. Upon consummation of the transactions contemplated by this Agreement, the Purchaser will be the record and beneficial owner of all shares of Common Stock to be sold by such Selling Securityholder and will have good and valid title to such shares, free and clear of any and all pledges, security interest, liens, charges or other encumbrances of any kind, except as otherwise provided in the Stockholders Agreement. The principal amount of the Note to be sold by such Selling Securityholder as well as all other obligations related thereto (including, without limitation, the obligation to pay interest in respect thereof), constitute valid and binding obligations of the Company. Upon consummation of the transactions contemplated by this Agreement, the Purchaser will be the record and beneficial owner of the principal amount of the Note to be sold by such Selling Securityholder (and all other rights, including the right to receive interest payments relating thereto) and will have good and valid title thereto, free and clear of any and all pledges, security interests, liens, charges or other encumbrances of any kind.

SECTION 2.07. DISTRIBUTIONS. Such Selling Securityholder has not received any payments from BSH or the Company in respect of the Securities, whether by way of dividend, distribution, payment of interest or otherwise.

III.

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Purchaser as follows:

SECTION 3.01. ORGANIZATION, QUALIFICATIONS AND CORPORATE POWER; SUBSIDIARIES. The Company is a corporation duly incorporated and validly existing under the laws of the State of Delaware and is duly licensed or qualified as a foreign corporation in each other jurisdiction in which it owns, leases or operates any property or in which the nature of business transacted by it makes such licensing or qualification necessary (other than any such jurisdiction in which the failure to be so qualified would not, in the aggregate, have a material adverse effect on its business, properties or financial condition). The Company has the corporate power and authority, and the legal right, to own and operate its properties and to carry on its business as currently conducted.

SECTION 3.02. AUTHORIZATION OF AGREEMENTS, ETC. (a) The Company has the corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

(b) The execution and delivery by the Company of this Agreement, and the performance by the Company of its obligations hereunder, have been duly authorized by all requisite corporate action on its part, and will not violate any provision of law, any order of any court or other agency of government, any judgment, award or decree or any provision of any indenture, agreement or other instrument which the Company is a party, or by which the Company's properties or assets is bound or affected, or conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company.

SECTION 3.03. VALIDITY. This Agreement has been duly executed and delivered the Company and constitutes a legal, valid and binding agreement of the Company, enforceable against the Company in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws

affecting the enforcement of creditors' rights in general and to general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law.

SECTION 3.04. GOVERNMENTAL APPROVALS, ETC. Other than compliance by the Purchaser and the Company with the requirements of the HSR Act with respect to the transactions contemplated hereby, no order, authorization, approval or consent from, or filing with, any federal or state governmental or public body or other authority having jurisdiction over the Company is required for the execution, delivery and performance of this Agreement or is necessary in order to ensure the legality, validity, binding effect or enforceability of this Agreement.

SECTION 3.05. LITIGATION RELATING TO TRANSACTION. There are no actions, suits, proceedings or claims pending before any court, arbitrator or government agency against or affecting the Company which might enjoin or prevent the consummation of the transactions contemplated by this Agreement.

SECTION 3.06. REPRESENTATIONS AND WARRANTIES IN THE MERGER AGREEMENT. The Representations and Warranties made by the Company to BSH in Article III of the Merger Agreement (other than those contained in Section 3.01(a) thereof) are hereby incorporated herein in their entirety and shall, for the purposes of this Agreement, be deemed to be included among the representations and warranties made by the Company to the Purchaser in this Article III.

IV.

REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Selling Securityholders as follows:

SECTION 4.01. ORGANIZATION, POWER, ETC. The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Purchaser has full corporate power and authority to execute and deliver this Agreement and to perform its obligations hereunder.

SECTION 4.02. AUTHORIZATION OF AGREEMENTS, ETC. The execution and delivery by the Purchaser of this Agreement, and the performance by the Purchaser of its obligations hereunder, have been duly authorized by all requisite corporate action on its part and will not violate any provision of law, any order of any court or other agency of government, the Certificate of Incorporation or By-laws of the Purchaser, any judgment, award or decree or any indenture, agreement or other instrument to which the Purchaser is a party, or by which it or any of its properties

or assets is bound or affected, or result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Purchaser.

SECTION 4.03. VALIDITY. This Agreement has been duly executed and delivered by the Purchaser and constitutes a legal, valid and binding agreement of the Purchaser, enforceable against the Purchaser in accordance with its terms, subject, as to enforcement of remedies, to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights in general and to general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law.

SECTION 4.04. GOVERNMENTAL APPROVALS, ETC. Other than compliance by the Company and the Purchaser with the requirements of the HSR Act, no order, authorization, approval or consent from, or filing with, any federal or state governmental or public body or other authority having jurisdiction over the Purchaser is required for the execution, delivery and performance of this Agreement or is necessary in order to ensure the legality, validity, binding effect or enforceability of this Agreement.

SECTION 4.05. LITIGATION RELATING TO TRANSACTION. There are no actions, suits, proceedings or claims pending before any court, arbitrator or government agency against or affecting the Purchaser which might enjoin or prevent the consummation of the transactions contemplated by this Agreement.

SECTION 4.06. BROKERS' OR FINDERS' FEES. All negotiations relative to this Agreement and the transactions contemplated hereby have been carried out by the Purchaser directly with the Selling Securityholders, without the intervention of any person on behalf of the Purchaser in such manner as to give rise to any claim by any person against any of the Selling Securityholders for a finder's fee, brokerage commission or similar payment.

V.

COVENANTS

SECTION 5.01. CERTAIN COVENANTS OF THE SELLING SECURITYHOLDERS. (a) Upon prior notice and at reasonable times, between the date hereof and the Closing Date, the Selling Securityholders shall, and shall cause the Company to, provide access to representatives of the Purchaser to the financial,

accounting and legal records of the Company, and to key employees of the Company designated by the Purchaser, and, in connection therewith, shall permit representatives of the Purchaser to visit the premises of the Company. Such activities shall be performed, so far as is reasonably possible, in such a manner as to avoid disruption of normal operations.

(b) Between the date hereof and the Closing Date, none of the Selling Securityholders nor any affiliate of any of the Selling Securityholders shall enter into any transaction, make any agreement or commitment, or take any action, which would result in any of the representations, warranties or covenants of the Selling Securityholders contained in this Agreement not being true and correct at and as of the time immediately after the occurrence of such transaction, event or action.

VI.

CONDITIONS PRECEDENT

SECTION 6.01. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE PURCHASER. The obligation of the Purchaser to consummate the transactions contemplated by this Agreement is subject, at the option of the Purchaser, to the satisfaction at or prior to the Closing Date of each of the following conditions:

(a) ACCURACY OF REPRESENTATIONS AND WARRANTIES. The representations and warranties of each Selling Securityholder contained in this Agreement or in any certificate or document delivered to the Purchaser pursuant hereto shall be true and correct on and as of the Closing Date as though made at and as of that date, and each Selling Securityholder shall have so certified to the Purchaser in writing.

(b) COMPLIANCE WITH COVENANTS. Each Selling Securityholder shall have performed and complied with all terms, agreements, covenants and conditions of this Agreement to be performed or complied with by it at or prior to the Closing Date, and each Selling Securityholder shall have so certified to the Purchaser in writing.

(c) ALL PROCEEDINGS TO BE SATISFACTORY. All proceedings to be taken by the Selling Securityholders and the Company in connection with the transactions contemplated hereby and all documents incident thereto shall be reasonably satisfactory in form and substance to the Purchaser and its counsel, Davis Polk & Wardwell, and the Purchaser and said counsel shall have received all such counterpart originals or certified or other copies of such documents as they may reasonably request.

(d) HSR ACT; CONSENTS AND APPROVALS. The applicable waiting period under the HSR Act with respect to the transactions contemplated hereby shall have expired or been terminated, and all authorizations, consents, waivers and approvals required in connection with the execution, delivery and performance of this Agreement shall have been duly obtained and shall be in form and substance satisfactory to counsel for the Purchaser.

(e) LEGAL ACTIONS OR PROCEEDINGS. No legal action or proceeding shall have been instituted by any party or threatened by any governmental department, agency or authority, in either case seeking to restrain, prohibit, invalidate or otherwise affect the consummation of the transactions contemplated hereby or which would, if adversely decided, materially adversely affect the operation by the Purchaser of the business of the Company.

(f) MERGER AGREEMENT. The Merger Agreement shall have been executed and delivered by the parties thereto, and the transactions contemplated thereby shall have been consummated.

(g) SUPPORTING DOCUMENTS. On or prior to the Closing Date, the Purchaser and its counsel shall have received copies of the following supporting documents:

(1) (A) the Certificate of Incorporation of the Company certified as of a recent date by the Secretary of State of the State of Delaware and (B) a certificate of the Secretary of State of the State of Delaware as to the due incorporation and existence of the Company and listing all documents on file with said official;

(2) a certificate of the Secretary or an Assistant Secretary of the Company, dated the Closing Date and certifying (A) that attached thereto is a true and complete copy of the By-laws of the Company as in effect on the date of such certification; and (B) that the Certificate of Incorporation of the Company has not been amended since the date of the last amendment referred to in the certificate delivered pursuant to clause (1) (B) above; and

(3) such additional supporting documents and other information with respect to the operations and affairs of the Company as the Purchaser or its counsel may reasonably request.

All such documents shall be satisfactory in form and substance to the Purchaser and its counsel.

SECTION 6.02. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE SELLING SECURITYHOLDERS. The obligations of the Selling Securityholders under this Agreement are subject, at the option

of the Selling Securityholders, to the satisfaction at or prior to the Closing Date of each of the following conditions:

(a) ACCURACY OF REPRESENTATIONS AND WARRANTIES. The representations and warranties of the Purchaser contained in this Agreement or in any certificate or document delivered to the Selling Securityholders pursuant hereto shall be true and correct on and as of the Closing Date as though made at and as of that date and the Purchaser shall so certified to the Selling Securityholders in writing.

(b) COMPLIANCE WITH COVENANTS. The Purchaser shall have performed and complied with all terms, agreements, covenants and conditions of this Agreement to be performed or complied with by it at or prior to the Closing Date, and the Purchaser shall have so certified to the Selling Securityholders in writing.

(c) CONSENTS AND APPROVALS. The applicable waiting period under the HSR Act with respect to the transactions contemplated hereby shall have expired or been terminated and all authorizations, consents, waivers and approvals required in connection with the execution, delivery and performance of this Agreement shall have been duly obtained and shall be in form and substance satisfactory to counsel for the Selling Securityholders.

(d) LEGAL ACTIONS OR PROCEEDINGS. No legal action or proceeding shall have been instituted by any party or threatened by any governmental department, agency or authority, in either case seeking to restrain, prohibit, invalidate or otherwise affect the consummation of the transactions contemplated hereby or which would, if adversely decided, materially adversely affect the operation by the Purchaser of the business of the Company.

(e) MERGER AGREEMENT. The Merger Agreement shall have been executed and delivered by the parties thereto, and the transactions contemplated thereby shall have been consummated.

VII.

MISCELLANEOUS

SECTION 7.01. EXPENSES, ETC. (a) All costs and expenses, including fees and disbursements of counsel, financial advisors, accountants and consultants, incurred in connection with the negotiation, preparation, execution and delivery of this Agreement and the closing of the transactions contemplated hereby, shall be paid by the party incurring such expenses.

(b) The Selling Securityholders, on the one hand, and the Purchaser, on the other hand, will indemnify the other and

hold it or them harmless from and against any claims for finders' fees or brokerage commissions in relation to or in connection with such transactions as a result of any agreement or understanding between such indemnifying party and any third party.

SECTION 7.02. SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made by any party hereto in this Agreement or pursuant hereto shall survive the Closing Date hereunder.

SECTION 7.03. EXECUTION IN COUNTERPARTS. For the convenience of the parties, this Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

SECTION 7.04. NOTICES. All notices which are required or may be given pursuant to the terms of this Agreement shall be in writing and shall be sufficient in all respects if (i) delivered personally, (ii) mailed by registered or certified mail, return receipt requested and postage prepaid, (iii) sent via a nationally recognized overnight courier service or (iv) sent via facsimile confirmed in writing to the recipient, in each case as follows:

if to the Company, to:

World Financial Network Holding Corporation
4590 East Broad Street
Columbus, Ohio 43213
Attention:

if to the Purchaser, to:

Limited Commerce Corp.
c/o The Limited, Inc.
Three Limited Parkway
Columbus, Ohio 43230
Attention:

with a copy to:

Davis Polk & Wardwell
450 Lexington Avenue
New York, New York 10017
Attention:

if to any Selling Securityholder, to the address appearing under the name of such Selling Securityholder on Schedule I or II hereto;

or such other address or addresses as the Selling Security-holders, on the one hand, or the Purchaser, on the other hand, shall have designated by notice in writing to the other.

SECTION 7.05. WAIVERS. Either the Selling Securityholders, on the one hand, or the Purchaser, on the other hand, may, by written notice to the other, (i) extend the time for the performance of any of the obligations or other actions of the other under this Agreement, (ii) waive any inaccuracies in the representations or warranties of the other contained in this Agreement or in any document delivered pursuant to this Agreement, (iii) waive compliance with any of the conditions or covenants of the other contained in this Agreement, or (iv) waive performance of any of the obligations of the other under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including without limitation any investigation by or on behalf of any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

SECTION 7.06. AMENDMENTS, SUPPLEMENTS, ETC. At any time this Agreement may be amended or supplemented by such additional agreements, articles or certificates, as may be determined by the parties hereto to be necessary, desirable or expedient to further the purposes of this Agreement, or to clarify the intention of the parties hereto, or to add to or modify the covenants, terms or conditions hereof or to effect or facilitate any governmental approval or acceptance of this Agreement or to effect or facilitate the filing or recording of this Agreement or the consummation of any of the transactions contemplated hereby. Any such instrument must be in writing and signed by all parties hereto.

SECTION 7.07. ENTIRE AGREEMENT. This Agreement, its Exhibits, Schedules and Annexes and the documents executed on the Closing Date in connection herewith, constitute the entire agreement between the parties hereto with respect to the subject matter hereof and supersede all prior agreements and understandings, oral and written, between the parties hereto with respect to the subject matter hereof.

SECTION 7.08. APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, exclusive of the conflicts of laws provisions thereof.

SECTION 7.09. BINDING EFFECT; BENEFITS. This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted as-

signs. Notwithstanding anything contained in this Agreement to the contrary, nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or their respective successors and assigns, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

SECTION 7.10. ASSIGNABILITY. Neither this Agreement nor any of the parties' rights hereunder shall be assignable by any party hereto without the prior written consent of the other parties hereto.

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

WORLD FINANCIAL NETWORK HOLDING CORPORATION

By /s/ Ralph E.

Title

LIMITED COMMERCE CORP.

By

Title:

WELSH, CARSON, ANDERSON, STOWE VII, L.P.

By: WCAS VII Partners, L.P.,
General Partner

By

Title: General Partner

WCAS INFORMATION PARTNERS, L.P.

By: WCAS INFO Partners, L.P.

General Partner

By

Title: General Partner

WCAS CAPITAL PARTNERS II, L.P.

By: WCAS CP II Partners,
General Partner

By

Title: General Partner

WCA MANAGEMENT CORPORATION

By

Title:

Patrick J. Welsh

Russell L. Carson

Bruce K. Anderson

Richard H. Stowe

Andrew M. Paul

Thomas E. McInerney

Laura VanBuren

James B. Hoover

Robert A. Minicucci

Anthony J. deNicola

David Bellet

SCHEDULE I

Name and Address of Selling Securityholder	Number of Common Shares	Price of Common Shares
Welsh, Carson, Anderson & Stowe VII, L.P.	19,531,348	$19,531,348
WCAS Information Partners, L.P.	81,440	$81,440
WCA Management Corporation	14,252	$14,252
Patrick J. Welsh	122,160	$122,160
Russell L. Carson	93,656	$93,656
Bruce K. Anderson	203,600	$203,600
Richard H. Stowe	61,080	$61,080
Andrew M. Paul	40,720	$40,720
Thomas E. Mclnerney	61,080	$61,080
Laura VanBuren	4,072	$4,072
James B. Hoover	8,144	$8,144
Robert A. Minicucci	40,720	$40,720
Anthony J. deNicola	16,288	$16,288
David Bellet (DLJSC as Custodian for the IRA FBO David F. Bellet) c/o Welsh, Carson, Anderson & Stowe 320 Park Avenue, Suite 2500 New York, NY 10022-6815	81,440	$81,440
TOTAL:	21,788,572	$21,788,572

SCHEDULE II

Name and Address of Selling Securityholder	Principal Amount of Subordinated Note	Purchase Price of Subordinated Note	Common Shares	Purchase Price of Common Shares
WCAS Capital Partners II L.P. 320 Park Avenue, Suite 2500 New York, NY 10022-6815	$20,000,000	$18,571,428	1,428,572	$ 1,428,572

Exhibit 10.35

AMENDED AND RESTATED LICENSE TO USE THE AIR MILES TRADE MARKS IN CANADA

BETWEEN

AIR MILES INTERNATIONAL HOLDINGS N.V.

AND

LOYALTY MANAGEMENT GROUP CANADA INC.

July 24, 1998

TABLE OF CONTENTS

AMENDED AND RESTATED LICENSE TO USE THE AIR MILES TRADE MARKS IN CANADA

THIS AGREEMENT is dated the 24th day of July, 1998 between AIR MILES INTERNATIONAL HOLDINGS N.V. of Landhuis Joonchi, Kaya Richard J. Beaujon z/n, P.O. Box 837, Curacao, Netherlands Antilles ("AMIH") and LOYALTY MANAGEMENT GROUP CANADA INC., whose registered office is located at 4110 Yonge Street, Suite 200, North York, Ontario, Canada ("LMGC");

WHEREAS the Parties entered into the License Agreement and the Intellectual Property License on December 17, 1992; and

WHEREAS throughout the term of that License Agreement AMIH and LMGC were related companies; and

WHEREAS Alliance Data Systems Corporation has agreed to purchase all of the shares of LMGC pursuant to the Share Purchase Agreement and such transaction is intended to close on the date hereof; and

WHEREAS certain of the Canadian Marks have been used by LMGC in the Territory since at least as early as December 17, 1992 pursuant to the License Agreement; and

WHEREAS the Parties are desirous of amending the terms of the License Agreement and have, for simplicity, agreed to enter into this Agreement; and

WHEREAS AMIH is entitled to grant the licenses herein to LMGC and is willing to license and allow LMGC to use the AMIH Marks and adopt the Licensed Names in the Territory on the terms and conditions set out in this Agreement.

NOW THEREFORE, in consideration of the business relationship between the Parties, the mutual covenants contained herein, and other good and valuable consideration (the receipt and sufficiency of which are acknowledged by the Parties), the Parties here to agree that the License Agreement is hereby amended and restated as follows:

ARTICLE 1
DEFINITIONS

1.1 DEFINITIONS

"AFFILIATE" means a Person directly or indirectly controlling, controlled by or under common control with a party.

"AIR MILES DEVICE" means the design mark as depicted in Canadian Trademark Registration No. 398,882.

"AGREEMENT" means this License Agreement including any recitals and schedules to this agreement, as amended, supplemented or restated in writing from time to time.

"AMIH MARKS" means the Canadian Marks and the Non-Canadian Marks collectively.

"BANKRUPTCY" shall be considered to occur in respect of a Party if:

(i) any voluntary proceeding is commenced (by the filing of any originating process, notice or assignment or otherwise) by the Party pursuant to an Insolvency Act;

(ii) any proceeding is commenced (by the filing of any originating process or otherwise) against the Party pursuant to an Insolvency Act, and

(a) such proceeding is not contested, diligently and on a timely basis, by that Party,

(b) Bankruptcy occurs in respect of that Party within the meaning of any other paragraph of this definition during the contestation of such proceeding, or

(c) such proceeding is not dismissed, withdrawn or permanently stayed within sixty (60) days of commencement;

(iii) any voluntary proceeding is commenced (by the filing of any originating process or notice or otherwise) by or respecting a Party pursuant to the corporate or company statute under which Party is organized from time to time or any other statute of any relevant jurisdiction which is not an Insolvency Act seeking any stay of creditor remedies or moratorium, compromise, arrangement, adjustment, extension or reorganization of debts or other liabilities;

(iv) any voluntary or other proceeding is commenced (by the filing of any originating process or notice or otherwise) by or against the Party seeking appointment (provisional, interim or permanent) of a receiver, manager, receiver and manager, trustee, sequestrator, custodian, liquidator or Person with like or comparable powers for that Party or for all or substantially all of its property, assets and undertaking, and

(a) such proceeding is not contested, diligently and on a timely basis, by that Party;

(b) Bankruptcy occurs in respect of that Party within the meaning of any other paragraph of this definition during the contestation of such proceeding, or

(c) such proceeding is not dismissed, withdrawn or permanently stayed within sixty (60) days of commencement;

(v) any secured creditor of the Party takes possession or control (actual or constructive) of, or appoints any agent, receiver, manager, receiver and manager or Person with like or comparable powers in respect of, that Party or all or substantially all of its property, assets and undertaking; or

(vi) a majority of the directors or shareholders of the Party voting thereon pass or ratify any resolution (A) except as part of a bona fide corporate reorganization, for its liquidation, winding up or dissolution, (B) to authorize any voluntary proceeding by or in respect of that Party described above or (C) to consent to or refrain from contesting any proceeding or step against or in respect of that Party or its property, assets or undertaking described above.

"BUSINESS" means the business carried on by LMGC in connection with which the Canadian Marks are used.

"BUSINESS DAY" means any day of the year, other than a Saturday, Sunday or any day on which the banks are required or authorized to close in Toronto, Ontario, Canada.

"CANADIAN MARKS" means the Marks owned by AMIH or its Affiliates whether pending or registered in accordance with the Canadian Trade-Marks Act, from time to time, particulars of which are set out in Schedule 1 hereof and as such Schedule may be updated by agreement of the Parties and/or those Marks owned by AMIH or its Affiliates and used in the Territory by AMIH or its licensees in association with the Programme from time to time (and as such Marks may be modified or supplemented by agreement of the Parties), excluding the LMGC Marks.

"CATEGORY" means the business sector granted to a Sponsor within the Territory.

"CONCURRENT USE AGREEMENT" means the Concurrent Use Agreement between AMIH, Air Miles International Trading B.V., Air Miles Travel Promotions Limited, Loyalty Management Group Inc., LMGC and AMI Funding, Inc. entered into as of the 13th day of May, 1994, as amended, supplemented or restated in writing from time to time.

"INCLUDING" The terms "include", "including" and "such as" are illustrative and not limitative and shall be interpreted to mean "including without limitation

"INSOLVENCY ACT" means the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada), the Winding-up Act (Canada) or any other statute of any relevant jurisdiction relating to bankruptcy, insolvency, stay of creditor remedies, moratorium, compromise, arrangement, extension, adjustment or reorganization of debts or other liabilities, liquidation, winding up or dissolution.

"INTELLECTUAL PROPERTY LICENSE" means the Licence to Use and Exploit the Air Miles Scheme in Canada Agreement between Air Miles International Trading B.V. and LMGC, as amended by Amendment No. 1 dated 13th day of May, 1994 and as amended and restated in the amending agreement of even date, and as amended, supplemented or restated in writing from time to time.

"INTERNIC REGISTRATION RIGHTS" means all rights associated with the registration of a Mark, being a domain name or URL with InterNIC or any other entity now or hereafter serving a domain name registration function with respect to any jurisdiction, including the Territory.

"LICENSE AGREEMENT" means the Licence to Use the Air Miles Trade Marks in Canada agreement between AMIH and LMGC dated December 17, 1992, as amended by Amendment No. 1 dated 13th day of May, 1994.

"LICENSED NAME" means any corporate name, trading style and/or business name of LMGC or its Affiliates which is or includes any Canadian Mark.

"LMGC MARKS" means the Marks owned by LMGC or its Affiliates whether pending or registered in accordance with the Canadian Trade-Marks Act, from time to time, particulars of which are set out in Schedule 2 hereof and as such Schedule may be updated and/or those Marks developed, owned and used by LMGC or its Affiliates or sub-licensees in the Territory from time to time (and as such Marks may be modified or supplemented).

"MARK" means any name, brand, mark, trade mark, trade dress, trade name, business name, Uniform Resource Locator ("URL"), domain name or other indicia of origin.

"MARKETING SPECIFICATIONS" means AMIH's reasonable standards and guidelines as of the date of this Agreement relating to the permitted use, depiction, graphic display, marketing, advertising and promotion of any of the AMIH Marks and any Licensed Name in association with the Programme, as they may be amended, modified or supplemented from time to time in accordance with this Agreement, which shall be reflected in writing.

"MASTER SPECIFICATIONS" means the applicable Quality Specifications and Marketing Specifications for the Programme.

"NON-CANADIAN MARKS" means the registered or common law trade marks and service marks subsisting outside the Territory comprising or including the words Air Miles or the Air Miles Device and which are owned or used by AMIH or any of its Affiliates, licensees, successors or assignees.

"PARTY" means either AMIH or LMGC; and "PARTIES" means AMIH and LMGC collectively.

"PERSON" includes an individual, a legal personal representative, corporation, company, body corporate, partnership, limited partnership, joint venture, syndicate, trust, unincorporated organization, the Crown or any agency or instrumentality thereof, regulatory authority or any other entity recognized by law, howsoever designated or constituted.

"PROGRAMME" means any program(s) or business(es) that involve(s) three (3) or more sponsoring companies in any product or service category or industry and which offer(s), only entitled members with addresses in the Territory or any other geographic region in which LMGC or any of its Affiliates has a license from AMIH to similar effect to this Agreement, airline seats, airline miles, airline or any other services, awards or value of any nature (whether or not by virtue of exchanging, converting or redeeming coupons, tickets, points or other tangible or intangible rights) in connection with the purchase of goods or services of any party and which operates for more than three (3) months duration and the operation of travel agency services.

"QUALITY SPECIFICATIONS" means AMIH's reasonable specifications as of the date of this Agreement relating to the standards of the wares or services bearing the Canadian Marks for the Programme, as they may be amended, modified or supplemented from time to time in accordance with this Agreement, which shall be reflected in writing.

"RELATED AGREEMENTS" means collectively, the Intellectual Property License, and the Concurrent Use Agreement.

"SHARE PURCHASE AGREEMENT" means the agreement for the purchase of all the shares of LMGC made as of June 26, 1998, as amended in writing from time to time, among Alliance Data Systems Corporation and each of the shareholders of LMGC at that date.

"SPONSORS" means those businesses participating in the Programme in conjunction with the offer of wares or services to consumers within the Territory and includes the Suppliers.

"SUPPLIERS" means those businesses offering wares or services in connection with exchanges, conversions or redemptions under the Programme.

"TERRITORY" means the current geographic area and territory of Canada at the date of this Agreement.

"THIRD PERSON" means any Person other than AMIH and its Affiliates and LMGC and its Affiliates.

ARTICLE 2
LICENSE

2.1 AMIH hereby grants to LMGC, subject to the terms of this Agreement, an exclusive right and license to use the Canadian Marks in the Territory in association with the Programme only and the marketing, advertising and promotion thereof in any media in the Territory or any other geographic region in which LMGC or any of its Affiliates has a license from AMIH to similar effect to this Agreement, including the right to sub-license the use of the Canadian Marks in the Territory in accordance with the provisions of this Agreement. Provided that LMGC's use of a NonCanadian Mark in the Territory in association with the Programme would not violate the rights of any Third Person (which has not obtained such rights from or through AMIH or an Affiliate), AMIH hereby grants to LMGC, subject to the terms of this Agreement, an exclusive right and license effective from the date hereof to use the Non-Canadian Marks in the Territory in association with the Programme only, including the right to sub-license the use of such Non-Canadian Marks in the Territory in accordance with the provisions of this Agreement. Except as provided in Article 2.3 herein, AMIH agrees not to license to anyone else the right to use a Non-Canadian Mark in the Territory. The exclusivity of the license is subject to the rights of AMIH, its Affiliates, successors and assignees together with their respective licensees and sub-licensees mentioned in Articles 2.3 and 2.4 hereafter.

2.2 AMIH hereby grants a non-exclusive right to LMGC, with a right to sub-license its applicable Sponsors and sub-licensees, for and further agrees that it will

not and will ensure that its Affiliates, successors, assignees or any of their licensees or sub-licensees will not object to the use of the AMIH Marks outside the Territory by such of the Sponsors as provide travel or entertainment related services for business and other travellers including, for the avoidance of doubt, airline, car rental and/or hotel services and/or by LMGC and/or by LMGC's applicable sub-licensees only in connection with the provision of travel or entertainment related services including, for the avoidance of doubt, airline, car rental and/or hotel services to the extent only that such use is incidental to the operation of the Programme in the Territory. LMGC shall not itself have any other right to use the AMIH Marks outside the Territory. LMGC's right to use of the AMIH Marks outside the Territory shall include the right to display, for the purposes of promotion and advertisement, such Marks including on or through the World Wide Web on the Internet or through other electronic media.

2.3 Notwithstanding Article 2.1 LMGC shall not object to the use of the AMIH Marks by AMIH, its Affiliates, successors and assignees together with their respective licensees and sub-licensees in the Territory only in connection with the provision of travel or entertainment related services including, for the avoidance of doubt, airline, car rental and/or hotel services to persons providing travel or entertainment related services for business and other travellers, to the extent only that such use is incidental to the rights of AMIH, its Affiliates, successors and assignees together with their respective licensees or sub-licensees to carry out activities in connection with the operation of sales promotion and/or incentive or loyalty schemes outside of the Territory.

2.4 AMIH, its Affiliates, successors and assignees may use the Canadian Marks in the Territory for the purposes of promoting their activities to issuers or potential issuers of points, credits, vouchers or other incentives in connection with the operation of sales promotion and/or incentive or loyalty schemes conducted outside the Territory. In so doing, AMIH, its Affiliates, successors and assignees must cooperate with LMGC with respect to the promotion of the Business. LMGC, its Affiliates, successors and assignees may use the Non-Canadian Marks outside of the Territory for the purposes of privately promoting their activities to issuers or potential issuers of points, credits, vouchers or other incentives in connection with the operation of sales promotion and/or incentive or loyalty schemes conducted in the Territory, but shall not make such advertisements or promotion to the public in general.

2.5 Subject to this Agreement, AMIH reserves the right to use and license the use of the AMIH Marks outside the Territory, whether in connection with sales promotion and incentive schemes similar to the Programme or otherwise.

2.6 The Parties agree that the Concurrent Use Agreement shall not be amended or terminated during the term of this Agreement without the prior written consent of the Parties.

ARTICLE 3
SUB-LICENSE RIGHTS

3.1 AMIH acknowledges that LMGC has entered into sub-licensing arrangements with a number of Sponsors that are currently participating in the Programme. AMIH confirms that the terms and conditions of such sub-licenses are acceptable to it.

3.2 AMIH agrees that LMGC may grant additional or amended non-exclusive sub-licenses to the same or other Sponsors to use the Canadian Marks in the Territory in connection with the Programme only, with or without exclusivity in the relevant Category. If the terms and conditions of such sub-licenses are consistent with the terms and conditions of the current sub-license arrangements with the current Sponsors, AMIH hereby grants its consent to such sub-licenses. If the terms and conditions of such sub-licenses are not consistent with the current sub-license arrangements, LMGC shall submit to AMIH a copy of each such license agreement and AMIH shall provide written notice of any objections thereto within ten (10) Business Days, failing which AMIH shall be deemed to have consented to such sub-license arrangement. In any event, AMIH's consent to such sub-licenses shall not be unreasonably withheld.

3.3 AMIH agrees that LMGC may agree in such sub-license agreements as mentioned under Article 3.2 with such Sponsors that neither AMIH nor their Affiliates, successors, assignees, licensees or sub-licensees will object to the use by such Sponsors of the AMIH Marks outside the Territory only to the extent that such use is in accordance with the rights granted in Article 2.2 above.

3.4 It shall be a term of all sub-licenses granted pursuant to Article 3.2 above that the Sponsors undertake not to engage in any advertising or promotion outside the Territory for the Programme or the participation of the Sponsors in the Programme PROVIDED ALWAYS that incidental references to the participation of the Sponsors in the Programme in the Territory may be made in promotional materials such as brochures outside the Territory incidental to the distribution inside the Territory provided that any use of the Marks in such promotional materials shall clearly indicate that the Sponsors participate in the Programme in the Territory and that the Programme is only open to entitled members with addresses in the Territory.

3.5 In this Agreement, where LMGC agrees to ensure that all sub-licensees of the AMIH Marks appointed by LMGC comply with an obligation, this means:

(i) LMGC shall impose a contractual obligation on the sub-licensees to observe such obligations; and

(ii) where LMGC becomes aware of any non-compliance by any sub-licensee with any such obligation, LMGC shall use reasonable efforts to ensure that such sub-licensee complies with such obligation.

3.6 The Parties acknowledge that Licensee has no obligation to (but may) amend any agreement with any existing Sponsor and that any and all such agreements with any Sponsors remain unaffected hereby.

3.7 For greater clarity, LMGC may sub-license its rights hereunder to an Affiliate to the extent considered by LMGC, acting reasonably, advisable for the operation of travel agency services in the Territory.

ARTICLE 4

STANDARDS OF QUALITY

4.1 In using the AMIH Marks hereunder LMGC shall comply so far as it is capable of doing so and shall ensure that all sub-licensees of the AMIH Marks appointed by LMGC comply so far as they are capable of doing so in the manufacturing and distribution, advertising, marketing and promotion of wares and services under the AMIH Marks in relation to the Programme with all applicable laws in force in the Territory and all other countries in which sub-licensees appointed by LMGC use the AMIH Marks in the manufacture and distribution, advertising, marketing and promotion of wares or services under such AMIH Marks in relation to the Programme.

4.2 In using the AMIH Marks here under, LMGC shall and shall cause its sub-licensees to meet the Master Specifications, provided that:

(i) AMIH hereby confirms that LMGC and, to AMIH's knowledge, LMGC's sub- licensees have prior to the signing of this Agreement met all material Master Specifications set by it;

(ii) subject to Article 4.2(iii) below, on an ongoing basis, the Master Specifications are the Master Specifications as of the date of this Agreement; and

(iii) the Master Specifications may be amended, modified or supplemented from time to time by AMIH, provided that LMGC consents to the changes in such Master Specifications and is provided with a reasonable period of time to comply with such changes. LMGC will have a period of ninety (90) days to rectify any breach of the Master Specifications after receipt from AMIH of notice of such breach, providing particulars of such breach. Any extension of the cure period may be mutually agreed upon by the Parties, acting reason ably, taking into account primarily the materiality and nature of the breach and the

impact of the breach on AMIH's rights in the AMIH Marks and otherwise what would be a reasonable time within which to effect a cure and any reasonable efforts LMGC is making to meet the Master Specifications. LMGC will not be in breach of this Agreement if it is meeting most of the Master Specifications and is taking reasonable steps to meet the balance of the Master Specifications, any failure to comply with any Master Specification does not negatively impact customer perceptions of quality or negatively affect any of AMIH's rights in the AMIH Marks and/or are not material to customer perceptions. If a dispute arises between AMIH and LMGC as to the materiality of a breach of the Master Specifications, the matter will be resolved pursuant to .

ARTICLE 5
USE OF THE MARKS

5.1 LMGC shall be entitled to use any or all of the Canadian Marks including the words Air Miles as or as part of the Licensed Name(s) of LMGC or any of its Affiliates incorporated in the Territory provided that it is legally able to do so.

5.2 LMGC may use any URL featuring any or part of the Canadian Marks including the words Air Miles and may use a domain name featuring any or part of the Canadian Marks including the words Air Miles including for any Internet-based products or services that LMGC offers as part of or in furtherance of the Programme, providing such URL or domain name includes an identifier of the Territory. LMGC's website accessed through such domain name must also identify the Territory. LMGC may own any InterNlC Registration Rights therein in its sole discretion.

5.3 AMIH and LMGC agree to consider in good faith any incidents of actual confusion or circumstances giving rise to a reasonable apprehension of confusion between the operation of the Programme by LMGC and/or its sub-licensees of the AMIH Marks and the activities of AMIH and their respective Affiliates and/or licensees under the AMIH Marks which may come to the attention of either Party and the Party responsible for such incidents of confusion or circumstances shall take reasonable steps to ensure that similar confusion or potential confusion does not arise in the future.

5.4 Where LMGC becomes aware of a material or persistent breach, that materially affects the rights of AMIH, of the terms of any sub-license by a sub-licensee of the AMIH Marks appointed by LMGC and such breach continues for at least sixty (60) days after LMGC has given notice requiring the breach to be remedied LMGC shall by means of an escalating course of discipline culminating in termination assert the rights legally available to it to ensure compliance with the provisions of such sub-license agreement.

5.5. Where LMGC becomes aware of a challenge to the validity of, or entitlement of LMGC to use or license any of the AMIH Marks by a sub-licensee of the AMIH Marks appointed by LMGC, LMGC shall by means of an escalating course of discipline culminating in termination assert the rights legally available to it to ensure compliance with the provisions of such sub-licensee's sub-license in relation to such AMIH Marks.

ARTICLE 6
USE OF LMGC MARKS

6.1 LMGC may use, continue to use and adopt any LMGC Marks in respect of any wares and services including in relation to the Programme and in association with any of the Canadian Marks. LMGC may register any LMGC Marks in the Territory in respect of any wares and services including in relation to the Programme. LMGC may associate intellectual property belonging to a Third Person with the Canadian Marks or Licensed Name. LMGC may co-mingle the LMGC Marks with the Canadian Marks and Licensed Name. Further, any Marks which are developed after the date hereof by LMGC and which are not confusingly similar to AMIH Marks shall be owned by LMGC and AMIH and/or any of its Affiliates shall not have any ownership rights whatsoever therein and shall not use, adopt or register such Marks (in any jurisdiction where they would be registrable by LMGC) in the world. None of the foregoing shall permit LMGC to do anything which would impair any of the rights of AMIH in the AMIH Marks in the Territory.

6.2 LMGC may provide services and distribute wares and invest in businesses or non-commercial enterprises under the LMGC Marks.

ARTICLE 7
ASSIGNMENT OF CANADIAN MARKS

7.1 If AMIH wishes to assign or transfer the Canadian Marks, either directly or indirectly by or through AMIH or AMIH's Bankruptcy, other than to an Affiliate, no such assignment or transfer shall be effective unless AMIH provides LMGC notice of its intention to do so and gives LMGC thirty (30) days written notice within which to bid on such Canadian Marks for the purposes of owning either directly or indirectly such Canadian Marks. The foregoing provision shall not, in any way, obligate AMIH to accept any bid which LMGC submits. Any such assignee or transferee must be bound in writing by the grant of the license set out in this Agreement.

ARTICLE 8
ROYALTIES

8.1 (i) In accordance with the practice actually used for the payment of Royalties under the License Agreement for the fiscal year of LMGC ended April 30, 1998, LMGC shall pay to AMIH as license fee royalties calculated as a percentage of all gross sums received by LMGC in respect of the sale, redemption, distribution or issue of Air Miles travel miles ("AMTM") or Air Miles awards, including:

(a) all sums received from Sponsors in connection with the issuance of AMTM or in lieu of payments therefor (such as participation and/or exclusivity fees);

(b) all sums received from Sponsors for services;

(c) all commissions or other income received by LMGC in respect of the sale of travel services; and

(d) all sums received from the sale of promotional items and/or any other activity involving the use of the AMIH Marks

but excluding amounts received as co-operative marketing fees or for reimbursement of expenses.

(ii) The percentage referred to above shall be 0.100%.

8.2 LMGC shall, within fourteen (14) days after the end of each fiscal quarter, in accordance with past practise as of April 30, 1998, prepare and submit to AMIH a statement setting out the sums received by LMGC as set out Article 8.1 above and the amount of royalty due in respect of the immediately preceding fiscal quarter. Royalties shall be due and payable at the time the statements are submitted to AMIH and shall be paid net of all applicable taxes, including Canadian non-resident withholding tax.

8.3 During the term of this Agreement and for three calendar years after its termination AMIH and its duly authorized agents shall have the right upon reasonable notice, to inspect during business hours on any Business Day all relevant accounting records of LMGC for the purposes of verifying any royalties paid or payable. If any inspection results in any finding of understatement or overstatement, such balance will be settled forthwith by LMGC or AMIH respectively.

8.4 LMGC shall keep all accounting records, relevant for the purposes of calculating royalties payable to AMIH, during the term stated in Article 8.3.

ARTICLE 9
REGISTRATION AND RENEWALS

9.1 AMIH shall, for so long as this Agreement remains in force, ensure that the registrations of such of the Canadian Marks as are registered will be renewed as and when they fall due for renewal. Subject to Article 11.4 solely, the costs of the renewals or registrations and all expenses in relation to the Canadian Marks incurred from the date hereof shall be paid in full by AMIH.

9.2 LMGC shall not and shall make reasonable efforts to ensure that all sub-licensees of the AMIH Marks appointed by LMGC shall not use or register, in respect of any relevant wares and/or services, any trade mark being the same or confusingly similar to any of the AMIH Marks without the prior consent of AMIH.

9.3 AMIH shall if requested by LMGC make such further applications in the Territory for the AMIH Marks as both Parties here to shall consider necessary or desirable having in mind reasonable costs and expenses for the protection of their trading activities and such Marks shall be licensed to LMGC in accordance with the terms of this Agreement. AMIH shall bear the costs of such applications and any subsequent registrations or renewals. Any trade-mark covered by such application shall be deemed to be a Mark pursuant to this Agreement and shall be added to the Canadian Marks. Nothing in the foregoing provision is intended to prevent LMGC from itself applying to register trade-marks which LMGC uses or otherwise adopts or intends to use or adopt provided that such trade-marks are not confusingly similar to any of the AMIH Marks.

9.4 Should AMIH develop or own or be entitled to use any new Mark(s) which it wishes to add to the Canadian Marks, it or they shall be so added after consultation with LMGC and on terms and conditions acceptable to LMGC. In any case, LMGC need not adopt any such additional Marks unless a reasonable transition period is agreed to by the Parties for the adoption of such Marks. Determinations that Marks are to be added to the Canadian Marks should be reduced to writing and added to the list of Marks in Schedule 1 to this Agreement.

ARTICLE 10
REPRESENTATIONS AND WARRANTIES

10.1 AMIH Warranties

AMIH hereby represents and warrants to LMGC as of the date of this Agreement the following:

(i) AMIH has full power and authority to enter into and perform this Agreement, including to grant the license in Article 2 and to perform each and every covenant and agreement herein contained;

(ii) this Agreement has been duly authorized, executed and delivered by AMIH and constitutes a valid, binding and legally enforceable agreement of AMIH;

(iii) to the best of AMIH's knowledge and belief, the execution and delivery of this Agreement, and the performance of the covenants and agreements herein contained, are not restricted by and do not conflict with any material commercial arrangements, obligations, contracts, agreements or instruments to which AMIH is either bound or subject;

(iv) to the best of AMIH's knowledge and belief, AMIH's performance of this Agreement will not contravene or breach any laws or regulations of the Territory or of any province or territory of the Territory which could give rise to the imposition of a material fine, penalty or sanction levied on LMGC by any applicable regulatory authority in the Territory;

(v) AMIH has not granted any rights or licenses, which are subsisting at the date hereof, to any of its Affiliates or to any other Third Party to use the Canadian Marks in the Territory save in the circumstances permitted in Articles 2.3. and 2.4 above;

(vi) to the best of AMIH's knowledge and belief, the registrations for the Canadian Marks are valid and enforceable. AMIH is the sole and exclusive legal and beneficial owner of all right, title and interest in and to, or has valid title to use and license, all the Canadian Marks that are material to the Programme. The registrations for the Canadian Marks subsist on the Canadian TradeMark Register;

(vii) except for the Concurrent Use Agreement, AMIH is not a party to or bound by any contract or other obligation whatsoever that limits or Impairs its ability to license the Canadian Marks to LMGC; and

(viii) to the best of AMIH's knowledge and belief, LMGC is not in breach of any term or condition of the License Agreement.

10.2 LMGC Warranties

LMGC hereby represents and warrants to AMIH as of the date of this Agreement the following:

(i) LMGC has full power and authority to enter into and perform this Agreement and to perform each and every covenant and agreement herein contained;

(ii) this Agreement has been duly authorized, executed and delivered by LMGC and constitutes a valid, binding and legally enforceable agreement of LMGC;

(iii) to the best of LMGC's knowledge and belief, the execution and delivery of this Agreement, and the performance of the covenants and agreements herein contained, are not restricted by and do not conflict with any material commercial arrangements, obligations, contracts, agreements or instruments to which LMGC is either bound or subject; and

(iv) to the best of LMGC's knowledge and belief, LMGC's performance of this Agreement will not contravene or breach any laws or regulations of the Territory or of any province or territory of the Territory which could give rise to the imposition of a fine, penalty or sanction by any applicable regulatory authority in the Territory.

ARTICLE 11
TITLE AND GOODWILL

11.1 LMGC acknowledges that its sole right to use the AMIH Marks and any trade marks confusingly similar thereto derives from this Agreement and that it does not have any rights to use the AMIH Marks or any marks confusingly similar there to save as provided herein. LMGC agrees to include in all sub-licenses an acknowledgment by sub-licensees appointed by LMGC to use the AMIH Marks that their sole right to use the AMIH Marks and any trade marks confusingly similar thereto derives from such sub-license and that they do not have any rights to use the AMIH Marks or any marks confusingly similar thereto save as provided therein.

11.2 LMGC shall, if reasonably requested by AMIH from time to time and to the extent practicable, for the protection of the AMIH Marks include and ensure that any sub-licensees of the AMIH Marks appointed by LMGC within a reasonable period of time include in advertisements in the press and elsewhere and on the goods or labels or containers used in connection with the sale of the goods and/or the provision of services under the AMIH Marks a notice to the effect that the AMIH Marks and each of them are trade marks of AMIH or its successors in title.

11.3 All rights arising from the use by LMGC or its sub-licensees of the AMIH Marks shall inure to the benefit of AMIH or its successors in title and all goodwill symbolised by the AMIH Marks shall belong to and accrue to AMIH or its successors in title.

11.4 The Parties acknowledge that use of the Canadian Marks by LMGC in the Territory may be required to maintain the validity of the Canadian Marks. If AMIH, acting reasonably, considers that any one of the Canadian Marks has not been used

in the Territory in relation to the Programme, it shall be entitled to serve notice on LMGC requesting brief details of any use of the relevant Canadian Marks within the period of four years prior to the date of the notice or within a period of three months after the date of the notice. If in the reasonable opinion of AMIH, LMGC has not demonstrated that use of the relevant Canadian Marks has taken place to the extent necessary to preserve and maintain the validity of the said registration for the Canadian Marks and provided such Canadian Marks are material to the Canadian business of LMGC, AMIH may, in its sole discretion, require LMGC to make use of such Canadian Mark solely to the extent required to maintain the registration of such Canadian Mark. Notwithstanding the foregoing, AMIH has the option not to renew any registration of such Canadian Mark if LMGC is not using such in the Territory.

ARTICLE 12
INDEMNITY

12.1 LMGC shall indemnify AMIH and hold it harmless and defend it from and against all damage, including reasonable counsel fees, which AMIH may incur in respect of all claims which may be made against AMIH (whether separately or as joint defendants) arising out of the manufacture, packaging, or any other cause relating to any wares sold and/or services provided by or on behalf of LMGC or its sub-licensees under the AMIH Marks, except insofar as any such claim may be found to arise from any omission or failure on the part of AMIH.

12.2 AMIH shall indemnify LMGC and hold it harmless and defend it from and against all damages, including reasonable counsel fees, which LMGC may incur as a result of any breach of warranties as stated in Article 10 with regard to the Canadian Marks only or as a result of any Third Person during the term hereof effectively prohibiting LMGC the use of the Canadian Marks only within the Territory.

ARTICLE 13
INFRINGEMENT

13.1 The Parties agree to give each other prompt written notice of any infringement or other similar action in or affecting the Territory by a Third Person of the AMIH Marks known to them.

13.2 In the event of such infringement or other similar action, LMGC has the obligation to protect any of the Non-Canadian Marks which LMGC has been using in the preceding 12 month period and the Canadian Marks in the Territory and may decide whether or not any action is necessary for such protection and what such action might be, taking into account the interests of both Parties. LMGC has the right to act in its own name or if necessary in the name of AMIH. For the term of this Agreement AMIH hereby LMGC a power of attorney in the form attached

hereto as Schedule 3 to act on its behalf if any action in or out of court in connection with such actions is necessary. LMGC will select counsel, to which AMIH has no reasonable objection and AMIH will provide reasonable assistance, including by providing information, documents and things in response to discovery requests, by providing at mutually convenient times witnesses for discovery, depositions and trial testimony, and by permitting LMGC to cause AMIH to be named as a party plaintiff or co-plaintiff in any litigation. All expenses, including any expenses incurred by AMIH to provide such assistance, shall be borne by LMGC and LMGC shall be entitled to any amounts awarded to LMGC or AMIH. LMGC shall not enter into any settlement of such actions without the written consent of AMIH, which consent shall not be unreasonably withheld.

13.3 If any action or proceeding is brought or asserted by LMGC, under the authority granted to it under Article 13.2, LMGC will promptly notify AMIH in writing. AMIH may assume and direct the action or proceeding only provided that LMGC initiates no action or takes no action in such action or proceeding. Upon assumption of the action or proceeding by AMIH, all expenses shall be borne by AMIH and AMIH shall be entitled to any amounts awarded to LMGC or AMIH. AMIH shall not enter into any settlement of such actions without the written consent of LMGC, which consent shall not be unreasonably withheld.

ARTICLE 14
DURATION AND TERMINATION

14.1 This Agreement shall continue in force indefinitely from the date hereof, subject only to the rights of the Parties with respect to termination provided in this Article 14, and shall not be terminable by either Party in any other circumstances, whether upon reasonable notice or otherwise.

14.2 AMIH shall have the right to terminate this Agreement upon six months notice in writing to LMGC if LMGC ceases for a continuous period of four years to be involved in operation of the Programme.

14.3 The rights of LMGC in the Territory in relation to any Canadian Mark incorporating the words Air Miles or the Air Miles Device shall terminate in accordance with Article 14.4 below if LMGC challenges the validity of or entitlement of AMIH to use or license, such Mark. If a Court of competent jurisdiction in a final non-appealable judgment in the Territory other than at the request of LMGC holds that such Marks which are material to the Programme are invalid or that AMIH is not entitled to use or license such Marks in the Territory, LMGC may in its sole discretion either terminate this Agreement or cease to pay royalties under this Agreement.

14.4 (1) Subject to compliance with the provisions of Article 19 requiring dispute resolution, either Party shall have the right to terminate this Agreement forthwith

at any time on giving the other written notice of termination in any of the following events:

(i) the other Party commits any breach of its obligations hereunder and fails to remedy such breach within ninety (90) days (or such longer period as the Parties may agree) after being given written notice by the other Party to remedy such default; provided however that if LMGC and its sub-licensees are diligently pursuing the remedy or cure of such failure during the cure period and the continued breach does not impair AMIH's rights in the AMIH Marks and does not involve a failure to pay amounts due here under, the cure period shall be extended for a further ninety (90) days; or

(ii) Bankruptcy shall have occurred in respect of the other Party, provided that termination shall not occur at anytime during:

(A) the exercise of any rights or remedies by a secured creditor of LMGC who has taken a security interest in LMGC's rights under this Agreement either (a) in compliance with Article 16.3, or (b) with the written consent of AMIH; provided that the payment of all amounts from time to time due and payable by LMGC hereunder continue to be duly paid and the performance of all covenants from time to time to be performed by LMGC hereunder continue to be duly performed; or

(B) any proceeding under an Insolvency Act involving a restructuring or reorganization of LMGC under court supervision and/or any disposition of LMGC's business as a whole or substantially as a whole pursuant to any such proceeding, in either case, so long as such proceeding is continuing.

(2) If either Party validly terminates the Intellectual Property License in accordance with the terms thereof, this Agreement shall terminate at the same time as the Intellectual Property License.

14.5 Upon termination of this Agreement LMGC shall within a period of six (6) months:

(i) cease to carry on business under the name 'Air Miles" and cease to use the AMIH Marks;

(ii) deliver to AMIH any materials in its possession or under its control which fail to meet the standard of quality set out in Article 4 above or otherwise fail to comply with the terms hereof and which reproduce the AMIH Marks or give AMIH satisfactory evidence of their destruction;

(iii) insofar as its Licensed Name(s) include(s) any Canadian Mark, change such names to names that do not incorporate such Marks or any Marks confusingly similar thereto;

(iv) terminate all sub-license agreements with sub-licensees of the AMIH Marks appointed by LMGC; and

(v) terminate use of any URL and/or domain name containing any Canadian Mark.

14.6 For the avoidance of doubt, it is agreed that any termination of this Agreement, whether in whole or in part, shall be without prejudice to any rights held by any Party which may have accrued up to the date of termination. Further,

LMGC may continue to use the LMGC Marks.

ARTICLE 15
NON-COMPETITION

15.1 During the term of this Agreement and subject to Article 2.3 above, AMIH, its Affiliates or its successors shall not utilize any AMIH Marks or any Marks confusingly similar thereto in or as part of any Programme or any program similar thereto, in competition with LMGC or its Affiliates, directly or indirectly in the Territory or grant any of their assignees, licensees or sub-licensees a license or sub-license to do so.

ARTICLE 16
ASSIGNMENT/SUCCESSORS

16.1 This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

16.2 Subject to Article 7.1, AMIH may at any time or from time to time assign, sell or transfer all but not less than all of its rights under this Agreement, either absolutely or by way of security (including the rights and remedies of the secured party relating to such security), as part of a financing involving AMIH's business to any Person, in either case without the consent of, but with prior notice to LMGC.

16.3 LMGC may at any time or from time to time assign, sell or transfer all but not less than all of its rights under this Agreement, either absolutely as part of the sale of all or substantially all of the Business or the assets of the Business or by way of security (including the rights and remedies of the secured party relating to such security), as part of a financing involving the Business to any Person, in either case without the consent of, but with prior notice to AMIH. Should such assignment, sale or transfer result in increased withholding taxes being payable on the royalties

payable under Article 8 hereof, LMGC shall gross up the royalties payable to cover such withholding taxes.

16.4 Except as provided in Article 7.1, a Party entering into any such assignment shall remain liable here under notwithstanding such assignment except, in the case of any indebtedness or claim arising after an absolute assignment, if the assignee executes and delivers to the other Party an assumption agreement of all indebtedness and obligations here under due and payable or arising after such assignment.

16.5 Except as provided in Article 7.1, either Party may amalgamate, merge or consolidate with any Person and any such amalgamation, merger or consolidation shall be deemed to be an assignment unless by operation of applicable law the amalgamated, merged or consolidated successor corporation is subject to all liabilities and all contracts, disabilities and debts of each of the predecessor corporations.

ARTICLE 17
NOTICES

17.1 All notices, requests, demands or other communications required by or otherwise with respect to this Agreement shall be in writing and shall be deemed to have been duly given to any Party when delivered personally or by courier service or when transmitted by telecopy to the applicable addresses set forth below:

If to AMIH:

Air Miles International Holdings NV
Landhuis Joonchi, Kaya Richard J.
Beaujon z/n,
P.O. Box 837,
Curacao, Netherlands Antilles

Attention: Managing Director

Telephone: 599 97366 277
Fax: 599 97366 161

With a copy to:

Loyalty Management International Ltd.
Ocean House
Hazelwick Avenue
Crawley
West Sussex
RH10 1NP England

Attention: Liam Cowdrey

Telephone: 01293 434000
Fax: 01293 433701

If to LMGC:

Loyalty Management Group Canada Inc.
4110 Yonge Street,
Suite 200,
North York, Ontario

Attention: John Scullion
C.O.O.

Telephone: (416) 228-6565
Fax: (416) 733-1488

With a copy to:

Alliance Data Systems Corporation
5001 Valley Road
Suite 650, West Tower
Dallas, Texas U.S.A. 75244-3910

Attention: General Counsel

Telephone: (972) 960-4349
Fax: (972) 960-5330

or at such other address as the Party to whom such notice is to be given shall have last notified (in the manner provided in this Article) the Party giving such notice. Any notice delivered to the Party to whom it is addressed as provided herein shall be deemed to have been given and received on the day it is so delivered at such address and notice transmitted by telecopier shall be deemed given and received on the day of its transmission, provided that if the day of delivery or transmission is not a Business Day at the place of receipt or the time of Delivery or transmission is

after 5 p.m. at the place of receipt on a Business Day, then the notice shall be deemed to have been given and received on the next Business Day at the place of receipt.

ARTICLE 18
CONFIDENTIALITY

During the term of this Agreement, each Party shall keep confidential and not divulge to any Person any information, whether written or oral, or otherwise recorded, which is proprietary or confidential of the other including, but not limited to, customer lists, data compilations and data systems, pricing methods, cost information, financial information, strategic plans, finances, methods of operation, marketing plans and strategies, equipment and operational requirements, processes or products and services or intended products or services of the other and information concerning personnel and customers; provided however that neither Party shall have any confidentiality obligation (i) as to information which has come into the public domain through no fault of or action by such Party, (ii) to the extent such Party is required by law to disclose, or (iii) as to information such Party may disclose to employees, directors or advisors of such Party or an Affiliate thereof in connection with performance of services for such Party; and provided further that AMIH shall have no obligation with respect to any information of LMGC unless such information relates exclusively to LMGC.

ARTICLE 19
DISPUTE RESOLUTION

19.1 General Any dispute arising out of or relating to this Agreement, including any dispute regarding the existence, validity, scope, enforceability or termination of this Agreement and whether an issue is arbitrable (a "Dispute") shall be resolved in accordance with the procedures specified in this Article 19, which shall be the sole and exclusive procedures for the resolution of any such Disputes. The Parties shall attempt in good faith to resolve any Dispute (including the validity, scope and enforceability of this Article 19) promptly by negotiations between the Parties.

19.2 Negotiations between Executives

(a) AMIH and LMGC shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between executive officers who have authority to settle the controversy and who are at a higher level of management than the Persons with direct responsibility for administration of this Agreement. Either AMIH or LMGC may give to the other written notice of any dispute not resolved in the normal course of business. Within fifteen (15) days

after delivery of the notice, the receiving Party shall submit to the other Party a written response. The notice and the response shall include (i) a statement of each Party's position and a summary of arguments supporting that position, and (ii) the name and title of the executive officer who will represent that Party and of any other Person who will accompany the executive officer. Within twenty (20) days after delivery of the disputing Party's notice, the executive officers of both Parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute. All reasonable requests for information made by one Party to the other Party will be honoured.

(b) All negotiations (including the existence, content and result thereof) pursuant to this Article 19 shall be confidential, non- discoverable in any judicial proceedings and treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

19.3 Binding Arbitration

(a) If the Dispute is not resolved by negotiation within forty-five (45) days (or any mutually agreed extension of time) of the disputing Party's notice, or if the Parties fail to meet within twenty (20) days of the notice, either Party may, upon notice to the other Party and the CPR Institute for Dispute Resolution ("CPR") submit such Dispute to arbitration.

(b) Such arbitrations shall be based in Toronto, Ontario and shall be conducted by three (3) arbitrators (who shall be lawyers admitted to practice in one or more provinces or territories and who shall be experienced in matters relating to intellectual property licenses) appointed as follows:

(i) the disputing Party shall appoint its nominee as first arbitrator;

(ii) the receiving Party shall, within ten (10) days of having received written notice from the disputing Party of the nature of the dispute to be referred to arbitration and of the identity of its nominee arbitrator, appoint its nominee as second arbitrator;

(iii) if the appointment required by clause (ii) is not made within the period therein stipulated, the disputing Party shall be entitled to appoint as second arbitrator a nominee of its choice who is not related to the disputing Party and who shall be deemed to be the nominee of the respondent to the dispute;

(iv) the two nominees so appointed shall, within ten (10) days of the date upon which the second of them had been appointed as arbitrator, appoint a third nominee as chairman of the tribunal. In the event of their failure so to do within the prescribed period, the third arbitrator shall be appointed in accordance with the provisions of the INTERNATIONAL COMMERCIAL ARBITRATION ACT (Ontario) ("the Act"); and

(v) should a vacancy arise because any arbitrator dies, resigns, refuses to act, or becomes incapable of performing his functions, the vacancy shall be filled by the method by which that arbitrator was originally appointed. When a vacancy is filled the newly established tribunal shall exercise its discretion to determine whether any previously completed hearings shall be repeated.

(c) The arbitration will be in accordance with the Act and the then current CPR "Non-Administered Arbitration Rules" or any successor CPR rules (the Act having precedence in the event of a conflict) (the "Arbitration Rules") and the procedures specified in this Article, to the extent they modify or add to such Arbitration Rules. The seat of the arbitration will be Toronto and the arbitration will be conducted at a neutral site in Toronto selected by the arbitrators.

(d) The arbitrators will have sole authority to resolve issues of the arbitrability of Disputes, including the applicability of any statute of limitation. The arbitrators may not amend or disregard any provision of this Article and may not limit, expand or otherwise modify the terms of this Agreement (including any terms respecting the limitation of liability of any Person). The arbitrators will have the power to order the pre-hearing discovery of documents but such production shall be restricted to documents (which shall include information recorded or stored by means of any device) directly related to the Dispute. The arbitrators will also have the power to order the taking of examinations for discovery of no more than two (2) witnesses per side (with the witnesses to be selected by the adverse side) for a period of not more than three (3) hours per witness, unless otherwise agreed. In addition, the arbitrators may compel the attendance of witnesses and production of documents at the hearing, to the extent provided by the Act. The arbitrators will determine the rights and obligations of the Parties and decide the Dispute in accordance with the substantive and procedural laws of the Province of Ontario.

(e) The Parties may seek injunctive relief either within the arbitration process or from the Ontario Court (General Division) or the Federal Court of Canada (or in the case of disputes relating to the use of Marks outside the Territory a Court competent in the jurisdiction in which

use occurred) and the Parties accept the concurrent jurisdiction of the Courts for the purpose of granting injunctive relief, as set out herein. Within the arbitration process, Parties may seek either interim or permanent relief. From the Court, Parties may seek temporary injunctive relief. A Party seeking temporary injunctive relief from the Court will simultaneously file a claim in the arbitration for interim and permanent relief in the manner specified under this Article. If the Court issues a temporary injunction against one of the Parties, the Court will have jurisdiction to deal with all matters, including appeals, concerning the temporary injunction. Any requested arbitration concerning the subject-matter of the injunction shall proceed before the arbitrator in an expedited manner pursuant to Article 19.4.

(f) Time will be of the essence and the arbitrators' award will be rendered as soon as practicable after conclusion of the final hearing, but in any event not later than one hundred and eighty (180) days after the date of appointment of the third arbitrator unless otherwise agreed or the time period is extended for a fixed reasonable period by the arbitrators on written notice to each Party because of illness or other cause of an arbitrator beyond the arbitrator's control.

(g) The decision of any two of the three arbitrators shall be final and binding on the Parties to the Dispute with no right of appeal therefrom. The arbitrators' decision, reasons and award will be in writing, setting forth the legal and factual basis therefor (except with respect to the validity, infringement or misappropriation of any patents or other proprietary rights of any Party, with respect to which such award will be a bare award without findings or any statement of legal or factual basis). The Parties will abide by and perform any award, including interim awards, rendered by the arbitrators and judgment on such awards may be entered and enforced in any court of competent jurisdiction.

(h) The fees and expenses of the arbitration, which may include the costs of CPR, the arbitrators, the arbitration site and counsel will be in the sole discretion of the arbitrators.

(i) All information and documents disclosed in arbitration by any Party will remain Confidential Information of the disclosing Party, and the arbitrators and the Parties will (and will cause their representatives, advisors and counsel to) hold the existence, content and result of the arbitration in confidence, except to the limited extent necessary to enforce a final settlement agreement or to obtain and secure enforcement of or a judgment on an arbitration award. No privilege or right of a Party with respect to information or documents disclosed by it in arbitration will be waived or lost by such disclosure.

19.4 Expedited Binding Arbitration

The Parties agree that there shall be expedited arbitration pursuant to this Article 19 to be completed in not more than ninety (90) days where there is a genuine issue with respect to the following events:

(i) if AMIH or LMGC is enjoined pursuant to a temporary injunction of the Ontario Court (General Division) or the Federal Court of Canada or any other Court in the World;

(ii) if LMGC fails to pay the amounts due under Article 8;

(iii) if LMGC uses or licenses the use of the AMIH Marks outside the Territory contrary to Articles 2 or 3;

(iv) if AMIH uses or licenses the use of the AMIH Marks inside the Territory contrary to Articles 2 or 3; or

(v) if the Related Agreements are or one of them is terminated by any of the parties thereto.

ARTICLE 20
MISCELLANEOUS

20.1 Name, Captions

The provision of a Table of Contents, the division of this Agreement into Articles, Sections, Subsections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation of this Agreement.

20.2 Entire Agreement and Relationship Between the Parties

(a) This Agreement and the Related Agreements constitute the entire agreement between the Parties pertaining to the matters contemplated hereby and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, relating to the subject matter hereof. Any and all registered user applications and/or agreements between the Parties are of no force and effect.

(b) This Agreement is not a franchise and does not create a partnership or joint venture. Neither Party shall have any right to obligate or bind any other Party in any manner. Each of LMGC and AMIH is an independent contractor, not an agent or employee of the other. The containing obligations of LMGC in this Agreement,

including those obligations set forth in Articles 8.3, 8.4, 12.1, 14.6 and 19, and the continuing obligations of AMIH in this Agreement, including those obligations of AMIH under Articles 12.2, 14.6 and 19, shall survive and continue after the termination of this Agreement.

20.3 Amendments

No amendment of this Agreement shall be effective unless such amendment is made in writing and signed by authorized representatives of the Parties hereto.

20.4 Severability

If any provision of this Agreement is determined to be invalid or unenforceable by an arbitrator or a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed therefrom, and the remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable; provided that in the event that any portion of this Agreement shall have been so determined to be or become invalid or unenforceable (the "offending portion"), the Parties shall negotiate in good faith such changes to this Agreement as will best preserve for the Parties the benefits and obligations of such offending portion. The invalidity or unenforceability of any term or any right arising pursuant to this Agreement shall in no way affect the validity or enforceability of any of the remaining terms or rights.

20.5 Specific Performance / Injunctive Relief

The Parties acknowledge and agree that money damages are not an adequate remedy for violations of this Agreement and that any Party may, in its sole discretion, notwithstanding Article 19, apply to the Ontario Court (General Division) or the Federal Court of Canada for specific performance or for temporary injunctive relief or such other temporary relief (equitable or otherwise) as such court may deem appropriate in order to enforce this Agreement or to prevent any violation hereof, and each Party waives any objection to the imposition of such relief and any requirement for the posting of any security, including a bond, with respect to such relief.

20.6 Remedies Cumulative

All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise or beginning of the exercise of any thereof by either Party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such Party.

20.7 No Waiver

No waiver of any of the provisions of this Agreement is binding unless it is in writing and signed by the Party entitled to grant the waiver. No failure to exercise, and no delay in exercising, any right or remedy under this Agreement will be deemed to be a waiver of that right or remedy. No waiver of any breach of any provision of this Agreement will be deemed to be a waiver of any subsequent breach of that provision.

20.8 Further Assurances

The Parties will, from time to time during the course of this Agreement or upon its expiry and without further consideration, execute and deliver such other documents and instruments of transfer, conveyance and assignment and take such further action as the other may reasonably require to effect the transactions contemplated thereby.

20.9 Extended Meanings

Any reference in this Agreement to gender shall include all genders, and words importing the singular number only shall include the plural and vice versa.

20.10 No Third Party Beneficiaries

Each Party intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any Person, other than the Parties and their Affiliates, and no Person, other than the Parties, shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

20.11 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument. Each counterpart may consist of a number of copies each signed by less than all, but together signed by all, the Parties.

20.12 No Liability of Shareholders

No shareholder of LMGC or the successors or transferees of a shareholder of LMGC shall be liable for any of the obligations of LMGC hereunder. No shareholder of AMIH or the successors or transferees of a shareholder of AMIH shall be liable for any of the obligations of AMIH hereunder.

20.13 Statutory References

Unless expressly stated to the contrary, any references in this Agreement to any law, by-law, rule, regulation, order or act of any government, governmental body or other regulatory authority shall be construed as a reference thereto as enacted at the date of this Agreement as such law, by-law, rule, regulation, order or act may be amended, re-enacted or superseded from time to time.

20.14 Business Day Payments

If under this Agreement any payment or calculation is to be made or any other action is to be taken on a day which is not a Business Day, that payment or calculation is to be made, and that other action is to be taken, as applicable, on or as of the next day that is a Business Day

20.15 References

In this Agreement, references to "hereof", "hereto", and "hereunder" and similar expressions mean and refer to this Agreement taken as a whole, and not to any particular Article, Section, Subsection or other subdivision; "Article", "Section", "Subsection" or other subdivision of this Agreement followed by a number means and refers to the specified Article, Section, Subsection or other subdivision of this Agreement.

20.16 Currency

In this Agreement, all references to currency shall be references to the lawful currency of the Territory.

20.17 Schedules

The following Schedules are attached to and form part of this Agreement:

Schedule	Description
SCHEDULE 1	CANADIAN MARKS
SCHEDULE 2	LMGC MARKS
SCHEDULE 3	POWER OF ATTORNEY

20.18 Limitation of Liability

THE PARTIES (INCLUDING FOR THIS PURPOSE THEIR AFFILIATES) EXPRESSLY ACKNOWLEDGE AND AGREE THAT THEY WILL NOT BE LIABLE FOR EACH OTHER'S INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OR FOR PUNITIVE, EXEMPLARY OR AGGRAVATED DAMAGES OR FOR DAMAGES FOR LOST PROFITS, LOST REVENUES OR FAILURE TO REALIZE EXPECTED SAVINGS, REGARDLESS OF WHETHER SUCH LIABILITY ARISES IN OR IS BASED UPON TORT (INCLUDING NEGLIGENCE), CONTRACT (INCLUDING FUNDAMENTAL BREACH OR BREACH OF A FUNDAMENTAL TERM), BREACH OF TRUST OR FIDUCIARY DUTY, RESCISSION OF CONTRACT, RESTITUTION, INDEMNIFICATION OR OTHERWISE.

20.19 Time of the Essence

Time shall be of the essence of this Agreement.

20.20 Costs and Expenses

Except as otherwise or expressly provided in this Agreement, each Party shall pay all costs and expenses it incurs in authorizing, preparing, executing and performing this Agreement and the transactions contemplated there under, including all fees and expenses of its respective legal counsel, investment bankers, brokers, accountants or other representatives or consultants.

20.21 Excusable Delays

The dates and times by which any Party is required to perform any obligation under this Agreement shall be postponed automatically to the extent, for the period of time, that the Party is prevented from so performing by circumstances beyond its reasonable control. Such period shall not extend beyond one year. Said circumstances shall include acts of nature, strikes, lockouts, riots, acts of war, epidemics, government regulations imposed after the fact, fire, power failures, earthquakes or other disasters or other causes beyond the performing Party's reasonable control whether or not similar to the foregoing.

20.22 Governing Law and Attornment

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein (excluding any conflict of laws rule or principle which might refer such construction to the laws of another jurisdiction). To the extent applicable, the Parties expressly exclude the application of the United Nations Convention on Contracts for the International Sale of Goods. Each of the Parties hereby irrevocably attorns and submits to the exclusive jurisdiction of the Courts of the Province of Ontario or the Federal Court of Canada, except to the extent any Court action of AMIH relates to the use of the AMIH Marks by LMGC outside the Territory.

IN WITNESS WHEREOF, the Parties have executed the Agreement.

AIR MILES INTERNATIONAL HOLDINGS N.V.	LOYALTY MANAGEMENT GROUP CANADA INC.
By: /s/ Liam P.B. Cowdrey	By: /s/ Craig Underwood
Name: Liam P.B. Cowdrey	Name: Craig Underwood
Title: Director	Title: President and Chief Executive Officer
Date July 24, 1998	Date: July 24, 1998

SCHEDULE 1

Canadian Marks

TRADE-MARK	OWNER	STATUS
A SAVINGS ACCOUNT LIKE NEVER BEFORE. (705359)	AMIH	PENDING
ADHERENT AIR MILES OR (771326)	AMIH	PENDING
AIR BUCKS (778239)	AMIH	PENDING
AIR MILES (697937)	AMIH	REGISTERED
AIR MILES & DESIGN (740714)	AMIH	PENDING
AIR MILES BABY CLUB (820515)	AMIH	PENDING
AIR MILES BUCKS (778237)	AMIH	PENDING
AIR MILES DES VOYAGES ET BIEN DAVANTAGE & DESIGN (829576)	AMIH	PENDING
AIR MILES DES VOYAGES ET BIEN DAVANTAGE OR & DESIGN (830383)	AMIH	PENDING
AIR MILES FOR BUSINESS PROGRAM (868437)	AMIH	PENDING
AIR MILES GOLD (771199)	AMIH	PENDING
AIR MILES GOLD COLLECTOR (771200)	AMIH	PENDING
AIR MILES INCENTIVES (839292)	AMIH	PENDING
AIR MILES LEISURE TRAVEL (771062)	AMIH	PENDING
AIR MILES OR (771327)	AMIH	PENDING

TRADE-MARK	OWNER	STATUS
AIR MILES ROAD WARRIOR (774732)	AMIH	PENDING
AIR MILES ROAD WARRIORS (774731)	AMIH	PENDING
AIR MILES TRAVEL AND MORE & DESIGN (829575)	AMIH	PENDING
AIR MILES TRAVEL AND MORE GOLD & DESIGN (830382)	AMIH	PENDING
AIR MILES TRAVEL THE WORLD & DESIGN (629149)	AMIH	REGISTERED
AIR MILES TRAVEL THE WORLD GOLD & DESIGN (771202)	AMIH	PENDING
AIR MILES VACATIONS (820683)	AMIH	PENDING
AIR MILES VACATIONS & DESIGN (822346)	AMIH	PENDING
AIR MILES VOUS DONNE DES AILES. (705355)	AMIH	PENDING
AIR MILES VOYAGEZ DE PAR LE MON DE OR & DESIGN (771203)	AMIH	PENDING
AIR MILES. FOR BUSINESS. (867524)	AMIH	PENDING
AIR MILES. LE MONDE A VOTRE PORTEE. (790573)	AMIH	PENDING
AIR MILES. LE MON DE A VOTRE PORTEE. & DESIGN (790574)	AMIH	PENDING
AIR MILES. LE MON DE A VOTRE PORTEE. & DESIGN(2) (790575)	AMIH	PENDING
AIR MILES. SHRINKING THE WORLD. (790570)	AMIH	PENDING
AIR MILES SHRINKING THE WORLD & DESIGN (790571)	AMIH	PENDING

TRADE-MARK	OWNER	STATUS
AIR MILES. SHRINKING THE WORLD. & DESIGN (2) (790576)	AMIH	PENDING
AIR MILES. ABONNEZ-VOUS ET PARTEZ! (836877)	AMIH	PENDING
AIR MILES. BANK AND GO. (832871)	AMIH	PENDING
AIR MILES. BUY AND GO. (840860)	AMIH	PENDING
AIR MILES. DEMENAGEZ ET PARTEZ. (841566)	AMIH	PENDING
AIR MILES DES VOYAGES ET BIEN DAV ANTAGE. (829574)	AMIH	PENDING
AIR MILES. MAGASINEZ ET PARTEZ & DESIGN (829579)	AMIH	PENDING
AIR MILES. MAGASINEZ ET PARTEZ, & DESIGN (2) (829580)	AMIH	PENDING
AIR MILES. MAGASINEZ ET PARTEZ. (827423)	AMIH	PENDING
AIR MILES. MOVE AND GO. (832870)	AMIH	PENDING
AIR MILES. POUR LES AFFAIRES. (868438)	AMIH	PENDING
AIR MILES. SEJOURNEZ ICI ET PARTEZ. (841565)	AMIH	PENDING
AIR MILES. SHOP AND GO. (827424)	AMIH	PENDING
AIR MILES. SHOP AND GO. & DESIGN (829577)	AMIH	PENDING
AIR MILES. SHOP AND GO. & DESIGN (2) (829578)	AMIH	PENDING
AIR MILES. STAY AND GO. (83357())	AMIH	PENDING
AIR MILES. TRANSIGEZ ET PARTEZ. (84()955)	AMIH	PENDING

TRADE-MARK	OWNER	STATUS
AIR MILES. TRAVEL AND MORE. (829573)	AMIH	PENDING
AIR MILES. SUBSCRIBE AND GO. (833569)	AMIH	PENDING
APPELEZ COMME AVANT (771201)	AMIH	PENDING
BABYCLUB (818407)	AMIH	PENDING
BABYCLUB & DESIGN (818410)	AMIH	PENDING
CALL LIKE ALWAYS. FLY LIKE NEVER BEFORE. (706176)	AMIH	PENDING
COLLECT FOR BUSINESS, FLY FOR PLEASURE (867523)	AMIH	PENDING
ESCAPE LIKE ALWAYS (774082)	AMIH	PENDING
FLY FREE FASTER (778238)	AMIH	PENDING
FLY LIKE NEVER BEFORE (705361)	AMIH	REGISTERED
LE MONDE A VOTRE PORTEE. (790572)	AMIH	PENDING
MAGASINEZ COMME AVANT. VOYAGEZ COMME JAMAIS. (705364)	AMIH	PENDING
MEGA MILES (745188)	AMIH	REGISTERED
MILES ABOVE (703895)	AMIH	PENDING
MILLES EN TETE (703896)	AMIH	PENDING
MILLES EXTRA (778240)	AMIH	PENDING

TRADE-MARK	OWNER	STATUS
MOVE LIKE ALWAYS. FLY LIKE NEVER BEFORE. (705358)	AMIH	PENDING
ON ACCUMULE POUR LE BUREAU, ON VOYAGE POUR LE PLAISER (867522)	AMIH	PENDING
PLANE DESIGN (819040)	AMIH	PENDING
PROGRAMME AFFAIRES AIR MILES (868440)	AMIH	PENDING
RENT LIKE ALWAYS. FLY LIKE NEVER BEFORE. (705357)	AMIH	PENDING
SAVE LIKE ALWAYS (705356)	AMIH	PENDING
SAVE LIKE ALWAYS. FLY LIKE NEVER BEFORE. (705363)	AMIH	PENDING
SHOP AND GO (815494)	AMIH	PENDING
SHOP LIKE ALWAYS. FLY LIKE NEVER BEFORE. (697938)	AMIH	REGISTERED
SHRINKING THE WORLD. (790569)	AMIH	PENDING
SUPER MILES (822483)	AMIH	PENDING
SUR LES AILES DE BANQUE-AIR (827285)	AMIH	PENDING
TRAVEL AND MORE (835066)	AMIH	PENDING
TRAVEL LIKE NEVER BEFORE (705362)	AMIH	REGISTERED
TRAVEL THE WORLD (705360)	AMIH	PENDING
UN MONDE REMPLI D'OR (833177)	AMIH	PENDING

TRADE-MARK	OWNER	STATUS
VOYAGEZ DE PAR LE MONDE (697940)	AMIH	PENDING
VOYAGEZ DE PAR LE MON DE & DESIGN (705546)	AMIH	IN OPPOSITION
WORLD OF GOLD (833176)	AMIH	PENDING
YOU BANK. YOU FLY. (826108)	AMIH	PENDING

SCHEDULE 2

TRADE-MARK	OWNER	STATUS
COALITION DATABASE MARKETING (751706)	LMGC	REGISTERED
LE GROUPE LOYALTY (862344)	LMGC	PENDING
LOYALTY (831970)	LMGC	PENDING
LOYALTY (849707)	LMGC	PENDING
LOYALTY (849709)	LMGC	PENDING
LOYALTY & DESIGN (860274)	LMGC	PENDING
LOYALTY CONSULTING (860281)	LMGC	PENDING
LOYALTY LE GROUPE LOYALTY & DESIGN (862346)	LMGC	PENDING
LOYALTY MANAGEMENT CONSULTING (830856)	LMGC	PENDING
LOYALTY MANAGEMENT CONSULTING & DESIGN (830858)	LMGC	PENDING
LOYALTY MANAGEMENT GROUP (831971)	LMGC	PENDING
LOYALTY MANAGEMENT GROUP CANADA INC. & DESIGN (831972)	LMGC	PENDING
LOYALTY MANAGEMENT SERVICES (830857)	LMGC	PENDING
LOYALTY MANAGEMENT SERVICES & DESIGN (830859)	LMGC	PENDING
LOYALTY RECOMPENSES RESULTATS SAVOIR & DESIGN (862345)	LMGC	PENDING

LOYALTY REWARDS RESULTS KNOWLEDGE & DESIGN (860276)	LMGC	PENDING
LOYALTY SERVICES (860280)	LMGC	PENDING
LOYALTY THE LOYALTY GROUP & DESIGN (860275)	LMGC	PENDING
RECOMPENSES RESULTATS SAVOIR (862343)	LMGC	PENDING
REWARDS RESULTS KNOWLEDGE (860278)	LMGC	PENDING
SPONSOR PROFITABILITY MODEL (771044)	LMGC	REGISTERED
SPONSORFINDER DATABASE (745187)	LMGC	REGISTERED
STAR DESIGN (860279)	LMGC	PENDING
STAR SYSTEM (870232)	LMGC	PENDING
THE FUTURE OF COALITION DATABASE MARKETING ... TODAY (751707)	LMGC	REGISTERED
THE LOYALTY GROUP (860277)	LMGC	PENDING

SCHEDULE 3

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned AIR MILES INTERNATIONAL HOLDINGS N.V. ("AMIH"), of Landhuis Joonchi, Kaya Richard J. Beaujon z/n, P.O. Box 837 Curacao, Netherlands Antilles, hereby nominates, constitutes and appoints LOYALTY MANAGEMENT GROUP CANADA INC. ("Loyalty"), an Ontario corporation, to be the true and lawful attorney of AMIH, with full power of substitution, to act for and on behalf of AMIH and in AMIH's name or Loyalty's own name in any suit, action, application, mediation, arbitration, opposition or other legal, mediatory, arbitral or administrative proceeding (each, a "Proceeding") or the exercise of any other remedy, of any nature or kind whatsoever, whether in Canada or elsewhere in the world, at any time during the term of the agreement (the "Agreement") dated July 24, 1998 between AMIH and Loyalty entitled "Amended and Restated License to Use the Air Miles Trade Marks in Canada", in connection with infringement or alleged infringement or other similar action in Canada by any Person other than AMIH and its Affiliates of the Canadian Marks or any of the Non-Canadian Marks which Loyalty has been using in the preceding 12-month period in Canada.

In this power of attorney, the terms "Person", "Affiliates", "Canadian Marks" and "Non-Canadian Marks" have the same respective meanings as in the Agreement.

The following terms and conditions apply to this power of attorney:

1. This power of attorney shall be irrevocable by AMIH during the term of the Agreement.

2. A certificate signed by an officer or director of Loyalty to the effect that this power of attorney is valid and subsisting shall be conclusive against all persons other than AMIH and its Affiliates.

3. Any person may rely on this power of attorney without inquiring of AMIH or Loyalty as to its validity and subsistence.

4. Loyalty may not enter into a settlement of a Proceeding without the written consent of AMIH, which consent shall not be unreasonably withheld.

IN WITNESS WHEREOF AMIH has duly executed this power of attorney this 24th day of July, 1998.

AIR MILES INTERNATIONAL HOLDINGS N.V.

by:

Name: Liam P.B. Cowdrey
Title: Director

AMENDED AND RESTATED LICENSE TO USE AND EXPLOIT THE AIR MILES SCHEME IN CANADA

BETWEEN

AIR MILES INTERNATIONAL TRADING B.V.

AND

LOYALTY MANAGEMENT GROUP CANADA INC.

July 24, 1998

TABLE OF CONTENTS

AMENDED AND RESTATED LICENSE TO USE AND EXPLOIT THE AIR MILES SCHEME IN CANADA

THIS AGREEMENT is dated the 24th day of July, 1998 between AIR MILES INTERNATIONAL TRADING B.V. of Veerkade 7, 3016 DE Rotterdam, The Netherlands ("AMIT") and LOYALTY MANAGEMENT GROUP CANADA INC., whose registered office is located at 4110 Yonge Street, Suite 200, North York, Ontario, Canada ("LMGC");

WHEREAS the Parties entered into the License Agreement and the Intellectual Property License on December 17, 1992; and

WHEREAS throughout the term of that Intellectual Property License AMIT and LMGC were related companies; and

WHEREAS Alliance Data Systems Corporation has agreed to purchase all of the shares of LMGC pursuant to the Share Purchase Agreement and such transaction is intended to close on the date hereof; and

WHEREAS AMIT has the rights to use, operate, exploit and develop in certain countries of the world, including the Territory, the unique concept and business opportunity, being the Programme; and

WHEREAS the Parties are desirous of amending the terms of the Intellectual Property License and have, for simplicity, agreed to enter into this Agreement; and

WHEREAS AMIT is entitled to grant the licenses herein to LMGC and is willing to license and allow LMGC to use and exploit the AMIT Know How in the Territory on the terms and conditions set out in this Agreement.

NOW THEREFORE, in consideration of the business relationship between the Parties, the mutual covenants contained herein, and other good and valuable consideration (the receipt and sufficiency of which are acknowledged by the Parties), the Parties hereto agree that the Intellectual Property License is hereby amended and restated as follows:

ARTICLE 1
DEFINITIONS

1.1 DEFINITIONS

"AFFILIATE" means a Person directly or indirectly controlling, controlled by or under common control with a party.

"AGREEMENT" means this Intellectual Property License including any recitals and schedules to this agreement, as amended, supplemented or restated in writing from time to time.

"AMIT KNOW HOW" means all know how and other intellectual property rights subsisting at the date hereof as described in Schedule 1 licensed to and/or owned by AMIT or its Affiliates in connection with or relating to the Programme, but not including rights in Marks.

"BANKRUPTCY" shall be considered to occur in respect of a Party if:

(i) any voluntary proceeding is commenced (by the filing of any originating process, notice or assignment or otherwise) by the Party pursuant to an Insolvency Act;

(ii) any proceeding is commenced (by the filing of any originating process or otherwise) against the Party pursuant to an Insolvency Act, and

(a) such proceeding is not contested, diligently and on a timely basis, by that Party,

(b) Bankruptcy occurs in respect of that Party within the meaning of any other paragraph of this definition during the contestation of such proceeding, or

(c) such proceeding is not dismissed, withdrawn or permanently stayed within sixty (60) days of commencement;

(iii) any voluntary proceeding is commenced (by the filing of any originating process or notice or otherwise) by or respecting a Party pursuant to the corporate or company statute under which Party is organized from time to time or any other statute of any relevant jurisdiction which is not an Insolvency Act seeking any stay of creditor remedies or moratorium, compromise, arrangement, adjustment, extension or reorganization of debts or other liabilities;

(iv) any voluntary or other proceeding is commenced (by the filing of any originating process or notice or otherwise) by or against the Party seeking appointment (provisional, interim or permanent) of a receiver, manager, receiver and manager, trustee, sequestrator, custodian, liquidator or Person with like or comparable powers for that Party or for all or substantially all of its property, assets and undertaking, and

(a) such proceeding is not contested, diligently and on a timely basis, by that Party;

(b) Bankruptcy occurs in respect of that Party within the meaning of any other paragraph of this definition during the contestation of such proceeding, or

(c) such proceeding is not dismissed, withdrawn or permanently stayed within sixty (60) days of commencement;

(v) any secured creditor of the Party takes possession or control (actual or constructive) of, or appoints any agent, receiver, manager, receiver and manager or Person with like or comparable powers in respect of, that Party or all or substantially all of its property, assets and undertaking; or

(vi) a majority of the directors or shareholders of the Party voting thereon pass or ratify any resolution (A) except as part of a bona fide corporate reorganization, for its liquidation, winding up or dissolution, (B) to authorize any voluntary proceeding by or in respect of that Party described above or (C) to consent to or refrain from contesting any proceeding or step against or in respect of that Party or its property, assets or undertaking described above.

"BUSINESS" means the business carried on by LMGC in connection with which the AMIT Know How is used.

"BUSINESS DAY" means any day of the year, other than a Saturday, Sunday or any day on which the banks are required or authorized to close in Toronto, Ontario, Canada.

"CATEGORY" means the business sector granted to a Sponsor within the Territory.

"CONCURRENT USE AGREEMENT" means the Concurrent Use Agreement between Air Miles International Holdings N.V., AMIT, Air Miles Travel Promotions Limited, Loyalty Management Group Inc., LMGC and AMI Funding, Inc. entered into as of the 13th day of May, 1994, as amended, supplemented or restated in writing from time to time.

"INCLUDING" The terms "include", "including" and "such as" are illustrative and not limitative and shall be interpreted to mean "including without limitation".

"INSOLVENCY ACT" means the Bankruptcy and Insolvency Act (Canada), the Companies' Creditors Arrangement Act (Canada), the Winding-up Act (Canada) or any other statute of any relevant jurisdiction relating to bankruptcy, insolvency, stay of creditor remedies, moratorium, compromise, arrangement, extension, adjustment or reorganization of debts or other liabilities, liquidation, winding up or dissolution.

"INTELLECTUAL PROPERTY LICENSE" means the Licence to Use and Exploit the Air Miles Scheme in Canada Agreement between AMIT and LMGC dated December 17, 1992, as amended by Amendment No. 1 dated 13th day of May, 1994.

"LICENSE AGREEMENT" means the Licence to Use the Air Miles Trade Marks in Canada agreement between Air Miles International Holdings N.V. and LMGC dated December 17, 1992, as amended by Amendment No. 1 dated 13th day of May, 1994, as amended and restated in the amending agreement of even date, and as amended, supplemented or restated in writing from time to time.

"MARK" means any name, brand, mark, trade mark, trade dress, trade name, business name, Uniform Resource Locator ("URL"), domain name or other indicia of origin.

"PARTY" means either AMIT or LMGC; and "Parties" means AMIT and LMGC collectively.

"PERSON" includes an individual, a legal personal representative, corporation, company, body corporate, partnership, limited partnership, joint venture, syndicate, trust, unincorporated organization, the Crown or any agency or instrumentality thereof, regulatory authority or any other entity recognized by law, howsoever designated or constituted.

"PROGRAMME" means any program(s) or business(es) that involve(s) three (3) or more sponsoring companies in any product or service category or industry and which offer(s), only entitled members with addresses in the Territory or any other geographic region in which LMGC or any of its Affiliates has a license from AMIT to similar effect to this Agreement, airline seats, airline miles, airline or any other services, awards or value of any nature whether or not by virtue of exchanging,

converting or redeeming coupons, tickets, points or other tangible or intangible rights) in connection with the purchase of goods or services of any party and which operates for more than three (3) months duration and the operation of travel agency services.

"RELATED AGREEMENTS" means collectively, the License Agreement and the Concurrent Use Agreement.

"SHARE PURCHASE AGREEMENT" means the agreement for the purchase of all the shares of LMGC made as of June 26, 1998, as amended in writing from time to time, among Alliance Data Systems Corporation and each of the shareholders of LMGC at that date.

"SPONSORS" means those businesses participating in the Programme in conjunction with the offer of wares or services to consumers within the Territory and includes the Suppliers.

"SUPPLIERS" means those businesses offering wares or services in connection with exchanges, conversions or redemptions under the Programme.

"TERRITORY" means the current geographic area and territory of Canada at the date of this Agreement.

"THIRD PERSON" means any Person other than AMIT and its Affiliates and LMGC and its Affiliates.

ARTICLE 2
LICENSE

2.1 AMIT hereby grants to LMGC, subject to the terms of this Agreement, an exclusive right and license to use, operate, exploit and develop the AMIT Know How in the Programme (including all confidential information, copyright works, techniques and know-how relating to the Programme) in the Territory only and the marketing, advertising and promotion thereof in any media in the Territory or any other geographic region in which LMGC or any of its Affiliates has a license from AMIT to similar effect to this Agreement, including the right to sub-license the use and exploitation of the AMIT Know How in the Territory in accordance with the provisions of this Agreement. The exclusivity of the license is subject to the rights of AMIT, its Affiliates, successors and assignees together with their respective licensees and sub-licensees mentioned in Articles 2.3 and 2.4 hereafter.

2.2 AMIT hereby grants a non-exclusive right to LMGC, with a right to sublicense its applicable Sponsors and sub-licensees, for and further agrees that it will not and will ensure that its Affiliates, successors, assignees or any of their licensees or sub-licensees will not object to the use and exploitation of the AMIT Know How outside the Territory by such of the Sponsors as provide travel or entertainment related services for business and other travellers including, for the avoidance of doubt, airline, car rental and/or hotel services and/or by LMGC and/or by LMGC's applicable sub-licensees only in connection with the provision of travel or entertainment related services including, for the avoidance of doubt, airline, car rental and/or hotel services to the extent only that such use and exploitation is incidental to the operation of and/or participation in the Programme in the Territory. LMGC shall not itself have any other right to use the AMIT Know How outside the Territory. LMGC's right to the use and exploitation of the AMIT Know How outside the Territory shall include the right to operate on or through the World Wide Web on the Internet or through other electronic media.

2.3 Notwithstanding Article 2.1, LMGC shall not object to the use, operation, exploitation and development of the AMIT Know How by AMIT, its Affiliates, successors and assignees together with the use and exploitation thereof by their respective licensees and sub-licensees in the Territory only in connection with the provision of travel or entertainment related services including, for the avoidance of doubt, airline, car rental and/or hotel services to persons providing travel or entertainment related services for business and other travellers, to the extent only that such use is incidental to the rights of AMIT, its Affiliates, successors and assignees together with their respective licensees or sub-licensees to carry out activities in connection with the operation of sales promotion and/or incentive or loyalty schemes outside of the Territory.

2.4 AMIT, its Affiliates, successors and assignees may use and exploit the AMIT Know How in the Territory for the purposes of promoting their activities to issuers or potential issuers of points, credits, vouchers or other incentives in connection with the operation of sales promotion and/or incentive or loyalty schemes conducted outside the Territory. In so doing, AMIT, its Affiliates, successors and assignees must co-operate with LMGC with respect to the promotion of the Canadian business. LMGC, its Affiliates, successors and assignees may use and exploit the AMIT Know How outside of the Territory for the purposes of privately promoting their activities to issuers or potential issuers of points, credits, vouchers or other incentives in connection with the operation of sales promotion and/or incentive or loyalty schemes conducted in the Territory, but shall not make such advertisements or promotion to the public in general.

2.5 Subject to this Agreement, AMIT reserves the right to use and license the use of the AMIT Know How outside the Territory, whether in connection with sales promotion and incentive schemes similar to the Programme or otherwise.

2.6. The Parties acknowledge that the licenses granted in this Article 2 do not include the right for LMGC to use or license the use of trade marks consisting of or including the Air Miles name and/or ancillary trademarks (including any of the AMIH Marks defined in the License Agreement), which shall be the subject of the License Agreement. If the License Agreement is validly terminated by either party there to, LMGC may use any Marks owned by or licensed to it or its Affiliates, in association with the AMIT Know How and/or the Programme, provided that such Marks are not confusingly similar to the AMIH Marks (as licensed under the License Agreement) or any other Marks in which AMIH or its Affiliates hold(s) valid rights in the Territory.

2.7 The Parties agree that the Concurrent Use Agreement shall not be amended or terminated during the term of this Agreement without the prior written consent of the Parties.

ARTICLE 3
SUB-LICENSE RIGHTS

3.1 AMIT acknowledges that LMGC has entered into sub-licensing arrangements relating to the participation in the Programme with a number of Sponsors that are currently participating in the Programme. AMIT confirms that the terms and conditions of such sub-licenses are acceptable to it.

3.2 AMIT agrees that LMGC may grant additional or amended non-exclusive sub-licenses to the same or other Sponsors to use and exploit the AMIT Know How in the Territory in connection with the Programme only, with or without exclusivity in the relevant Category. If the terms and conditions of such sub-licenses are consistent with the terms and conditions of the current sub-license arrangements with the current Sponsors, AMIT hereby grants its consent to such sub-licenses. If the terms and conditions of such sub-licenses are not consistent with the current sub-license arrangements, LMGC shall submit to AMIT a copy of each such license agreement and AMIT shall provide written notice of any objections there to within ten (10) Business Days, failing which AMIT shall be deemed to have consented such sub-license arrangement. In any event, AMIT's consent to such sub-licenses shall not be unreasonably withheld.

3.3 AMIT agrees that LMGC may agree in such sub-license agreements as mentioned under Article 3.2 with such Sponsors that neither AMIT nor their Affiliates, successors, assignees, licensees or sub-licensees will object to the use by such Sponsors of the AMIT Know How outside the Territory only to the extent that such use is in accordance with the rights granted in Article 2.2 above.

3.4 It shall be a term of all sub-licenses granted pursuant to Article 3.2 above that the Sponsors undertake not to engage in any advertising or promotion outside the Territory for the Programme or the participation of the Sponsors in the Programme provided always that incidental references to the participation of the Sponsors in the Programme in the Territory may be made in promotional materials such as brochures outside the Territory incidental to the distribution inside the Territory provided that such promotional materials shall clearly indicate that the Sponsors participate in the Programme in the Territory and that the Programme is only open to entitled members with addresses in the Territory.

3.5 In this Agreement, where LMGC agrees to ensure that all sub- licensees of the AMIT Know How appointed by LMGC comply with an obligation, this means:

(i) LMGC shall impose a contractual obligation on the sub-licensees to observe such obligations; and

(ii) where LMGC becomes aware of any non-compliance by any sub-licensee with any such obligation, LMGC shall use reasonable efforts to ensure that such sub-licensee complies with such obligation.

3.6 The Parties acknowledge that LMGC has no obligation to (but may) amend any agreement with any existing Sponsor and that any and all such agreements with any Sponsors remain unaffected hereby.

3.7 For greater clarity, LMGC may sub-license its rights hereunder to an Affiliate to the extent considered by LMGC, acting reasonably, advisable for the operation of travel agency services in the Territory.

ARTICLE 4
ASSIGNMENT OF THE PROGRAMME

4.1 If AMIT wishes to assign or transfer the AMIT Know How in the Programme, either directly or indirectly by or through AMIT or AMIT's Bankruptcy, other than to an Affiliate, no such assignment or transfer shall be effective unless AMIT provides LMGC notice of its intention to do so and gives LMGC thirty (30) days written notice within which to bid on such AMIT Know How and/or Programme for the purposes of owning either directly or indirectly such AMIT Know How and/or Programme. The foregoing provisions shall not, in any way, obligate AMIT to accept any bid which LMGC submits. Any such assignee or transferee must be bound in writing by the grant of the license set out in this Agreement.

ARTICLE 5
ROYALTIES

5.1 (i) In accordance with the practice actually used for the payment of Royalties under the Intellectual Property License for the fiscal year of LMGC ended April 30, 1998, LMGC shall pay to AMIT as license fee royalties calculated as a percentage of all gross sums received by LMGC in respect of the sale, redemption, distribution or issue of Air Miles travel miles ("AMTM") or Air Miles awards, including:

(a) all sums received from Sponsors in connection with the issuance of AMTM or in lieu of payments therefor (such as participation and/or exclusivity fees);

(b) all sums received from Sponsors for services;

(c) all commissions or other income received by LMGC in respect of the sale of travel services; and

(d) all sums received from the sale of promotional items and/or any other activity involving the use of the AMIH Marks (as defined in the License Agreement)

but excluding amounts received as co-operative marketing fees or for reimbursement of expenses.

(ii) The percentage referred to above shall be 0.90%.

5.2 LMGC shall, within fourteen (14) days after the end of each fiscal quarter, in accordance with past practise as of April 30, 1998, prepare and submit to AMIT a statement setting out the sums received by LMGC as set out in Article 5.1 above and the amount of royalty due in respect of the immediately preceding fiscal quarter. Royalties shall be due and payable at the time the statements are submitted to AMIT and shall be paid net of all applicable taxes, including Canadian non-resident withholding tax.

5.3 During the term of this Agreement and for three calendar years after its termination AMIT and its duly authorized agents shall have the right upon reasonable notice, to inspect during business hours on any Business Day all relevant accounting records of LMGC for the purposes of verifying any royalties paid or payable. If any inspection results in any finding of understatement or overstatement, such balance will be settled forthwith by LMGC or AMIT respectively.

5.4 LMGC shall keep all accounting records, relevant for the purposes of calculating royalties payable to AMIT, during the term stated in Article 5.3

ARTICLE 6
REGISTRATION AND RENEWALS

6.1 AMIT shall, for so long as this Agreement remains in force, ensure that any registrations which are applicable to the AMIT Know How and/or the Programme shall be registered as appropriate and shall be renewed as and when they fall due for renewal. The costs of the renewals or registrations and all expenses in relation to the Programme incurred from the date hereof shall be paid in full by AMIT.

ARTICLE 7
REPRESENTATIONS AND WARRANTIES

7.1 AMIT Warranties

AMIT hereby represents and warrants to LMGC as of the date of this Agreement the following:

(i) AMIT has full power and authority to enter into and perform this Agreement, including to grant the license in Article 2 and to perform each and every covenant and agreement herein contained;

(ii) this Agreement has been duly authorized, executed and delivered by AMIT and constitutes a valid, binding and legally enforceable agreement of AMIT;

(iii) to the best of AMIT's knowledge and belief, the execution and delivery of this Agreement, and the performance of the covenants and agreements herein contained, are not restricted by and do not conflict with any material commercial arrangements, obligations, contracts, agreements or instruments to which AMIT is either bound or subject;

(iv) to the best of AMIT's knowledge and belief, AMIT's performance of this Agreement will not contravene or breach any laws or regulations of the Territory or of any province or territory of the Territory which could give rise to the imposition of a material fine, penalty or sanction levied on LMGC by any applicable regulatory authority in the Territory;

(v) AMIT has not granted any rights or licenses, which are subsisting at the date hereof, to any of its Affiliates or to any other Third Person to use the AMIT Know How and/or the Programme in the Territory save in the circumstances permitted in Articles 2.3 and 2.4 above;

(vi) except for the Concurrent Use Agreement, AMIT is not a party to or bound by any contract or other obligation whatsoever that limits or impairs its ability to license the AMIT Know How and/or the Programme to LMGC; and

(vii) to the best of AMIT's knowledge and belief, LMGC is not in breach of any term or condition of the Intellectual Property License.

7.2 LMGC Warranties

LMGC hereby represents and warrants to AMIT as of the date of this Agreement the following:

(i) LMGC has full power and authority to enter into and perform this Agreement and to perform each and every covenant and agreement herein contained;

(ii) this Agreement has been duly authorized, executed and delivered by LMGC and constitutes a valid, binding and legally enforceable agreement of LMGC;

(iii) to the best of LMGC's knowledge and belief, the execution and delivery of this Agreement, and the performance of the covenants and agreements herein contained, are not restricted by and do not conflict with any material commercial arrangements, obligations, contracts, agreements or instruments to which LMGC is either bound or subject; and

(iv) to the best of LMGC's knowledge and belief, LMGC's performance of this Agreement will not contravene or breach any laws or regulations of the Territory or of any province or territory of the Territory which could give rise to the imposition of a fine, penalty or sanction by any applicable regulatory authority in the Territory.

ARTICLE 8
INDEMNITY

8.1 LMGC shall indemnify AMIT and hold it harmless and defend it from and against all damage, including reasonable counsel fees, which AMIT may incur in respect of all claims which may be made against AMIT (whether separately or as joint defendants) arising out of the manufacture, packaging, or any other cause relating to any wares sold and/or services provided by or on behalf of LMGC or its sub-licensees in association with the AMIT Know How, except insofar as any such claim may be found to arise from any omission or failure on the part of AMIT.

8.2 AMIT shall indemnify LMGC and hold it harmless and defend it from and against all damages, including reasonable counsel fees, which LMGC may incur as a result of any breach of warranties as stated in Article 7 with regard to the AMIT Know How and/or the Programme only or as a result of any Third Person during the term hereof effectively prohibiting LMGC the use of the AMIT Know How and/or the Programme only within the Territory.

ARTICLE 9
DURATION AND TERMINATION

9.1 This Agreement shall continue in force indefinitely from the date hereof, subject only to the rights of the Parties with respect to termination provided in this Article 14, and shall not be terminable by either Party in any other circumstances, whether upon reasonable notice or otherwise.

9.2 AMIT shall have the right to terminate this Agreement upon six months notice in writing to LMGC if LMGC ceases for a continuous period of four years to be involved in operation of the Programme.

9.3 (1) Subject to compliance with the provisions of Article 14 requiring dispute resolution, either Party shall have the right to terminate this Agreement on giving the other written notice of termination in any of the following events:

(i) the other Party commits any breach of its obligations here under and fails to remedy such breach within ninety (90) days (or such longer period as the Parties may agree) after being given written notice by the other Party to remedy such default; provided however that if LMGC and its sub-licensees are diligently pursuing the remedy or cure of such failure during the cure period and the continued breach does not involve a failure to pay amounts due hereunder, the cure period shall be extended for a further ninety (90) days; or

(ii) Bankruptcy shall have occurred in respect of the other Party, provided that termination shall not occur at anytime during:

(A) the exercise of any rights or remedies by a secured creditor of LMGC who has taken a security interest in LMGC's rights under this Agreement either (a) in compliance with Article 11.3, or (b) with the written consent of AMIT; provided that the payment of all amounts from time to time due and payable by LMGC hereunder continue to be duly paid and the performance of all covenants from time to time to be performed by LMGC hereunder continue to be duly performed; or

(B) any proceeding under an Insolvency Act involving a restructuring or reorganization of LMGC under court supervision and/or any disposition of LMGC's business as a whole or substantially as a whole pursuant to any such proceeding, in either case, so long as such proceeding is continuing.

(2) If either Party validly terminates the License Agreement in accordance with the terms thereof, it may, at its option, terminate this Agreement at the same time as the License Agreement.

9.4 Upon termination of this Agreement LMGC shall within a period of six (6) months:

(i) cease to carry on business using the AMIT Know How unless such or similar rights are validly licensed or purchased from a Third Person with valid rights therein; and

(ii) terminate all sub-license agreements with sub-licensees of the AMIT Know How appointed by LMGC to the extent such sub-license agreements sub-license AMIT Know How.

9.5 For the avoidance of doubt, it is agreed that any termination of this Agreement, whether in whole or in part, shall be without prejudice to any rights held by any Party which may have accrued up to the date of termination. Further, LMGC may continue to use any Mark owned by or licensed to it or its Affiliates in association with the AMIT Know How and/or the Programme.

ARTICLE 10
NON-COMPETITION

10.1 During the term of this Agreement and subject to Article 2.3 above, AMIT, its Affiliates or its successors shall not utilize any AMIT Know How in or as part of any Programme or any program similar there to, in competition with LMGC or its Affiliates, directly or indirectly in the Territory or grant any of their assignees, licensees or sub-licensees a license or sub-license to do so.

ARTICLE 11
ASSIGNMENT/SUCCESSORS

11.1 This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

11.2 Subject to Article 4.1, AMIT may at any time or from time to time assign, sell or transfer all but not less than all of its rights under this Agreement, either absolutely or by way of security (including the rights and remedies of the secured party relating to such security) as part of a financing involving AMIT's business to any Person, in either case without the consent of, but with prior notice to LMGC.

11.3 LMGC may at any time or from time to time assign, sell or transfer all but not less than all of its rights under this Agreement, either absolutely as part of the sale of all or substantially all of the Business or the assets of the Business or by way of security (including the rights and remedies of the secured party relating to such security) as part of a financing involving the Business to any Person, in either case without the consent of, but with prior notice to AMIT. Should such assignment, sale or transfer result in increased withholding taxes being payable on the royalties payable under Article 5 hereof, LMGC shall gross up the royalties payable to cover such withholding taxes.

11.4 Except as provided in Article 4.1, a Party entering into any such assignment shall remain liable hereunder notwithstanding such assignment except, in the case of any indebtedness or claim arising after an absolute assignment, if the assignee executes and delivers to the other Party an assumption agreement of all indebtedness and obligations here under due and payable or arising after such assignment.

11.5 Except as provided in Article 4.1, either Party may amalgamate, merge or consolidate with any Person and any such amalgamation, merger or consolidation shall be deemed to be an assignment unless by operation of applicable law the amalgamated,
merged or consolidated successor corporation is subject to all liabilities and all contracts, disabilities and debts of each of the predecessor corporations.

ARTICLE 12
NOTICES

12.1 All notices, requests, demands or other communications required by or otherwise with respect to this Agreement shall be in writing and shall be deemed to have been duly given to any Party when delivered personally or by courier service or when transmitted by telecopy to the applicable addresses set forth below:

If to AMIT:

Air Miles International Trading B.V.
Veerkade 7
3016 DE Rotterdam,
The Netherlands

Attention: Managing Director

Telephone: 010 411 0093
Fax: 020 664 7743 (belonging to Air Miles International Group)

With a copy to:

Loyalty Management International Ltd.
Ocean House
Hazelwick Avenue
Crawley
West Sussex
RH10 1NP England

Attention: Liam Cowdrey

Telephone: 01293 434000
Fax: 01293 433701

If to LMGC:

Loyalty Management Group Canada Inc.
4110 Yonge Street,
Suite 200,
North York, Ontario

Attention: John Scullion
C.O.O.

Telephone: (416) 228-6565
Fax: (416) 733-1488

With a copy to:
Alliance Data Systems Corporation
5001 Valley Road
Suite 650, West Tower
Dallas, Texas U.S.A. 75244-3910

Attention: General Counsel

Telephone: (972) 960-4349
Fax: (972-960-5330

or at such other address as the Party to whom such notice is to be given shall have last notified (in the manner provided in this Article) the Party giving such notice. Any notice delivered to the Party to whom it is addressed as provided herein shall be deemed to have been given and received on the day it is so delivered at such address and notice transmitted by telecopier shall be deemed given and received on the day of its transmission, provided that if the day of delivery or transmission is not a Business Day at the place of receipt or the time of delivery or transmission is after 5 p.m. at the place of receipt on a Business Day, then the notice shall be deemed to have been given and received on the next Business Day at the place of receipt.

ARTICLE 13
CONFIDENTIALITY

13.1 During the term of this Agreement, each Party shall keep confidential and not divulge to any Person any information, whether written or oral, or otherwise recorded, which is proprietary or confidential of the other including, but not limited to, customer lists, data compilations and data systems, pricing methods, cost information, financial information, strategic plans, finances, methods of operation, marketing plans and strategies, equipment and operational requirements, processes or products and services or intended products or services of the other and information concerning personnel and customers; provided however that neither Party shall have any confidentiality obligation (i) as to information which has come into the public domain through no fault of or action by such Party, (ii) to the extent such Party is required by law to disclose, or (iii) as to information such Party may disclose to employees, directors or advisors of such Party or an Affiliate thereof in connection with performance of services for such Party; and provided further that AMIT shall have no obligation with respect to any information of LMGC unless such information relates exclusively to LMGC and provided further that upon termination of this Agreement and for two (2) years thereafter such confidentiality obligation shall apply only to disclosures of information which would be materially' detrimental to the operations of LMGC's Business or AMIH's business.

13.2 LMGC's obligations under this Agreement with respect to any trade secrets forming part of the AMIT Know How shall cease with respect to such trade secrets to the extent that such trade secrets become part of the public domain through no fault of or action by LMGC.

ARTICLE 14
DISPUTE RESOLUTION

14.1 General Any dispute arising out of or relating to this Agreement, including any dispute regarding the existence, validity, scope, enforceability or termination of this Agreement and whether an issue is arbitrable (a "Dispute") shall be resolved in accordance with the procedures specified in this Article 15, which shall be the sole and exclusive procedures for the resolution of any such Disputes. The Parties shall attempt in good faith to resolve any Dispute (including the validity, scope and enforceability of this Article 14) promptly by negotiations between the Parties.

14.2 Negotiations between Executives

(a) AMIT and LMGC shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between executive officers who have authority to settle the controversy and who are at a higher level of management than the Persons with direct responsibility for administration of this Agreement. Either AMIT or LMGC may give to the other written notice of any dispute not resolved in the normal course of business. Within fifteen (15) days after delivery of the notice, the receiving Party shall submit to the other Party a written response. The notice and the response shall include (i) a statement of each Party's position and a summary of arguments supporting that position, and (ii) the name and title of the executive officer who will represent that Party and of any other Person who will accompany the executive officer. Within twenty (20) days after delivery of the disputing Party's notice, the executive officers of both Parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute. All reasonable requests for information made by one Party to the other Party will be honoured.

(b) All negotiations (including the existence, content and result thereof) pursuant to this Article '14 shall be confidential, non-discoverable in any judicial proceedings and treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

14.3 Binding Arbitration

(a) If the Dispute is not resolved by negotiation within forty-five (45) days (or any mutually agreed extension of time) of the disputing Party's notice, or if the Parties fail to meet within twenty (20) days of the notice, either Party may, upon notice to the other Party and the CPR Institute for Dispute Resolution ("CPR") submit such Dispute to arbitration.

(b) Such arbitrations shall be based in Toronto, Ontario and shall be conducted by three (3) arbitrators (who shall be lawyers admitted to practice in one or more provinces or territories and who shall be experienced in matters relating to intellectual property licenses) appointed as follows:

(i) the disputing Party shall appoint its nominee as first arbitrator;

(ii) the receiving Party shall, within ten (10) days of having received written notice from the disputing Party of the nature of the dispute to be referred to arbitration and of the identity of its nominee arbitrator, appoint its nominee as second arbitrator; (iii) if the appointment required by clause (ii) is not made within the period therein stipulated, the disputing Party shall be entitled to appoint as second arbitrator a nominee of its choice who is not related to the disputing Party and who shall be deemed to be the nominee of the respondent to the dispute;

(iv) the two nominees so appointed shall, within ten (10) days of the date upon which the second of them had been appointed as arbitrator, appoint a third nominee as chairman of the tribunal. In the event of their failure so to do within the prescribed period, the third arbitrator shall be appointed in accordance with the provisions of the International Commercial Arbitration Act (Ontario) ("the Act"); and

(v) should a vacancy arise because any arbitrator dies, resigns, refuses to act, or becomes incapable of performing his functions, the vacancy shall be filled by the method by which that arbitrator was originally appointed. When a vacancy is filled the newly established tribunal shall exercise its discretion to determine whether any previously completed hearings shall be repeated.

(c) The arbitration will be in accordance with the Act and the then current CPR "Non-Administered Arbitration Rules" or any successor CPR rules (the Act having precedence in the event of a conflict) (the "Arbitration Rules") and the procedures specified in this Article, to the extent they modify or add to such Arbitration Rules. The seat of the arbitration will be Toronto and the arbitration will be conducted at a neutral site in Toronto selected by the arbitrators.

(d) The arbitrators will have sole authority to resolve issues of the arbitrability of Disputes, including the applicability of any statute of limitation. The arbitrators may not amend or disregard any provision of this Article and may not limit, expand or otherwise modify the terms of this Agreement (including any terms respecting the limitation of liability of any Person). The arbitrators will have the power to order the pre-hearing discovery of documents but such production shall be restricted to documents (which shall include information recorded or stored by means of any device) directly related to the Dispute. The arbitrators will also have the power to order the taking of examinations for discovery of no more than two (2) witnesses per side (with the witnesses to be selected by the adverse side) for a period of not more than three (3) hours per witness, unless otherwise agreed. In addition, the arbitrators may compel the attendance of witnesses and production of documents at the hearing, to the extent provided by the Act. The arbitrators will determine the rights and obligations of the Parties and decide the Dispute in accordance with the substantive and procedural laws of the Province of Ontario.

(e) The Parties may seek injunctive relief either within the arbitration process or from the Ontario Court (General Division) or the Federal Court of Canada (or in the case of disputes relating to the use of Marks outside the Territory a Court competent in the jurisdiction in which use occurred) and the Parties accept the concurrent jurisdiction of the Courts for the purpose of granting injunctive relief, as set out herein. Within the arbitration process, Parties may seek either interim or permanent relief. From the Court, Parties may seek temporary injunctive relief. A Party seeking temporary injunctive relief from the

Court will simultaneously file a claim in the arbitration for interim and permanent relief in the manner specified under this Article. If the Court issues a temporary injunction against one of the Parties, the Court will have jurisdiction to deal with all matters, including appeals, concerning the temporary injunction. Any requested arbitration concerning the subject-matter of the injunction shall proceed before the arbitrator in an expedited manner pursuant to Article 14.4.

(f) Time will be of the essence and the arbitrators' award will be rendered as soon as practicable after conclusion of the final hearing, but in any event not later than one hundred and eighty (180) days after the date of appointment of the third arbitrator unless otherwise agreed or the time period is extended for a fixed reasonable period by the arbitrators on written notice to each Party because of illness or other cause of an arbitrator beyond the arbitrator's control.

(g) The decision of any two of the three arbitrators shall be final and binding on the Parties to the Dispute with no right of appeal therefrom. The arbitrators' decision, reasons and award will be in writing, setting forth the legal and factual basis therefor (except with respect to the validity, infringement or misappropriation of any patents or other proprietary rights of any Party, with respect to which such award will be a bare award without findings or any statement of legal or factual basis). The Parties will abide by and perform any award, including interim awards, rendered by the arbitrators and judgment on such awards may be entered and enforced in any court of competent jurisdiction.

(h) The fees and expenses of the arbitration, which may include the costs of CPR, the arbitrators, the arbitration site and counsel will be in the sole discretion of the arbitrators.

(i) All information and documents disclosed in arbitration by any Party will remain Confidential Information of the disclosing Party, and the arbitrators and the Parties will (and will cause their representatives, advisors and counsel to) hold the existence, content and result of the arbitration in confidence, except to the limited extent necessary to enforce a final settlement agreement or to obtain and secure enforcement of or a judgment on an arbitration award. No privilege or right of a Party with respect to information or documents disclosed by it in arbitration will be waived or lost by such disclosure.

14.4 Expedited Binding Arbitration

The Parties agree that there shall be expedited arbitration pursuant to this Article 19 to be completed in not more than ninety (90) days where there is a genuine issue with respect to the following events:

(i) if AMIT or LMGC is enjoined pursuant to a temporary injunction of the Ontario Court (General Division) or the Federal Court of Canada or any other Court in the World;

(ii) if LMGC fails to pay the amounts due under Article 6;

(iii) if LMGC uses or licenses the use of the AMIT Know How outside the Territory contrary to Articles 2 or 3;

(iv) if AMIT uses or licenses the use of the AMIT Know How and/or the Programme inside the Territory contrary to Article 2; or

(v) if the Related Agreements are or one of them is terminated by any of the parties thereto.

ARTICLE 15
MISCELLANEOUS

15.1 Name, Captions

The provision of a Table of Contents, the division of this Agreement into Articles, Sections, Sub sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation of this Agreement.

15.2 Entire Agreement and Relationship Between the Parties

(a) This Agreement and the Related Agreements constitute the entire agreement between the Parties pertaining to the matters contemplated hereby and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, relating to the subject matter hereof.

(b) This Agreement is not a franchise and does not create a partnership or joint venture. Neither Party shall have any right to obligate or bind any other Party in any manner. Each of LMGC and AMIT is an independent contractor, not an agent or employee of the other. The continuing obligations of LMGC in this Agreement, including those obligations set forth in Articles 5.3, 5.4, 8.1, 9.5 and 14, and the continuing obligations of AMIT in this Agreement, including those obligations of

AMIT under Articles 8.2, 9.5 and 14, shall survive and continue after the termination of this Agreement. The continuing obligations of each of LMGC and AMIH set forth in Article 13 of this Agreement shall survive and continue for a period of two (2) years after the termination of this Agreement.

15.3 Amendments

No amendment of this Agreement shall be effective unless such amendment is made in writing and signed by authorized representatives of the Parties hereto.

15.4 Severability

If any provision of this Agreement is determined to be invalid or unenforceable by an arbitrator or a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed therefrom, and the remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable; provided that in the event that any portion of this Agreement shall have been so determined to be or become invalid or unenforceable (the "offending portion"), the Parties shall negotiate in good faith such changes to this Agreement as will best preserve for the Parties the benefits and obligations of such offending portion. The invalidity or unenforceability of any term or any right arising pursuant to this Agreement shall in no way affect the validity or enforceability of any of the remaining terms or rights.

15.5 Specific Performance/Injunctive Relief

The Parties acknowledge and agree that money damages are not an adequate remedy for violations of this Agreement and that any Party may, in its sole discretion, notwithstanding Article 14, apply to the Ontario Court (General Division) or the Federal Court of Canada for specific performance or for temporary injunctive relief or such other temporary relief (equitable or otherwise) as such court may deem appropriate in order to enforce this Agreement or to prevent any violation hereof, and each Party waives any objection to the imposition of such relief and any requirement for the posting of any security, including a bond, with respect to such relief.

15.6 Remedies Cumulative

All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise or beginning of the exercise of any thereof by either Party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such Party.

15.7 No Waiver

No waiver of any of the provisions of this Agreement is binding unless it is in writing and signed by the Party entitled to grant the waiver. No failure to exercise, and no delay in exercising, any right or remedy under this Agreement will be deemed to be a waiver of that right or remedy. No waiver of any breach of any provision of this Agreement will be deemed to be a waiver of any subsequent breach of that provision.

15.8 Further Assurances

The Parties will, from time to time during the course of this Agreement or upon its expiry and without further consideration, execute and deliver such other documents and instruments of transfer, conveyance and assignment and take such further action as the other may reasonably require to effect the transactions contemplated thereby.

15.9 Extended Meanings

Any reference in this Agreement to gender shall include all genders, and words importing the singular number only shall include the plural and vice versa.

15.10 No Third Party Beneficiaries

Each Party intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any Person, other than the Parties and their Affiliates, and no Person, other than the Parties, shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

15.11 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument. Each counterpart may consist of a number of copies each signed by less than all, but together signed by all, the Parties.

15.12 No Liability of Shareholders

No shareholder of LMGC or the successors or transferees of a shareholder of LMGC shall be liable for any of the obligations of LMGC hereunder. No shareholder of AMIT or the successors or transferees of a shareholder of AMIT shall be liable for any of the obligations of AMIT hereunder.

15.13 Statutory References

Unless expressly stated to the contrary, any references in this Agreement to any law, by-law, rule, regulation, order or act of any government, governmental body or other regulatory authority shall be construed as a reference there to as enacted at the date of this Agreement as such law, by-law, rule, regulation, order or act may be amended, re-enacted or superseded from time to time.

15.14 Business Day Payments

If under this Agreement any payment or calculation is to be made or any other action is to be taken on a day which is not a Business Day, that payment or calculation is to be made, and that other action is to be taken, as applicable, on or as of the next day that is a Business Day

15.15 References

In this Agreement, references to "hereof", "hereto", and "hereunder" and similar expressions mean and refer to this Agreement taken as a whole, and not to any particular Article, Section, Subsection or other subdivision; "Article", "Section", "Subsection" or other subdivision of this Agreement followed by a number means and refers to the specified Article, Section, Subsection or other subdivision of this Agreement.

15.16 Currency

In this Agreement, all references to currency shall be references to the lawful currency of the Territory.

15.17 Schedules

The following Schedules are attached to and form part of this Agreement:

Schedule	Description
SCHEDULE 1	AMIT KNOW HOW

15.18 Limitation of Liability

THE PARTIES (INCLUDING FOR THIS PURPOSE THEIR AFFILIATES) EXPRESSLY ACKNOWLEDGE AND AGREE THAT THEY WILL NOT BE LIABLE FOR EACH OTHER'S INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OR FOR PUNITIVE, EXEMPLARY OR AGGRAVATED DAMAGES OR FOR DAMAGES FOR LOST PROFITS, LOST REVENUES OR FAILURE TO REALIZE EXPECTED SAVINGS, REGARDLESS OF WHETHER SUCH LIABILITY ARISES IN OR IS BASED UPON TORT (INCLUDING NEGLIGENCE), CONTRACT (INCLUDING FUNDAMENTAL BREACH OR BREACH OF A FUNDAMENTAL TERM), BREACH OF TRUST OR FIDUCIARY DUTY, RESCISSION OF CONTRACT, RESTITUTION, INDEMNIFICATION OR OTHERWISE.

15.19 Time of the Essence

Time shall be of the essence of this Agreement.

15.20 Costs and Expenses

Except as otherwise or expressly provided in this Agreement, each Party shall pay all costs and expenses it incurs in authorizing, preparing, executing and performing this Agreement and the transactions contemplated there under, including all fees and expenses of its respective legal counsel, investment bankers, brokers, accountants or other representatives or consultants.

15.21 Excusable Delays

The dates and times by which any Party is required to perform any obligation under this Agreement shall be postponed automatically to the extent, for the period of time, that the Party is prevented from so performing by circumstances beyond its
reasonable control. Such period shall not extend beyond one year. Said circumstances shall include acts of nature, strikes, lockouts, riots, acts of war, epidemics, government regulations imposed after the fact, fire, power failures, earthquakes or other disasters or other causes beyond the performing Party's reasonable control whether or not similar to the foregoing.

15.22 Governing Law and Attornment

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein (excluding any conflict of laws rule or principle which might refer such construction to the laws of another jurisdiction). To the extent applicable, the Parties expressly exclude the application of the United Nations Convention on Contracts for the International Sale of Goods. Each of the Parties hereby irrevocably attorns and submits to the exclusive jurisdiction of the Courts of the Province of Ontario or the Federal Court of Canada, except to the extent any Court action of AMIT relates to the use of the AMIT Know How by LMGC outside the Territory.

IN WITNESS WHEREOF, the Parties have executed the Agreement.

AIR MILES INTERNATIONAL TRADING B.V.	LOYALTY MANAGEMENT GROUP CANADA INC.
By:_____	By:_____
Name: Liam P.B. Cowdrey	Name: Craig Underwood
Title: Director	Title: President and Chief Executive Officer
Date July 24, 1998	Date: July 24, 1998

SCHEDULE 1

All know-how, processes, trade secrets, confidential information, unpatented inventions, studies and data, marketing strategies, product information, sponsor and/or supplier information, manuals, technology, research and development reports, technical information, technical assistance and similar materials recording or evidencing expertise or information related to the Programme.

LICENSE TO USE
THE AIR MILES TRADEMARKS IN THE UNITED STATES

BETWEEN

AIR MILES INTERNATIONAL HOLDINGS N.V.

AND

ALLIANCE DATA SYSTEMS CORPORATION

July 24, 1998

TABLE OF CONTENTS

LICENSE TO USE THE AIR MILES TRADEMARKS IN THE UNITED STATES

THIS AGREEMENT is dated the 24th day of July, 1998 between AIR MILES INTERNATIONAL HOLDINGS N.V. of Landhuis Joonchi, Kaya Richard J. Beaujon z/n, P.O. Box 837, Curacao, Netherlands Antilles ("AMIH") and ALLIANCE DATA SYSTEMS CORPORATION of 5001 Valley Road, Suite 620, West Tower, Dallas, Texas, U.S.A. 75244- 3910 ("ADSC").

WHEREAS ADSC has agreed to purchase all of the shares of LMGC pursuant to the Share Purchase Agreement which agreement contemplates this agreement and relationship and such transaction is intended to close on the date hereof; and

WHEREAS AMIH is entitled to grant the licenses herein to ADSC and is willing to license and allow ADSC to use the AMIH Marks and adopt the Licensed Names in the Territory on the terms and conditions set out in this Agreement.

NOW THEREFORE, in consideration of the business relationship between the Parties, including as set out in the Related Agreements and through the Share Purchase Agreement including the sum of one hundred dollars (U.S.), the mutual covenants contained herein, and other good and valuable consideration (the receipt and sufficiency of which are acknowledged by the Parties), the Parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Definitions

"ADSC MARKS" means the Marks owned by ADSC or its Affiliates whether pending or registered in accordance with the Lanham Act, from time to time, particulars of which are set out in Schedule 2 hereof and as such Schedule may be updated and/or those Marks developed, owned and used by ADSC or its Affiliates or sub- licensees in the Territory from time to time (and as such Marks may be modified or supplemented).

"AFFILIATE" means a Person directly or indirectly controlling, controlled by or under common control with a party.

"AIR MILES DEVICE" means the design mark as depicted in United States Trade-mark Registrations Nos. 1,771,774 and 1,819,474.

"AGREEMENT" means this agreement including any recitals and schedules to this agreement, as amended, supplemented or restated in writing from time to time.

"AMIH MARKS" means the United States Marks and the Non- United States Marks collectively.

"BANKRUPTCY" shall be considered to occur in respect of a Party if:

(i) any voluntary proceeding is commenced (by the filing of any originating process, notice or assignment or otherwise) by the Party pursuant to an Insolvency Act;

(ii) an involuntary case or other proceeding is commenced (by the filing of any originating process or otherwise) against the Party pursuant to an Insolvency Act, and

(a) such case or proceeding is not contested, diligently and on a timely basis, by that Party,

(b) Bankruptcy occurs in respect of that Party within the meaning of any other paragraph of this definition during the contestation of such case or proceeding, or

(c) such case or proceeding is not dismissed, withdrawn or permanently stayed within sixty (60) days of commencement;

(iii) any voluntary proceeding is commenced (by the filing of any originating process or notice or otherwise) by or respecting a Party pursuant to the corporate or company statute under which Party is organized from time to time or any other statute of any relevant jurisdiction which is not an Insolvency Act seeking any stay of creditor remedies or moratorium, compromise, arrangement, adjustment, extension or reorganization of debts or other liabilities;

(iv) any voluntary or other proceeding is commenced (by the filing of any originating process or notice or otherwise) by or against the Party seeking appointment (provisional, interim or permanent) of a receiver, manager, receiver and manager, trustee, sequestrator, custodian, liquidator or Person with like or comparable powers for that Party or for all or substantially all of its property, assets and undertaking, and

(a) such proceeding is not contested, diligently and on a timely basis, by that Party;

(b) Bankruptcy occurs in respect of that Party within the meaning of any other paragraph of this definition during the contestation of such proceeding, or

(c) such proceeding is not dismissed, withdrawn or permanently stayed within sixty (60) days of commencement;

(v) any secured creditor of the Party takes possession or control (actual or constructive) of, or appoints any agent, receiver, manager, receiver and manager or Person with like or comparable powers in respect of, that Party or all or substantially all of its property, assets and undertaking; or

(vi) a majority of the directors or shareholders of the Party voting thereon pass or ratify any resolution (A) except as part of a bona fide corporate reorganization, for its liquidation, winding up or dissolution, (B) to authorize any voluntary proceeding by or in respect of that Party described above or (C) to consent to or refrain from contesting any proceeding or step against or in respect of that Party or its property, assets or undertaking described above.

"BUSINESS" means the business carried on by ADSC in connection with which the United States Marks are used.

"BUSINESS DAY" means any day of the year, other than a Saturday, Sunday or any day on which the banks are required or authorized to close in Dallas, Texas, United States of America.

"CANADIAN PROGRAMME" means any program(s) or business(es) that involve(s) three (3) or more sponsoring companies in any product or service category or industry and which offer(s) only entitled members with addresses in Canada or any other geographic region in which ADSC or any of its Affiliates has a license from AMIH to similar effect to this Agreement, airline seats, airline miles, airline or any other services, awards or value of any nature (whether or not by virtue of exchanging, converting or redeeming coupons, tickets, points or other tangible or intangible rights) in connection with the purchase of goods or services of any party and which operates for more than three (3) months duration and the operation of travel agency services.

"CATEGORY" means the business sector granted to a Sponsor within the Territory.

"CONCURRENT USE AGREEMENT" means the Concurrent Use Agreement between AMIH, Air Miles International Trading B.V., Air Miles Travel Promotions Limited, Loyalty Management Group Inc., LMGC, and AMI Funding, Inc. entered into as of the 13th day of May, 1994, as amended, supplemented or restated in writing from time to time.

"INCLUDING" The terms "include", "including" and "such as" are illustrative and not limitative and shall be interpreted to mean "including without limitation"

"INSOLVENCY ACT" means the any bankruptcy, insolvency or other similar law or statute of the United States or any other relevant jurisdiction relating to bankruptcy, insolvency, stay of creditor remedies, moratorium, compromise, arrangement, extension, adjustment or reorganization of debts or other liabilities, liquidation, winding up or dissolution.

"INTERNLC REGISTRATION RIGHTS" means all rights associated with the registration of a Mark, being a domain name or URL with InterNIC or any other entity now or hereafter serving a domain name registration function with respect to any jurisdiction, including the Territory.

"LICENSED NAME" means any corporate name, trading style and/or business name of ADSC or its Affiliates which is or includes any United States Mark.

"LMGC" means Loyalty Management Group Canada Inc. a Canadian company with its office located at 4110 Yonge Street, Suite 200, North York, Ontario Canada.

"MARK" means any name, brand, mark, trademark, service mark, trade dress, trade name, business name, Uniform Resource Locator ("URL"), domain name or other indicia of origin.

"MARKETING SPECIFICATIONS" means AMIH's reasonable standards and guidelines relating to the permitted use, depiction, graphic display, marketing, advertising and promotion of any of the AMIH Marks and any Licensed Name in association with the Programme, as they may be amended, modified or supplemented from time to time in accordance with this Agreement, which shall be reflected in writing.

"MASTER SPECIFICATIONS" means the applicable Quality Specifications and Marketing Specifications for the Programme.

"NON-UNITED STATES MARKS" means the registered or common law trademarks and service marks subsisting outside the Territory comprising or including the words Air Miles or the Air Miles Device and which are owned or used by AMIH or any of its Affiliates, licensees, successors or assignees.

"PARTY" means either AMIH or ADSC; and "Parties" means AMIH and ADSC collectively.

"PERSON" includes an individual, a legal personal representative, corporation, company, body corporate, partnership, limited partnership, joint venture, syndicate,

trust, unincorporated organization, the United States government or any agency or instrumentality thereof, regulatory authority or any other entity recognized by law, howsoever designated or constituted.

"PROGRAMME" means any program(s) or business(es) that involve(s) three (3) or more sponsoring companies in any product or service category or industry and which offer(s), only entitled members with addresses in the Territory or any other geographic region in which ADSC or any of its Affiliates has a license from AMIH to similar effect to this Agreement, airline seats, airline miles, airline or any other services, awards or value of any nature (whether or not by virtue of exchanging, converting or redeeming coupons, tickets, points or other tangible or intangible rights) in connection with the purchase of goods or services of any party and which operates for more than three (3) months duration and the operation of travel agency services.

"QUALITY SPECIFICATIONS" means AMIH's reasonable specifications relating to the standards of the wares or services bearing the United States Marks for the Programme, as they may be amended, modified or supplemented from time to time in accordance with this Agreement, which shall be reflected in writing.

"RELATED AGREEMENTS" means collectively, the United States Intellectual Property License and the Concurrent Use Agreement.

"SHARE PURCHASE AGREEMENT" means the agreement for the purchase of all the shares of LMGC made as of June 26, 1998, as amended in writing from time to time, among ADSC and each of the shareholders of LMGC at that date.

"SPONSORS" means those businesses participating in the Programme in conjunction with the offer of wares or services to consumers within the Territory and includes the Suppliers.

"SUPPLIERS" means those businesses offering wares or services in connection with exchanges, conversions or redemptions under the Programme.

"TERRITORY" means the current geographic area and territory of the United States of America including Puerto Rico and any other area or territory which becomes a state of the United States of America, unless AMIH or its licensees are operating a Programme (except that the entitled members thereof have addresses in the area or territory rather than the Territory) in that area or territory at the time it becomes a state.

"THIRD PERSON" means any Person other than AMIH and its Affiliates and ADSC and its Affiliates.

"UNITED STATES INTELLECTUAL PROPERTY LICENSE" means the Licence to Use and Exploit the Air Miles Scheme in the United States between Air Miles International Trading B.V. and ADSC of even date herewith;

"UNITED STATES MARKS" means the Marks owned by AMIH or its Affiliates whether pending or registered in accordance with the Lanham Act, from time to time, particulars of which are set out in Schedule 1 hereof and as such Schedule may be updated by agreement of the Parties and/or those Marks owned by AMIH or its Affiliates and used in the Territory by AMIH or its licensees in association with the Programme from time to time (and as such Marks may be modified or supplemented by agreement of the Parties), excluding the ADSC Marks;

ARTICLE 2
LICENSE

2.1 AMIH hereby grants to ADSC, subject to the terms of this Agreement, an exclusive right and license to use the United States Marks in the Territory in' association with the Programme only and the marketing, advertising and promotion thereof in any media in the Territory or any other geographic region in which ADSC or any of its Affiliates has a license from AMIH to similar effect to this Agreement, including the right to sub-license the use of the United States Marks in the Territory in accordance with the provisions of this Agreement. Provided that ADSC's use of a Non-United States Mark in the Territory in association with the Programme would not violate the rights of any Third Person (which has not obtained such rights from or through AMIH or an Affiliate), AMIH hereby grants to ADSC, subject to the terms of this Agreement, an exclusive right and license effective from the date hereof to use the Non-United States Marks in the Territory in association with the Programme only, including the right to sub-license the use of such Non-United States Marks in the Territory in accordance with the provisions of this Agreement. Except as provided in Article 2.3 herein, AMIH agrees not to license to anyone else the right to use a Non-United States Mark in the Territory. The exclusivity of the license is subject to the rights of AMIH, its Affiliates, successors and assignees together with their respective licensees and sub-licensees mentioned in Articles 2.3 and 2.4 hereafter.

2.2 AMIH hereby grants a non-exclusive right to ADSC, with a right to sub-license its applicable Sponsors and sub-licensees, for and further agrees that it will not and will ensure that its Affiliates, successors, assignees or any of their licensees or sub-licensees will not object to the use of the AMIH Marks outside the Territory by such of the Sponsors as provide travel or entertainment related services for business and other travellers including, for the avoidance of doubt, airline, car rental and/or hotel services and/or by ADSC and/or by ADSC's applicable sublicensees only in connection with the provision of travel or entertainment related services including, for the avoidance of doubt, airline, car rental and/or hotel

services to the extent only that such use is incidental to the operation of the Programme in the Territory. ADSC shall not itself have any other right to use the AMIH Marks outside the Territory. ADSC's right to use of the AMIH Marks outside the Territory shall include the right to display, for the purposes of promotion and advertisement, such Marks including on or through the World Wide Web on the Internet or through other electronic media.

2.3 Notwithstanding Article 2.1 ADSC shall not object to the use of the AMIH Marks by AMIH, its Affiliates, successors and assignees together with their respective licensees and sub- licensees in the Territory only in connection with the provision of travel or entertainment related services including, for the avoidance of doubt, airline, car rental and/or hotel services to persons providing travel or entertainment related services for business and other travellers, to the extent only that such use is incidental to the rights of AMIH, its Affiliates, successors and assignees together with their respective licensees or sub- licensees to carry out activities in connection with the operation of sales promotion and/or incentive or loyalty schemes outside of the Territory.

2.4 AMIH, its Affiliates, successors and assignees may use the United States-Marks in the Territory for the purposes of promoting their activities to issuers or potential issuers of points, credits, vouchers or other incentives in connection with the operation of sales promotion and/or incentive or loyalty schemes conducted outside the Territory. In so doing, AMIH, its Affiliates, successors and assignees must co-operate with ADSC with respect to the promotion of the Business. ADSC, its Affiliates, successors and assignees may use the Non-United States Marks outside of the Territory for the purposes of privately promoting their activities to issuers or potential issuers of points, credits, vouchers or other incentives in connection with the operation of sales promotion and/or incentive or loyalty schemes conducted in the Territory, but shall not make such advertisements or promotion to the public in general.

2.5 Subject to this Agreement, AMIH reserves the right to use and license the use of the AMIH Marks outside the Territory, whether in connection with sales promotion and incentive schemes similar to the Programme or otherwise.

2.6 The Parties agree that the Concurrent Use Agreement shall not be amended or terminated during the term of this Agreement without the prior written consent of the Parties.

ARTICLE 3
SUB-LICENSE RIGHTS

3.1 AMIH agrees that ADSC may grant non-exclusive sub-licenses to Sponsors to use the United States Marks in the Territory in connection with the Programme only, with or without exclusivity in the relevant Category. If the terms and

conditions of such sub-licenses are consistent with the terms and conditions of the current sub-license arrangements with the Sponsors currently sub- licensed by LMGC in Canada in conjunction with participation by those Sponsors in the Canadian Programme, AMIH hereby grants its consent to such sub-licenses. If the terms and conditions of such sub-licenses are not consistent with such current sub-license arrangements, ADSC shall submit to AMIH a copy of each such license agreement and AMIH shall provide written notice of any objections thereto within ten (10) Business Days, failing which AMIH shall be deemed to have consented to such sub-license arrangement. In any event, AMIH's consent to such sub-licenses shall not be unreasonably withheld.

3.2 AMIH agrees that ADSC may agree in the sub-license agreements as mentioned under Article 3.1 with Sponsors in respect of the Programme in the Territory that neither AMIH nor their Affiliates, successors, assignees, licensees or sub-licensees will object to the use by such Sponsors of the AMIH Marks outside the Territory only to the extent that such use is in accordance with the rights granted in Article 2.2 above.

3.3 It shall be a term of all sub-licenses granted pursuant to Article 3.1 above that the Sponsors undertake not to engage in any advertising or promotion outside the Territory for the Programme or the participation of the Sponsors in the Programme PROVIDED ALWAYS that incidental references to the participation of the Sponsors in the Programme in the Territory may be made in promotional materials such as brochures outside the Territory incidental to the distribution inside the Territory provided that any use of the Marks in such promotional materials shall clearly indicate that the Sponsors participate in the Programme in the Territory and that the Programme is only open to entitled members with addresses in the Territory.

3.4 In this Agreement, where ADSC agrees to ensure that all sub- licensees of the AMIH Marks appointed by ADSC comply with an obligation, this means:

(i) ADSC shall impose a contractual obligation on the sub-licensees to observe such obligations; and

(ii) where ADSC becomes aware of any non-compliance by any sub-licensee with any such obligation, ADSC shall use reasonable efforts to ensure that such sub-licensee complies with such obligation.

3.5 The Parties acknowledge that ADSC has no obligation to (but may) amend any agreement with any existing Sponsor and that any and all such agreements with any Sponsors remain unaffected hereby.

3.6 For greater clarity, ADSC may sub-license its rights hereunder to an Affiliate to the extent considered by ADSC, acting reasonably, advisable for the operation of travel agency services in the Territory.

ARTICLE 4
STANDARDS OF QUALITY

4.1 In using the AMIH Marks hereunder ADSC shall comply so far as it is capable of doing so and shall ensure that all sub- licensees of the AMIH Marks appointed by ADSC comply so far as they are capable of doing so in the manufacturing and distribution, advertising, marketing and promotion of wares and services under the AMIH Marks in relation to the Programme with all applicable laws in force in the Territory and all other countries in which sub-licensees appointed by ADSC use the AMIH Marks in the manufacture and distribution, advertising, marketing and promotion of wares or services under such AMIH Marks in relation to the Programme.

4.2 In using the AMIH Marks here under, ADSC shall and shall cause its sub-licensees to meet the Master Specifications, provided that:

(i) subject to Article 4.2(ii) below, on an ongoing basis, the Master Specifications are the Master Specifications imposed by AMIH and maintained by LMGC in respect of the Canadian Programme at the date. of this Agreement; and

(ii) the Master Specifications may be amended, modified or supplemented from time to time by AMIH, provided that ADSC consents to the changes in such Master Specifications and is provided with a reasonable period of time to comply with such changes. ADSC will have a period of ninety (90) days to rectify any breach of the Master Specifications after receipt from AMIH of notice of such breach, providing particulars of such breach. Any extension of the cure period may be mutually agreed upon by the Parties, acting reasonably, taking into account primarily the materiality and nature of the breach and the impact of the breach on AMIH's rights in the AMIH Marks and otherwise what would be a reasonable time within which to effect a cure and any reasonable efforts ADSC is making to meet the Master Specifications. ADSC will not be in breach of this Agreement if it is meeting most of the Master Specifications and is taking reasonable steps to meet the balance of the Master Specifications, any failure to comply with any Master Specification does not negatively impact customer perceptions of quality or negatively affect any of AMIH's rights in the AMIH Marks and/or are not material to customer perceptions. If a dispute arises between AMIH and ADSC as to the materiality of a breach of the Master Specifications, the matter will be resolved pursuant to Article 19.

ARTICLE 5
USE OF THE MARKS

5.1 ADSC shall be entitled to use any or all of the United States Marks including the words Air Miles as or as part of the Licensed Name(s) of ADSC or any of its Affiliates incorporated in the Territory provided that it is legally able to do so.

5.2 ADSC may use any URL featuring any or part of the United States Marks including the words Air Miles and may use a domain name featuring any or part of the United States Marks including the words Air Miles including for any Internet-based products or services that ADSC offers as part of or in furtherance of the Programme, providing such URL or domain name includes an identifier of the Territory. ADSC's web site accessed through such domain name must also identify the Territory. ADSC may own any InterNIC Registration Rights therein in its sole discretion.

5.3 AMIH and ADSC agree to consider in good faith any incidents of actual confusion or circumstances giving rise to a reasonable apprehension of confusion between the operation of the Programme by ADSC and/or its sub-licensees of the AMIH Marks and the activities of AMIH and their respective Affiliates and/or licensees under the AMIH Marks which may come to the attention of either Party and the Party responsible for such incidents of confusion or circumstances shall take reasonable steps to ensure that similar confusion or potential confusion does not arise in the future.

5.4 Where ADSC becomes aware of a material or persistent breach, that materially affects the rights of AMIH, of the terms of any sub-license by a sub-licensee of the AMIH Marks appointed by ADSC and such breach continues for at least sixty (60) days after ADSC has given notice requiring the breach to be remedied ADSC shall by means of an escalating course of discipline culminating in termination assert the rights legally available to it to ensure compliance with the provisions of such sub-license agreement.

5.5. Where ADSC becomes aware of a challenge to the validity of, or entitlement of ADSC to use or license any of the AMIH Marks by a sub-licensee of the AMIH Marks appointed by ADSC, ADSC shall by means of an escalating course of discipline culminating in termination assert the rights legally available to it to ensure compliance with the provisions of such sub-licensee's sub-license in relation to such AMIH Marks.

ARTICLE 6
USE OF ADSC MARKS

6.1 ADSC may use, continue to use and adopt any ADSC Marks in respect of any wares and services including in relation to the Programme and in association with any of the United States Marks. ADSC may register any ADSC Marks in the Territory in respect of any wares and services including in relation to the Programme. ADSC may associate intellectual property belonging to a Third Person with the United States Marks or Licensed Names. ADSC may co-mingle the ADSC Marks with the United States Marks and Licensed Names. Further, any Marks which are developed after the date hereof by ADSC and which are not confusingly similar to AMIH Marks shall be owned by ADSC and AMIH and/or any of its Affiliates shall not have any ownership rights whatsoever therein and shall not use, adopt or register such Marks (in any jurisdiction where they would be registrable by ADSC) in the world. None of the foregoing shall permit ADSC to do anything which would impair any of the rights of AMIH in the AMIH Marks in the Territory.

6.2 ADSC may provide services and distribute wares and invest in businesses or non-commercial enterprises under the ADSC Marks.

ARTICLE 7
ASSIGNMENT OF UNITED STATES MARKS

7.1 If AMIH wishes to assign or transfer the United States Marks, either directly or indirectly by or through AMIH or AMIH's Bankruptcy, other than to an Affiliate, no such assignment or transfer shall be effective unless AMIH provides ADSC notice of its intention to do so and gives ADSC thirty (30) days written notice within which to bid on such United States Marks for the purposes of owning either directly or indirectly such United States Marks. The foregoing provision shall not, in any way, obligate AMIH to accept any bid which ADSC submits. Any such assignee or transferee must be bound in writing by the grant of the license set out in this Agreement.

ARTICLE 8
ROYALTY FREE LICENSES

8.1 The Licenses granted hereunder by AMIH to ADSC shall be royalty free.

ARTICLE 9
REGISTRATION AND RENEWALS

9.1 AMIH shall, for so long as this Agreement remains in force, ensure that the registrations of such of the United States Marks as are registered will be

renewed as and when they fall due for renewal. Subject to Article 11.4 solely, the costs of the renewals or registrations and all expenses in relation to the United States Marks incurred from the date hereof shall be paid in full by AMIH.

9.2 ADSC shall not and shall make reasonable efforts to ensure that all sub-licensees of the AMIH Marks appointed by ADSC shall not use or register, in respect of any relevant wares and/or services, any trademark being the same or confusingly similar to any of the AMIH Marks without the prior consent of AMIH.
9.3 AMIH shall if requested by ADSC make such further applications in the Territory for the AMIH Marks as both Parties hereto shall consider necessary or desirable having in mind reasonable costs and expenses for the protection of their trading activities and such Marks shall be licensed to ADSC in accordance with the terms of this Agreement. AMIH shall bear the costs of such applications and any subsequent registrations or renewals. Any trade-mark covered by such application shall be deemed to be a Mark pursuant to this Agreement and shall be added to the United States Marks. Nothing in the foregoing provision is intended to prevent ADSC from itself applying to register trademarks which ADSC uses or otherwise adopts or intends to use or adopt provided that such trade-marks are not confusingly similar to any of the AMIH Marks.

9.4 Should AMIH develop or own or be entitled to use any new Mark(s) which it wishes to add to the United States Marks, it or they shall be so added after consultation with ADSC and on terms and conditions acceptable to ADSC. In any case, ADSC need not adopt any such additional Marks unless a reasonable transition period is agreed to by the Parties for the adoption of such Marks. Determinations that Marks are to be added to the United States Marks should be reduced to writing and added to the list of Marks in Schedule 1 to this Agreement.

ARTICLE 10
REPRESENTATIONS AND WARRANTIES

10.1 AMIH Warranties

AMIH hereby represents and warrants to ADSC as of the date of this Agreement the following:

(i) to the best of AMIH's knowledge and belief, AMIH has full power and authority to enter into and perform this Agreement, including to grant the license in Article 2 and to perform each and every covenant and agreement herein contained;

(ii) this Agreement has been duly authorized, executed and delivered by AMIH and constitutes a valid, binding and legally enforceable agreement of AMIH;

(iii) to the best of AMIH's knowledge and belief, the execution and delivery of this Agreement, and the performance of the covenants and agreements herein contained, are not restricted by and do not conflict with any material commercial arrangements, obligations, contracts, agreements or instruments to which AMIH is either bound or subject;

(iv) to the best of AMIH's knowledge and belief, AMIH's performance of this Agreement will not contravene or breach any laws or regulations of the Territory or of any state or territory of the Territory which could give rise to the imposition of a material fine, penalty or sanction levied on ADSC by any applicable regulatory authority in the Territory;

(v) AMIH has not granted any rights or licenses, which are subsisting at the date hereof, to any of its Affiliates or to any other Third Party to use the United States Marks in the Territory save in the circumstances' permitted in Articles 2.3 and 2.4 above;

(vi) the registrations for the United States Marks identified in Schedule 1 on the effective date of this Agreement subsist on the United States Trademark Register in the name of AMIH. To the best of AMIH's knowledge and belief there are no opposition proceedings currently pending against such Marks in the U.S. Patent and Trademarks Office, there have been no court proceedings successfully challenging the validity of such Marks, and no court proceedings challenging the validity of such Marks are currently outstanding; and

(vii) except for the Concurrent Use Agreement, AMIH is not a party to or bound by any contract or other obligation whatsoever that limits or impairs its ability to license the United States Marks to ADSC.

10.2 ADSC Warranties

ADSC hereby represents and warrants to AMIH as of the date of this Agreement the following:

(i) ADSC has full power and authority to enter into and perform this Agreement and to perform each and every covenant and agreement herein contained;

(ii) this Agreement has been duly authorized, executed and delivered by ADSC and constitutes a valid, binding and legally enforceable agreement of ADSC;

(iii) to the best of ADSC's knowledge and belief, the execution and delivery of this Agreement, and the performance of the covenants and agreements herein contained, are not restricted by and do not conflict with any material commercial arrangements, obligations, contracts, agreements or instruments to which ADSC is either bound or subject; and

(iv) to the best of ADSC's knowledge and belief, ADSC's performance of this Agreement will not contravene or breach any laws or regulations of the Territory or of any province or territory of the Territory which could give rise to the imposition of a fine, penalty or sanction by any applicable regulatory authority in the Territory.

ARTICLE 11
TITLE AND GOODWILL

11.1 ADSC acknowledges that its sole right to use the AMIH Marks and any trademarks confusingly similar there to derives from this Agreement and that it does pot have any rights to use the AMIH Marks or any marks confusingly similar thereto save as provided herein. ADSC agrees to include in all sub-licenses an acknowledgment by sub-licensees appointed by ADSC to use the AMIH Marks that their sole right to use the AMIH Marks and any trademarks confusingly similar thereto derives from such sub-license and that they do not have any rights to use the AMIH Marks or any marks confusingly similar thereto save as provided therein.

11.2 ADSC shall, if reasonably requested by AMIH from time to time and to the extent practicable, for the protection of the AMIH Marks include and ensure that any sub-licensees of the AMIH Marks appointed by ADSC within a reasonable period of time include in advertisements in the press and elsewhere and on the goods or labels or containers used in connection with the sale of the goods and/or the provision of services under the AMIH Marks a notice to the effect that the AMIH Marks and each of them are trademarks of AMIH or its successors in title.

11.3 All rights arising from the use by ADSC or its sub-licensees of the AMIH Marks shall inure to the benefit of AMIH or its successors in title and all goodwill symbolized by the AMIH Marks shall belong to and accrue to AMIH or its successors in title.

11.4 The Parties acknowledge that use of the United States Marks by ADSC in the Territory may be required to maintain the validity of the United States Marks. If AMIH, acting reasonably, considers that any one of the United States Marks has not been used in the Territory in relation to the Programme, it shall be entitled to serve notice on ADSC requesting brief details of any use of the relevant United States Marks within the period of four years prior to the date of the notice or within a

period of three months after the date of the notice. If in the reasonable opinion of AMIH, ADSC has not demonstrated that use of the relevant United States Marks has taken place to the extent necessary to preserve and maintain the validity of the said registration for the United States Marks and provided such United States Marks are material to the United States business of ADSC, AMIH may, in its sole discretion, require ADSC to make use of such United States Mark solely to the extent required to maintain the registration of such United States Mark. Notwithstanding the foregoing, AMIH has the option not to renew any registration of such United States Mark if ADSC is not using such in the Territory.

ARTICLE 12
INDEMNITY

12.1 ADSC shall indemnify AMIH and hold it harmless and defend it from and against all damage, including reasonable counsel fees, which AMIH may incur in respect of all claims which may be made against AMIH (whether separately or as joint defendants) arising out of the manufacture, packaging, or any other cause relating to any wares sold and/or services provided by or on behalf of ADSC or its sub-licensees under the AMIH Marks, except insofar as any such claim may be found to arise from any omission or failure on the part of AMIH.

12.2 AMIH shall indemnify ADSC and hold it harmless and defend it from and against all damages, including reasonable counsel fees, which ADSC may incur as a result of any breach of warranties as stated in Article 10 with regard to the United States Marks only.

ARTICLE 13
INFRINGEMENT

13.1 The Parties agree to give each other prompt written notice of any infringement or other similar action in or affecting the Territory by a Third Party of the AMIH Marks known to them.

13.2 In the event of such infringement or other similar action, ADSC has the obligation to protect any of the Non-United States Marks which ADSC has been using in the preceding 12 month period and the United States Marks in the Territory and may decide whether or not any action is necessary for such protection and what such action might be, taking into account the interests of both Parties. ADSC has the right to act in its own name or if necessary in the name of AMIH. For the term of this Agreement AMIH hereby gives ADSC a power of attorney in the form attached hereto as Schedule 3 to act on its behalf if any action in or out of court in connection with such actions is necessary. ADSC will select counsel, to which AMIH has no reasonable objection and AMIH will provide reasonable assistance, including by providing information, documents and things in response to discovery

requests, by providing at mutually convenient times witnesses for discovery, depositions and trial testimony, and by permitting ADSC to cause AMIH to be named as a party plaintiff or co- plaintiff in U.S. litigation. All expenses, including any expenses incurred by AMIH to provide such assistance, shall be borne by ADSC and ADSC shall be entitled to any amounts awarded to ADSC or AMIH. ADSC shall not enter into any settlement of such actions without the written consent of AMIH, which consent shall not be unreasonably withheld.

13.3 If any action or proceeding is brought or asserted by ADSC, under the authority granted to it under Article 13.2, ADSC will promptly notify AMIH in writing. AMIH may assume and direct the action or proceeding only provided that ADSC initiates no action or takes no action in such action or proceeding. Upon assumption of the action or proceeding by AMIH, all expenses shall be borne by AMIH and AMIH shall be entitled to any amounts awarded to ADSC or AMIH. AMIH shall not enter into any settlement of such actions without the written consent of ADSC, which consent shall not be unreasonably withheld.

ARTICLE 14
DURATION AND TERMINATION

14.1 This Agreement shall continue in force indefinitely from the date hereof, subject only to the rights of the Parties with respect to termination provided in this Article 14, and shall not be terminable by either Party in any other circumstances, whether upon reasonable notice or otherwise.

14.2 AMIH shall have the right to terminate this Agreement upon six months notice in writing to ADSC if ADSC fails to commence within seven (7) years of the date hereof the operation of the Programme or ceases for a continuous period of seven (7) years to be involved in operation of the Programme.

14.3 The rights of ADSC in the Territory in relation to any United States Mark incorporating the words Air Miles or the Air Miles Device shall terminate in accordance with Article 14.4 below if ADSC challenges the validity of or entitlement of AMIH to use or license, such Mark. If a Court of competent jurisdiction in a final non-appealable judgment in the Territory other than at the request of ADSC holds that such Marks which are material to the Programme are invalid or that AMIH is not entitled to use or license such Marks in the Territory, ADSC may in its sole discretion terminate this Agreement.

14.4 (1) Subject to compliance with the provisions of Article 19 requiring dispute resolution, either Party shall have the right to terminate this Agreement forthwith at any time on giving the other written notice of termination in any of the following events:

(i) the other Party commits any breach of its obligations here under and fails to remedy such breach within ninety (90) days (or such longer period as the Parties may agree) after being given written notice by the other Party to remedy such default; provided however that if ADSC and its sub- licensees are diligently pursuing the remedy or cure of such failure during the cure period, the cure period shall be extended for a further ninety (90) days; or

(ii) Bankruptcy shall have occurred in respect of the other Party, provided that termination shall not occur at anytime during:

(A) the exercise of any rights or remedies by a secured creditor of ADSC who has taken a security interest in ADSC's rights under this Agreement either (a) in compliance with Article 16.3, or (b) with the written consent of AMIH; provided that the payment of all amounts from time to time due and payable by ADSC hereunder continue to be duly paid and the performance of all covenants from time to time to be performed by ADSC hereunder continue to be duly performed; or

(B) any proceeding under an Insolvency Act involving a restructuring or reorganization of ADSC under court supervision and/or any disposition of ADSC's business as a whole or substantially as a whole pursuant to any such proceeding, in either case, so long as such proceeding is continuing.

(2) If either Party validly terminates the United States Intellectual Property License in accordance with the terms thereof, this Agreement shall terminate at the same time as the United States Intellectual Property License.

14.5 Upon termination of this Agreement ADSC shall within a period of six (6) months:

(i) cease to carry on business under the name "Air Miles" and cease to use the AMIH Marks;

(ii) deliver to AMIH any materials in its possession or under its control which fail to meet the standard of quality set out in Article 4 above or otherwise fail to comply with the terms hereof and which reproduce the AMIH Marks or give AMIH satisfactory evidence of their destruction;

(iii) insofar as its Licensed Name(s) include(s) any United States Mark, change such names to names that do not incorporate such Marks or any Marks confusingly similar thereto;

(iv) terminate all sub-license agreements with sub-licensees of the AMIH Marks appointed by ADSC; and

(v) terminate use of any URL and/or domain name containing any United States Mark.

14.6 For the avoidance of doubt, it is agreed that any termination of this Agreement, whether in whole or in part, shall be without prejudice to any rights held by any Party which may have accrued up to the date of termination. Further, ADSC may continue to use the ADSC Marks.

ARTICLE 15
NON-COMPETITION

15.1 During the term of this Agreement and subject to Article 2.3 below, AMIH, its Affiliates or its successors shall not utilize any AMIH Marks or any Marks confusingly similar thereto in or as part of any Programme or any program similar there to, in competition with ADSC or its Affiliates, directly or indirectly in the Territory or grant any of their assignees, licensees or sub-licensees a license or sub-license to do so.

ARTICLE 16
ASSIGNMENT/SUCCESSORS

16.1 This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

16.2 Subject to Article 7.1, AMIH may at any time or from time to time assign, sell or transfer all but not less than all of its rights under this Agreement, either absolutely or by way of security (including the rights and remedies of the secured party relating to such security), as part of a financing involving AMIH's business to any Person, in either case without the consent of, but with prior notice to LMGC.

16.3 ADSC may at any time or from time to time assign, sell or transfer all but not less than all of its rights under this Agreement, either absolutely as part of the sale of all or substantially all of the Business or the assets of the Business or by way of security (including the rights and remedies of the secured party relating to such security), as part of a financing involving the Business to any Person, in either case without the consent of, but with prior notice to AMIH.

16.4 Except as provided in Article 7.1, a Party entering into any such assignment shall remain liable here under notwithstanding such assignment except, in the case of any indebtedness or claim arising after an absolute assignment, if the assignee executes and delivers to the other Party an assumption agreement of all indebtedness and obligations hereunder due and payable or arising after such assignment.

16.5 Except as provided in Article 7.1, either Party may amalgamate, merge or consolidate with any Person and any such amalgamation, merger or consolidation shall be deemed to be an assignment unless by operation of applicable law the amalgamated, merged or consolidated successor corporation is subject to all liabilities and all contracts, disabilities and debts of each of the predecessor corporations.

ARTICLE 17
NOTICES

17.1 All notices, requests, demands or other communications required by or otherwise with respect to this Agreement shall be in writing and shall be deemed to have been duly given to any party when delivered personally or by courier service or when transmitted by telecopy to the applicable addresses set forth below:

If to AMIH:

Air Miles International Holdings NV
Landhuis Joonchi, Kaya Richard J.
Beaujon z/n,
P.O. Box 837,
Curacao, Netherlands Antilles

Attention: Managing Director

Telephone: 599 97 366 277
Fax: 599 97 366 161

With a copy to:

Loyalty Management International Ltd.
Ocean House
Hazelwick Avenue
Crawley
West Sussex
RH10 INP England

Attention: Liam Cowdrey

Telephone: 01293 434000
Fax: 01293 433701

If to ADSC:

Alliance Data Systems Corporation
5001 Valley Road
Suite 650, West Tower
Dallas, Texas U.S.A. 75244-3910

Attention: General Counsel

Telephone: (972) 960-4349
Fax: (972) 960-5330

or at such other address as the Party to whom such notice is to be given shall have last notified (in the manner provided in this Article) the Party giving such notice. Any notice delivered to the Party to whom it is addressed as provided herein shall be deemed to have been given and received on the day it is so delivered at such address and notice transmitted by telecopier shall be deemed given and received on the day of its transmission, provided that if the day of delivery or transmission is not a Business Day at the place of receipt or the time of delivery or transmission i& after 5 p.m. at the place of receipt on a Business Day, then the notice shall be deemed to have been given and received on the next Business Day at the place of receipt.

ARTICLE 18
CONFIDENTIALITY

During the term of this Agreement, each Party shall keep confidential and not divulge to any Person any information, whether written or oral, or otherwise recorded, which is proprietary or confidential of the other including, but not limited to, customer lists, data compilations and data systems, pricing methods, cost information, financial information, strategic plans, finances, methods of operation, marketing plans and strategies, equipment and operational requirements, processes or products and services or intended products or services of the other and information concerning personnel and customers; provided however that neither Party shall have any confidentiality obligation (i) as to information which has come into the public domain through no fault of or action by such Party, (ii) to the extent such Party is required by law to disclose, or (iii) as to information such Party may disclose to employees, directors or advisors of such Party or an Affiliate thereof in connection with performance of services for such Party; and provided further that AMIH shall have no obligation with respect to any information of ADSC unless such information relates exclusively to ADSC.

ARTICLE 19
DISPUTE RESOLUTION

19.1 General Any dispute arising out of or relating to this Agreement, including any dispute regarding the existence, validity, scope, enforceability or termination of this Agreement and whether an issue is arbitrable (a "Dispute") shall be resolved in accordance with the procedures specified in this Article 19, which shall be the sole and exclusive procedures for the resolution of any such Disputes. The Parties shall attempt in good faith to resolve any Dispute (including the validity, scope and enforceability of this Article 19) promptly by negotiations between the Parties.

19.2 Negotiations between Executives

(a) AMIH and ADSC shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between executive officers who have authority to settle the controversy and who are at a higher level of management than the Persons with direct responsibility for administration of this Agreement. Either AMIH or ADSC may give to the other written notice of any dispute not resolved in the normal course of business. Within fifteen (15) days after delivery of the notice, the receiving Party shall submit to the other Party a written response. The notice and the response shall include (i) a statement of each Party's position and a summary of arguments supporting that position, and (ii) the name and title of the executive officer who will represent that Party and of any other Person who will accompany the executive officer. Within twenty (20) days after delivery of the disputing Party's notice, the executive officers of both Parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute. All reasonable requests for information made by one Party to the other Party will be honoured.

(b) All negotiations (including the existence, content and result thereof) pursuant to this Article 19 shall be confidential, non-discoverable in any judicial proceedings and treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

19.3 Binding Arbitration

(a) If the Dispute is not resolved by negotiation within forty-five (45) days (or any mutually agreed extension of time) of the disputing Party's notice, or if the Parties fail to meet within twenty (20) days of the notice, either Party may, upon notice to the other Party and the

American Arbitration Association ("AAA") submit such Dispute to arbitration administered by the AAA in accordance with the International Commercial Arbitration Rules of the AAA ("Commercial Arbitration Rules").

(b) Such arbitration shall be based in New York, New York and shall be conducted by three (3) arbitrators (who shall be attorneys admitted to practice in one or more states and who shall be experienced in matters relating to intellectual property licenses) appointed as follows:

(i) the disputing Party shall appoint its nominee as first arbitrator;

(ii) the receiving Party shall, within ten (10) days of having received written notice from the disputing Party of the nature of the dispute to be referred to arbitration and of the identity of its nominee arbitrator, appoint its nominee as second arbitrator;

(iii) if the appointment required by clause (ii) is not made within the period therein stipulated, the disputing Party shall be entitled to appoint as second arbitrator a nominee of its choice who is not related to the disputing Party and who shall be deemed to be the nominee of the respondent to the dispute;

(iv) the two nominees so appointed shall, within ten (10) days of the date upon which the second of them had been appointed as arbitrator, appoint a third nominee as chairman of the tribunal. In the event of their failure so to do within the prescribed period, the third arbitrator shall be appointed in accordance with the provisions of the Commercial Arbitration Rules; and

(v) should a vacancy arise because any arbitrator dies, resigns, refuses to act, or becomes incapable of performing his functions, the vacancy shall be filled by the method by which that arbitrator was originally appointed. When a vacancy is filled the newly established tribunal shall exercise its discretion to determine whether any previously completed hearings shall be repeated.

(c) The arbitration will be in accordance with the then current Commercial Arbitration Rules or any successor AAA rules (the "Arbitration Rules") and the procedures specified in this Article, to the extent they modify or add to such Arbitration Rules. The arbitration shall be heard in New York, New York and the arbitration will be conducted at a neutral site in New York City selected by the arbitrators.

(d) The arbitrators will have sole authority to resolve issues of the arbitrability of Disputes, including the applicability of any statute of

limitation. The arbitrators may not amend or disregard any provision of this Article and may not limit, expand or otherwise modify the terms of this Agreement (including any terms respecting the limitation of liability of any Person). The arbitrators will have the power to order the pre- hearing discovery of documents but such production shall be restricted to documents (which shall include information recorded or stored by means of any device) directly related to the Dispute. The arbitrators will also have the power to order the taking of examinations for discovery of no more than two (2) witnesses per side (with the witnesses to be selected by the adverse side) for a period of not more than three (3) hours per witness, unless otherwise agreed. In addition, the arbitrators may compel the attendance of witnesses and production of documents at the hearing, to the extent provided by the Arbitration Rules. The arbitrators will determine the rights and obligations of the parties and decide the Dispute in accordance with the substantive and procedural laws of the State of New York and the federal laws of the United States.

(e) The Parties may seek injunctive relief either within the arbitration, process or from the courts of the State of New York or in the United States District Court for the Southern District of New York (collectively, the "Courts") and the Parties accept the concurrent jurisdiction of the Courts for the purpose of granting injunctive relief, as set out herein. Within the arbitration process, Parties may seek either interim or permanent relief. From the Court, Parties may seek temporary injunctive relief. A Party seeking temporary injunctive relief from the Court will simultaneously file a claim in the arbitration for interim and permanent relief in the manner specified under this Article. If the Court issues a temporary injunction against one of the Parties, the Court will have jurisdiction to deal with all matters, including appeals, concerning the temporary injunction. Any requested arbitration concerning the subject-matter of the injunction shall proceed before the arbitrator in an expedited manner pursuant to Article 19.4.

(f) Time will be of the essence and the arbitrators' award will be rendered as soon as practicable after conclusion of the final hearing, but in any event not later than one hundred and eighty (180) days after the date of appointment of the third arbitrator unless otherwise agreed or the time period is extended for a fixed reasonable period by the arbitrators on written notice to each Party because of illness or other cause of an arbitrator beyond the arbitrator's control.

(g) The decision of any two of the three arbitrators shall be final and binding on the Parties to the Dispute with no right of appeal therefrom. The arbitrators' decision, reasons and award will be in writing, setting forth the legal and factual basis therefor (except with respect to the

validity, infringement or misappropriation of any patents or other proprietary rights of any Party, with respect to which such award will be a bare award without findings or any statement of legal or factual basis). The parties will abide by and perform any award, including interim awards, rendered by the arbitrators and judgment on such awards may be entered and enforced in any court of competent jurisdiction.

(h) The fees and expenses of the arbitration, which may include the costs of the AAA, the arbitrators, the arbitration site and counsel will be in the sole discretion of the arbitrators.

(i) All information and documents disclosed in arbitration by any Party will remain Confidential Information of the disclosing Party, and the arbitrators and the Parties will (and will cause their representatives, advisors and counsel to) hold the existence, content and result of the arbitration in confidence, except to the limited extent necessary to enforce a final settlement agreement or to obtain and secure enforcement of or a judgment on an arbitration award. No privilege or right of a Party with respect to information or documents disclosed by it in arbitration will be waived or lost by such disclosure.

19.4 Expedited Binding Arbitration

The Parties agree that there shall be expedited arbitration pursuant to this Article 19 to be completed in not more than ninety (90) days where there is a genuine issue with respect to the following events:

(i) if AMIH or ADSC is enjoined pursuant to a temporary injunction of one or more Courts;

(ii) if ADSC uses or licenses the use of the AMIH Marks outside the Territory contrary to Articles 2 or 3;

(iii) if AMIH uses or licenses the use of the AMIH Marks inside the Territory contrary to Articles 2 or 3; or

(iv) if the Related Agreements are or one of them is terminated by any of the parties thereto.

ARTICLE 20
MISCELLANEOUS

20.1 Name, Captions

The provision of a Table of Contents, the division of this Agreement into Articles, Sections, Subsections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation of this Agreement.

20.2 Entire Agreement and Relationship Between the Parties

(a) This Agreement and the Related Agreements constitute the entire agreement between the Parties pertaining to the matters contemplated hereby and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, relating to the subject matter hereof.

(b) This Agreement is not a franchise and does not create a partnership or joint venture. Neither Party shall have any right to obligate or bind any other Party in any manner. Each of ADSC and AMIH is an independent contractor, not an agent or employee of the other. The continuing obligations of ADSC in this Agreement, including those obligations set forth in Articles 12.1, 14.6 and 19, and the continuing obligations of AMIH in this Agreement, including those obligations of AMIH under Articles 12.2, 14.6 and 19, shall survive and continue after the termination of this Agreement.

20.3 Amendments

No amendment of this Agreement shall be effective unless such amendment is made in writing and signed by authorized representatives of the Parties hereto.

20.4 Severability

If any provision of this Agreement is determined to be invalid or unenforceable by an arbitrator or a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed therefrom, and the remaining provisions of this Agreement shall not be affected

thereby and shall remain valid and enforceable; provided that in the event that any portion of this Agreement shall have been so determined to be or become invalid or unenforceable (the "offending portion"), the Parties shall negotiate in good faith such changes to this Agreement as will best preserve for the Parties the benefits and obligations of such offending portion. The invalidity or unenforceability of any term or any right arising pursuant to this Agreement shall in no way affect the validity or enforceability of any of the remaining terms or rights.

20.5 Specific Performance/Injunctive Relief

The Parties acknowledge and agree that money damages are not an adequate remedy for violations of this Agreement and that any Party may, in its sole discretion, notwithstanding Article 19, apply to Courts of the State of New York, including the Federal Court of the United States having jurisdiction in that state, for specific performance or for temporary injunctive relief or such other temporary relief (equitable or otherwise) as such court may deem appropriate in order to enforce this Agreement or to prevent any violation hereof, and each Party waives any objection to the imposition of such relief and any requirement for the posting of any security, including a bond, with respect to such relief.

20.6 Remedies Cumulative

All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise or beginning of the exercise of any thereof by either Party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such Party.

20.7 No Waiver

No waiver of any of the provisions of this Agreement is binding unless it is in writing and signed by the Party entitled to grant the waiver. No failure to exercise, and no delay in exercising, any right or remedy under this Agreement will be deemed to be a waiver of that right or remedy. No waiver of any breach of any provision of this Agreement will be deemed to be a waiver of any subsequent breach of that provision.

20.8 Further Assurances

The Parties will, from time to time during the course of this Agreement or upon its expiry and without further consideration, execute and deliver such other documents and instruments of transfer, conveyance and assignment and take such further action as the other may reasonably require to effect the transactions contemplated thereby.

20.9 Extended Meanings

Any reference in this Agreement to gender shall include all genders, and words importing the singular number only shall include the plural and vice versa.

20.10 No Third Party Beneficiaries

Each Party intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any Person, other than the Parties and their Affiliates, and no Person, other than the Parties, shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

20.11 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same
instrument. Each counterpart may consist of a number of copies each signed by less than all, but together signed by all, the Parties.

20.12 No Liability of Shareholders

No shareholder of ADSC or the successors or transferees of a shareholder of ADSC shall be liable for any of the obligations of ADSC hereunder. No shareholder of AMIH or the successors or transferees of a shareholder of AMIH shall be liable for any of the obligations of AMIH hereunder.

20.13 Statutory References

Unless expressly stated to the contrary, any references in this Agreement to any law, by-law, rule, regulation, order or act of any government, governmental body or other regulatory authority shall be construed as a reference there to as enacted at the date of this Agreement as such law, by-law, rule, regulation, order or act may be amended, re-enacted or superseded from time to time.

20.14 Business Day Payments

If under this Agreement any payment or calculation is to be made or any other action is to be taken on a day which is not a Business Day, that payment or calculation is to be made, and that other action is to be taken, as applicable, on or as of the next day that is a Business Day.

20.15 References

In this Agreement, references to "hereof", "hereto", and "hereunder" and similar expressions mean and refer to this Agreement taken as a whole, and not to any particular Article, Section, Subsection or other subdivision; "Article", "Section", "Subsection" or other subdivision of this Agreement followed by a number means and refers to the specified Article, Section, Subsection or other subdivision of this Agreement.

20.16 Currency

In this Agreement, all references to currency shall be references to the lawful currency of the Territory.

20.17 Schedules

The following Schedules are attached to and form part of this Agreement:

Schedule	Description
SCHEDULE 1	UNITED STATES MARKS
SCHEDULE 2	ADSC MARKS
SCHEDULE 3	POWER OF ATTORNEY

20.18 Limitation of Liability

THE PARTIES (INCLUDING FOR THIS PURPOSE THEIR AFFILIATES) EXPRESSLY ACKNOWLEDGE AND AGREE THAT THEY WILL NOT BE LIABLE FOR EACH OTHER'S INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OR FOR PUNITIVE, EXEMPLARY OR AGGRAVATED DAMAGES OR FOR DAMAGES FOR LOST PROFITS, LOST REVENUES OR FAILURE TO REALIZE EXPECTED SAVINGS, REGARDLESS OF WHETHER SUCH LIABILITY ARISES IN OR IS BASED UPON TORT (INCLUDING NEGLIGENCE), CONTRACT (INCLUDING FUNDAMENTAL BREACH OR BREACH OF A FUNDAMENTAL TERM), BREACH OF TRUST OR FIDUCIARY DUTY, RESCISSION OF CONTRACT, RESTITUTION, INDEMNIFICATION OR OTHERWISE.

20.19 Time of the Essence

Time shall be of the essence of this Agreement.

20.20 Costs and Expenses

Except as otherwise or expressly provided in this Agreement, each Party shall pay all costs and expenses it incurs in authorizing, preparing, executing and performing this Agreement and the transactions contemplated thereunder, including all fees and expenses of its respective legal counsel, investment bankers, brokers, accountants or other representatives or consultants.

20.21 Excusable Delays

The dates and times by which any Party is required to perform any obligation under this Agreement shall be postponed automatically to the extent, for the period of time, that the Party is prevented from so performing by circumstances beyond its reasonable control. Such period shall not extend beyond one year. Said circumstances shall include acts of nature, strikes, lockouts, riots, acts of war, epidemics, government regulations imposed after the fact, fire, power failures, earthquakes or other disasters or other causes beyond the performing Party's reasonable control whether or not similar to the foregoing.

20.22 Governing Law and Attornment

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the State of New York (excluding any conflict of laws rule or principle which might refer such construction to the laws of another jurisdiction). To the extent applicable, the Parties expressly exclude the application of the United Nations Convention on Contracts for the International Sale of Goods. Each of the Parties hereby irrevocably attorns and submits to the exclusive jurisdiction of the Courts of the State of New York, including the Federal Court
of the United States having jurisdiction in that state, except to the extent any Court action of AMIH relates to the use of the AMIH Marks by ADSC outside the Territory

IN WITNESS WHEREOF, the Parties have executed the Agreement.

AIR MILES INTERNATIONAL HOLDINGS N.V.	ALLIANCE DATA SYSTEMS CORPORATION
By /s/ Liam P.B. Cowdrey	By /s/ Michael Beltz
Name: Liam P.B. Cowdrey	Name: Michael Beltz
Title: Director	Title: Executive Vice President
Date July 24, 1998	Date: July 24, 1998

SCHEDULE 1

UNITED STATES MARKS

Trademark	Registration No.
AIR MILES	1,150,603
AIR MILES TRAVEL THE WORLD & Design	1,771,774
AIR MILES TRAVEL THE WORLD & Design	1,819,474

SCHEDULE 2
ADSC MARKS
U.S. Trade-marks

MARK	SERIAL NUMBER
OWNER - LOYALTY MANAGEMENT GROUP CANADA INC.	
STAR Design	75/476,938
THE LOYALTY GROUP	75/478,134
LOYALTY REWARDS RESULTS KNOWLEDGE & Design	75/478,135
LOYALTY & Design	75/478,136
REWARDS RESULTS KNOWLEDGE	75/478,137
LOYALTY THE LOYALTY GROUP & Design	75/478,140

MARK	SERIAL NUMBER
OWNER: ALLIANCE DATA SYSTEMS CORPORATION	
UNLOCK THE POSSIBILITIES	75/402,308

MARK	SERIAL NUMBER
OWNER: WORLD FINANCIAL NETWORK HOLDING CORPORATION	
ADS	75/182,064
ALLIANCE DATA SYSTEMS	75/182,514

SCHEDULE 3

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that the undersigned AIR MILES INTERNATIONAL HOLDINGS N.V. ("AMIH"), of Landhuis Joonchi, Kaya Richard J. Beaujon z/n, P.O. Box 837 Curacao, Netherlands Antilles, hereby nominates, constitutes and appoints ALLIANCE DATA SYSTEMS CORPORATION ("ADSC"), a Delaware corporation, to be the true and lawful attorney of AMIH, with full power of substitution, to act for and on behalf of AMIH and in AMIH's name or Loyalty's own name in any suit, action, application, mediation, arbitration, opposition or other legal, mediatory, arbitral or administrative proceeding (each, a "Proceeding") or the exercise of any other remedy, of any nature or kind whatsoever, whether in the United States or elsewhere in the world, at any time during the term of the agreement (the "Agreement") dated July 24, 1998 between AMIH and Loyalty entitled "Amended and Restated License to Use the Air Miles Trademarks in the United States", in connection with infringement or alleged infringement or other similar action in the United States by any Person other than AMIH and its Affiliates of the United States Marks or any of the Non-United States Marks which Loyalty has been using in the preceding 12-month period in the United States.

In this power of attorney, the terms "Person", "Affiliates", "United States Marks" and "Non-United States Marks" have the same respective meanings as in the Agreement.

The following terms and conditions apply to this power of attorney:

1. This power of attorney shall be irrevocable by AMIH during the term of the Agreement.

2. A certificate signed by an officer or director of ADSC to the effect that this power of attorney is valid and subsisting shall be conclusive against all persons other than AMIH and its Affiliates.

3. Any person may rely on this power of attorney without inquiring of AMIH or ADSC as to its validity and subsistence.

4. ADSC may not enter into a settlement of a Proceeding without the written consent of AMIH, which consent shall not be unreasonably withheld.

IN WITNESS WHEREOF AMIH has duly executed this power of attorney this 24th day of July, 1998.

AIR MILES INTERNATIONAL HOLDINGS N.V.

BY:_____
NAME: LIAM P.B. COWDREY
TITLE: DIRECTOR

LICENSE TO USE AND EXPLOIT THE AIR MILES SCHEME IN THE UNITED STATES

BETWEEN

AIR MILES INTERNATIONAL TRADING B.V.

AND

ALLIANCE DATA SYSTEMS CORPORATION

July 24, 1998

TABLE OF CONTENTS

LICENSE TO USE AND EXPLOIT THE AIR MILES SCHEME IN THE UNITED STATES

THIS AGREEMENT is dated the 24th day of July, 1998 between AIR MILES INTERNATIONAL TRADING B.V. of Veerkade 7, 3016 DE Rotterdam, The Netherlands ("AMIT") and ALLIANCE DATA SYSTEMS CORPORATION of 5001 Valley Road, Suite 620, West Tower, Dallas, Texas, U.S.A. 75244-3910 ("ADSC").

WHEREAS ADSC has agreed to purchase all of the shares of LMGC pursuant to the Share Purchase Agreement which agreement contemplates this agreement and relationship and such transaction is intended to close on the date hereof; and

WHEREAS AMIT is entitled to grant the licenses herein to ADSC and is willing to license and allow ADSC to use and exploit the AMIT Know How in the Territory on the terms and conditions set out in this Agreement.

NOW THEREFORE, in consideration of the business relationship between the Parties, including as set out in the Related Agreements and through the Share Purchase Agreement including the sum of one hundred dollars (U.S.), the mutual covenants contained herein, and other good and valuable consideration (the receipt and sufficiency of which are acknowledged by the Parties), the Parties hereto agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Definitions

"ADSC MARKS" means the Marks owned by or licensed to ADSC or its Affiliates from time to time, other than those Marks licensed pursuant to the United States License Agreement.

"AFFILIATE" means a Person directly or indirectly controlling, controlled by or under common control with a party.

"AGREEMENT" means this agreement including any recitals and schedules to this agreement, as amended, supplemented or restated in writing from time to time.

"AMIT KNOW HOW" means all know how and other intellectual property rights subsisting at the date hereof as described in Schedule 1 licensed to and/or

owned by AMIT or its Affiliates in connection with or relating to the Programme, but not including rights in Marks.

"BANKRUPTCY" shall be considered to occur in respect of a Party if:

(i) any voluntary proceeding is commenced (by the filing of any originating process, notice or assignment or otherwise) by the Party pursuant to an Insolvency Act;

(ii) an involuntary case or other proceeding is commenced (by the filing of any originating process or otherwise) against the Party pursuant to an Insolvency Act, and

(a) such case or proceeding is not contested, diligently and on a timely basis, by that Party,

(b) Bankruptcy occurs in respect of that Party within the meaning of any other paragraph of this definition during the contestation of such case or proceeding, or

(c) such case or proceeding is not dismissed, withdrawn or permanently stayed within sixty (60) days of commencement;

(iii) any voluntary proceeding is commenced (by the filing of any originating process or notice or otherwise) by or respecting a Party pursuant to the corporate or company statute under which Party is organized from time to time or any other statute of any relevant jurisdiction which is not an Insolvency Act seeking any stay of creditor remedies or moratorium, compromise, arrangement, adjustment, extension or reorganization of debts or other liabilities;

(iv) any voluntary or other proceeding is commenced (by the filing of any originating process or notice or otherwise) by or against the Party seeking appointment (provisional, interim or permanent) of a receiver, manager, receiver and manager, trustee, sequestrator, custodian, liquidator or Person with like or comparable powers for that Party or for all or substantially all of its property, assets and undertaking, and

(a) such proceeding is not contested, diligently and on a timely basis, by that Party;

(b) Bankruptcy occurs in respect of that Party within the meaning of any other paragraph of this definition during the contestation of such proceeding, or

(c) such proceeding is not dismissed, withdrawn or permanently stayed within sixty (60) days of commencement;

(v) any secured creditor of the Party takes possession or control (actual or constructive) of, or appoints any agent, receiver, manager, receiver and manager or Person with like or comparable powers in respect of, that Party or all or substantially all of its property, assets and undertaking; or

(vi) a majority of the directors or shareholders of the Party voting thereon pass or ratify any resolution (A) except as part of a bona fide corporate reorganization, for its liquidation, winding up or dissolution, (B) to authorize any voluntary proceeding by or in respect of that Party described above or (C) to consent to or refrain from contesting any proceeding or step against or in respect of that Party or its property, assets or undertaking described above.

"BUSINESS" means the business carried on by ADSC in connection with which the AMIT Know How is used.

"BUSINESS DAY" means any day of the year, other than a Saturday, Sunday or any day on which the banks are required or authorized to close in Dallas, Texas, United States of America.

"CANADIAN PROGRAMME" means any program(s) or business(es) that involve(s) three (3) or more sponsoring companies in any product or service category or industry and which offer(s), only entitled members with addresses in Canada or any other geographic region in which ADSC or any of its Affiliates has a license from AMIH to similar effect to this Agreement, airline seats, airline miles, airline or any other services, awards or value of any nature (whether or not by virtue of exchanging, converting or redeeming coupons, tickets, points or other tangible or intangible rights) in connection with the purchase of goods or services of any party and which operates for more than three (3) months duration and the operation of travel agency services.

"CATEGORY" means the business sector granted to a Sponsor within the Territory.

"CONCURRENT USE AGREEMENT" means the Concurrent Use Agreement between Air Miles International Holdings N.V., AMIT, Air Miles Travel Promotions Limited, Loyalty Management Group Inc., LMGC and AMI Funding, Inc. entered into as of the 13th day of May, 1994, as amended, supplemented or restated in writing from time to time.

"INCLUDING" The terms "include", "including" and "such as" are illustrative and not limitative and shall be interpreted to mean "including without limitation

"INSOLVENCY ACT" means any bankruptcy, insolvency or other similar law or statute of the United States or any other relevant jurisdiction relating to bankruptcy, insolvency, stay of creditor remedies, moratorium, compromise, arrangement, extension, adjustment or reorganization of debts or other liabilities, liquidation, winding up or dissolution.

"LMGC" means Loyalty Management Group Canada Inc. a Canadian company with its office located at 4110 Yonge Street, Suite 200, North York, Ontario Canada.

"MARK" means any name, brand, mark, trademark, service mark, trade dress, trade name, business name, Uniform Resource Locator ("URL"), domain name or other indicia of origin.

"PARTY" means either AMIT or ADSC; and "Parties" means AMIT and ADSC collectively.

"PERSON" includes an individual, a legal personal representative, corporation, company, body corporate, partnership, limited partnership, joint venture, syndicate,' trust, unincorporated organization, the United States government or any agency or instrumentality thereof, regulatory authority or any other entity recognized by law, howsoever designated or constituted.

"PROGRAMME" means any program(s) or business(es) that involve(s) three (3) or more sponsoring companies in any product or service category or industry and which offer(s), only entitled members with addresses in the Territory or any other geographic region in which ADSC or any of its Affiliates has a license from AMIT to similar effect to this Agreement, airline seats, airline miles, airline or any other services, awards or value of any nature (whether or not by virtue of exchanging, converting or redeeming coupons, tickets, points or other tangible or intangible rights) in connection with the purchase of goods or services of any party and which operates for more than three (3) months duration and the operation of travel agency services.

"RELATED AGREEMENTS" means collectively, the United States License Agreement and the Concurrent Use Agreement.

"SHARE PURCHASE AGREEMENT" means the agreement for the purchase of all the shares of LMGC made as of June 26, 1998, as amended in writing from time to time, among ADSC and each of the shareholders of LMGC at that date.

"SPONSORS" means those businesses participating in the Programme in conjunction with the offer of wares or services to consumers within the Territory and includes the Suppliers.

"SUPPLIERS" means those businesses offering wares or services in connection with exchanges, conversions or redemptions under the Programme.

"TERRITORY" means the current geographic area and territory of the United States of America including Puerto Rico and any other area or territory which becomes a state of the United States of America, unless AMIT or its licensees are operating a Programme (except that the entitled members thereof have addresses in the area or territory rather than the Territory) in that area or territory at the time it becomes a state.

"THIRD PERSON" means any Person other than AMIT and its Affiliates and ADSC and its Affiliates.

"UNITED STATES LICENSE AGREEMENT" means the License to Use the Air Miles Trademarks in the United States Agreement between Air Miles International Holdings N.V. and ADSC dated July 24, 1998, and as amended, supplemented or restated in writing from time to time.

ARTICLE 2
LICENSE

2.1 AMIT hereby grants to ADSC, subject to the terms of this Agreement, an exclusive right and license to use, operate, exploit and develop the AMIT Know How in the Programme (including all confidential information, copyright works, techniques and know-how relating to the Programme) in the Territory only and the marketing, advertising and promotion thereof in any media in the Territory or any other geographic region in which ADSC or any of its Affiliates has a license from AMIT to similar effect to this Agreement, including the right to sub-license the use and exploitation of the AMIT Know How in the Territory in accordance with the provisions of this Agreement. The exclusivity of the license is subject to the rights of AMIT, its Affiliates, successors and assignees together with their respective licensees and sub-licensees mentioned in Articles 2.3 and 2.4 hereafter.

2.2 AMIT hereby grants a non-exclusive right to ADSC, with a right to sub-license its applicable Sponsors and sub-licensees, for and further agrees that it will not and will ensure that its Affiliates, successors, assignees or any of their licensees or sub-licensees will not object to the use and exploitation of the AMIT Know How outside the Territory by such of the Sponsors as provide travel or entertainment related services for business and other travellers including, for the avoidance of doubt, airline, car rental and/or hotel services and/or by ADSC's applicable sub- licensees only in connection with the provision of travel or entertainment related services including, for the avoidance of doubt, airline, car rental and/or hotel services and/or by ADSC to the extent only that such use and exploitation is incidental to the operation of and/or participation in the Programme in the Territory. ADSC shall not itself have any other right to use the AMIT Know How' outside the Territory.

ADSC's right to the use and exploitation of the AMIT Know How outside the Territory shall include the right to operate on or through the World Wide Web on the Internet or through other electronic media.

2.3 Notwithstanding Article 2.1 ADSC shall not object to the use, operation, exploitation and development of the AMIT Know How by AMIT, its Affiliates, successors and assignees together with the use and exploitation thereof by their respective licensees and sub-licensees in the Territory only in connection with the provision of travel or entertainment related services including, for the avoidance of doubt, airline, car rental and/or hotel services to persons providing travel or entertainment related services for business and other travellers, to the extent only that such use is incidental to the rights of AMIT, its Affiliates, successors and assignees together with their respective licensees or sub-licensees to carry out activities in connection with the operation of sales promotion and/or incentive or loyalty schemes outside of the Territory.

2.4 AMIT, its Affiliates, successors and assignees may use and exploit the AMIT Know How in the Territory for the purposes of promoting their activities to issuers or potential issuers of points, credits, vouchers or other incentives in connection' with the operation of sales promotion and/or incentive or loyalty schemes conducted outside the Territory. In so doing, AMIT, its Affiliates, successors and assignees must co-operate with ADSC with respect to the promotion of the Business. ADSC, its Affiliates, successors and assignees may use and exploit the AMIT Know How outside of the Territory for the purposes of privately promoting their activities to issuers or potential issuers of points, credits, vouchers or other incentives in connection with the operation of sales promotion and/or incentive or loyalty schemes conducted in the Territory, but shall not make such advertisements or promotion to the public in general.

2.5 Subject to this Agreement, AMIT reserves the right to use and license the use of the AMIT Know How outside the Territory, whether in connection with sales promotion and incentive schemes similar to the Programme or otherwise.

2.6. The Parties acknowledge that the licenses granted in this Article 2 do not include the right for ADSC to use or license the use of trademarks consisting of or including the Air Miles name and/or ancillary trademarks (including any of the AMIH Marks defined in the United States License Agreement), which shall be the subject of the United States License Agreement. Notwithstanding its rights under the United States License Agreement, ADSC may use the ADSC Marks in association with the AMIT Know How and/or the Programme during or after the termination of the United States License Agreement.

2.7 The Parties agree that the Concurrent Use Agreement shall not be amended or terminated during the term of this Agreement without the prior written consent of the Parties.

ARTICLE 3
SUB-LICENSE RIGHTS

3.1 AMIT agrees that ADSC may grant and exploit non-exclusive sub-licenses to the same or other Sponsors to use the AMIT Know How in the Territory in connection with the Programme only, with or without exclusivity in the relevant Category. If the terms and conditions of such sub-licenses are consistent with the terms and conditions of the current sub-license arrangements with the Sponsors currently sub-licensed by LMGC in Canada in conjunction with the participation by those Sponsors in the Canadian Programme, AMIT hereby grants its consent to such sub-licenses. If the terms and conditions of such sub-licenses are not consistent with the current sub-license arrangements, ADSC shall submit to AMIT a copy of each such license agreement and AMIT shall provide written notice of any objections thereto within ten (10) Business Days, failing which AMIT shall be deemed to have consented such sub-license arrangement. In any event, AMIT's consent to such sub-licenses shall not be unreasonably withheld.

3.2 AMIT agrees that ADSC may agree in such sub-license agreements as' mentioned under Article 3.1 with such Sponsors that neither AMIT nor their Affiliates, successors, assignees, licensees or sub-licensees will object to the use by such Sponsors of the AMIT Know How outside the Territory only to the extent that such use is in accordance with the rights granted in Article 2.2 above.

3.3 It shall be a term of all sub-licenses granted pursuant to Article 3.1 above that the Sponsors undertake not to engage in any advertising or promotion outside the Territory for the Programme or the participation of the Sponsors in the Programme provided always that incidental references to the participation of the Sponsors in the Programme in the Territory may be made in promotional materials such as brochures outside the Territory incidental to the distribution inside the Territory provided that such promotional materials shall clearly indicate that the Sponsors participate in the Programme in the Territory and that the Programme is only open to entitled members with addresses in the Territory.

3.4 In this Agreement, where ADSC agrees to ensure that all sub- licensees of the AMIT Know How appointed by ADSC comply with an obligation, this means:

(i) ADSC shall impose a contractual obligation on the sub-licensees to observe such obligations; and

(ii) where ADSC becomes aware of any non-compliance by any sublicensee with any such obligation, ADSC shall use reasonable efforts to ensure that such sublicensee complies with such obligation.

3.5 The Parties acknowledge that Licensee has no obligation to (but may) amend any agreement with any existing Sponsor and that any and all such agreements with any Sponsors remain unaffected hereby.

3.6 For greater clarity, ADSC may sub-license its rights hereunder to an Affiliate to the extent considered by ADSC, acting reasonably, advisable for the operation of travel agency services in the Territory.

ARTICLE 4
ASSIGNMENT OF ThE PROGRAMME

4.1 If AMIT wishes to assign or transfer the AMIT Know How in the Programme, either directly or indirectly by or through AMIT or AMIT's Bankruptcy, other than to an Affiliate, no such assignment or transfer shall be effective unless AMIT provides ADSC notice of its intention to do so and gives ADSC thirty (30) days written notice within which to bid on such AMIT Know How and/or Programme for the purposes of owning either directly or indirectly such AMIT Know How and/or Programme. The foregoing provisions shall not, in any way, obligate AMIT' to accept any bid which ADSC submits. Any such assignee or transferee must be bound in writing by the grant of the license set out in this Agreement.

ARTICLE 5
ROYALTY FREE LICENSES

5.1 The Licenses granted hereunder by AMIH to ADSC shall be royalty free.

ARTICLE 6
REGISTRATION AND RENEWALS

6.1 AMIT shall, for so long as this Agreement remains in force, ensure that any registrations which are applicable to the AMIT Know How and/or the Programme shall be registered as appropriate and shall be renewed as and when they fall due for renewal. The costs of the renewals or registrations and all expenses in relation to the Programme incurred from the date hereof shall be paid in full by AMIT.

ARTICLE 7
REPRESENTATIONS AND WARRANTIES

7.1 AMIT Warranties

AMIT hereby represents and warrants to ADSC as of the date of this Agreement the following:

(i) to the best of AMIT's knowledge and belief, AMIT has full power and authority to enter into and perform this Agreement, including to grant the license in Article 2 and to perform each and every covenant and agreement herein contained;

(ii) this Agreement has been duly authorized, executed and delivered by AMIT and constitutes a valid, binding and legally enforceable agreement of AMIT;

(iii) to the best of AMIT's knowledge and belief, the execution and delivery of this Agreement, and the performance of the covenants and agreements herein contained, are not restricted by and do not conflict with any material commercial arrangements, obligations, contracts, agreements or instruments to which AMIT is either bound or subject;

(iv) to the best of AMIT's knowledge and belief, AMIT's performance of this Agreement will not contravene or breach any laws or regulations of the Territory or of any state or territory of the Territory which could give rise to the imposition of a material fine, penalty or sanction levied on ADSC by any applicable regulatory authority in the Territory;

(v) AMIT has not granted any rights or licenses, which are subsisting at the date hereof, to any of its Affiliates or to any other Third Person to use the AMIT Know How and/or the Programme in the Territory save in the circumstances permitted by Articles 2.3 and 2.4 above; and

(vi) except for the Concurrent Use Agreement, AMIT is not a party to or bound by any contract or other obligation whatsoever that limits or impairs its ability to license the AMIT Know How and/or the Programme to ADSC.

7.2 ADSC Warranties

ADSC hereby represents and warrants to AMIT as of the date of this Agreement the following:

(i) ADSC has full power and authority to enter into and perform this Agreement and to perform each and every covenant and agreement herein contained;

(ii) this Agreement has been duly authorized, executed and delivered by ADSC and constitutes a valid, binding and legally enforceable agreement of ADSC;

(iii) to the best of ADSC's knowledge and belief, the execution and delivery of this Agreement, and the performance of the covenants and agreements herein contained, are not restricted by and do not conflict with any material commercial arrangements, obligations, contracts, agreements or instruments to which ADSC is either bound or subject;' and

(iv) to the best of ADSC's knowledge and belief, ADSC's performance of this Agreement will not contravene or breach any laws or regulations of the Territory or of any province or territory of the Territory which could give rise to the imposition of a fine, penalty or sanction by any applicable regulatory authority in the Territory.

ARTICLE 8
INDEMNITY

8.1 ADSC shall indemnify AMIT and hold it harmless and defend it from and against all damage, including reasonable counsel fees, which AMIT may incur in respect of all claims which may be made against AMIT (whether separately or as joint defendants) arising out of the manufacture, packaging, or any other cause relating to any wares sold and/or services provided by or on behalf of ADSC or its sub-licensees in association with the AMIT Know How, except insofar as any such claim may be found to arise from any omission or failure on the part of AMIT.

8.2 AMIT shall indemnify ADSC and hold it harmless and defend it from and against all damages, including reasonable counsel fees, which ADSC may incur as a result of any breach of warranties as stated in Article 7 with regard to the AMIT Know How and/or the Programme only.

ARTICLE 9
DURATION AND TERMINATION

9.1 This Agreement shall continue in force indefinitely from the date hereof, subject only to the rights of the Parties with respect to termination provided in this Article 14, and shall not be terminable by either Party in any other circumstances, whether upon reasonable notice or otherwise.

9.2 AMIT shall have the right to terminate this Agreement upon six months notice in writing to ADSC if ADSC fails to commence within seven (7) years of the date hereof the operation of the Programme or ceases for a continuous period of seven (7) years to be involved in operation of the Programme.

9.3 (1) Subject to compliance with the provisions of Article 14 requiring dispute resolution, either Party shall have the right to terminate this Agreement on giving the other written notice of termination in any of the following events:

(i) the other Party commits any breach of its obligations here under and fails to remedy such breach within ninety (90) days (or such longer period as the Parties may agree) after being given written notice by the other Party to remedy such default; provided however that if ADSC and its sub-licensees are diligently pursuing the remedy or cure of such failure during the cure period, the cure period shall be extended for a further ninety (90) days; or

(ii) Bankruptcy shall have occurred in respect of the other Party, provided that termination shall not occur at anytime during:

(A) the exercise of any rights or remedies by a secured creditor of ADSC who has taken a security interest in ADSC's rights under this Agreement either (a) in compliance with Article 11.3, or (b) with the written consent of AMIT; provided that the payment of all amounts from time to time due and payable by ADSC hereunder continue to be

duly paid and the performance of all covenants from time to time to be performed by ADSC hereunder continue to be duly performed; or

(B) any proceeding under an Insolvency Act involving a restructuring or reorganization of ADSC under court supervision and/or any disposition of ADSC's business as a whole or substantially as a whole pursuant to any such proceeding, in either case, so long as such proceeding is continuing.

(2) If either Party validly terminates the United States United States License Agreement in accordance with the terms thereof, it may, at its option, terminate this Agreement at the same time as the United States License Agreement.

9.4 Upon termination of this Agreement ADSC shall within a period of six (6) months:

(i) cease to carry on business using the AMIT Know How unless such or similar rights are validly licensed or purchased from a Third Person with valid rights therein; and

(ii) terminate all sub-license agreements with sub- licensees of the AMIT Know How appointed by ADSC to the extent such sub-license agreements sub-license AMIT Know How.

9.5 For the avoidance of doubt, it is agreed that any termination of this Agreement, whether in whole or in part, shall be without prejudice to any rights held by any Party which may have accrued up to the date of termination. Further, ADSC may continue to use the ADSC Marks.

ARTICLE 10
NON-COMPETITION

10.1 During the term of this Agreement and subject to Article 2.3 above, AMIT, its Affiliates or its successors shall not utilize any AMIT Know How in or as part of any Programme or any program similar thereto, in competition with ADSC or its Affiliates, directly or indirectly in the Territory, or grant any of their assignees, licensees or sub-licensees a license or sub-license to do so.

ARTICLE 11
ASSIGNMENT/SUCCESSORS

11.1 This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

11.2 Subject to Article 4.1, AMIT may at any time or from time to time assign, sell or transfer all but not less than all of its rights under this Agreement, either absolutely or by way of security (including the rights and remedies of the secured party relating to such security), as part of a financing involving AMIH's business to any Person, in either case without the consent of, but with prior notice to ADSC.

11.3 ADSC may at any time or from time to time assign, sell or transfer all but not less than all of its rights under this Agreement, either absolutely as part of the sale of all or substantially all of the Business or the assets of the Business or by way of security (including the rights and remedies of the secured party relating to such security), as part of a financing involving the Business to any Person, in either case without the consent of, but with prior notice to AMIT.

11.4 Except as provided in Article 4.1, a Party entering into any such assignment shall remain liable here under notwithstanding such assignment except, in the case of any indebtedness or claim arising after an absolute assignment, if the assignee executes and delivers to the other Party an assumption agreement of all indebtedness and obligations here under due and payable or arising after such assignment.

11.5 Except as provided in Article 4.1, either Party may amalgamate, merge or consolidate with any Person and any such amalgamation, merger or consolidation shall be deemed to be an assignment unless by operation of applicable law the amalgamated, merged or consolidated successor corporation is subject to all liabilities and all contracts, disabilities and debts of each of the predecessor corporations.

ARTICLE 12
NOTICES

12.1 All notices, requests, demands or other communications required by or otherwise with respect to this Agreement shall be in writing and shall be deemed to have been duly given to any Party when delivered personally or by courier service or when transmitted by telecopy to the applicable addresses set forth below:

If to AMIT:

Air Miles International Trading B.V.
Veerkade 7
3016 DE Rotterdam,
The Netherlands

Attention: Managing Director

Telephone: 010 411 0093
Fax: 020 664 7743 (belonging to Air Miles International Group)

With a copy to:

Loyalty Management International Ltd.
Ocean House
Hazelwick Avenue
Crawley
West Sussex
RH10 1NP England

Attention: Liam Cowdrey

Telephone: 01293 434000
Fax: 01293 433701

If to ADSC:

Alliance Data Systems Corporation
5001 Valley Road
Suite 650, West Tower
Dallas, Texas U.S.A. 75244-3910

Attention: General Counsel

Telephone: (972) 960-4349
Fax: (972-960-5330

or at such other address as the Party to whom such notice is to be given shall have last notified (in the manner provided in this Article) the Party giving such notice. Any notice delivered to the Party to whom it is addressed as provided herein shall be deemed to have been given and received on the day it is so delivered at such address and notice transmitted by telecopier shall be deemed given and received on the day of its transmission, provided that if the day of delivery or transmission is not a Business Day at the place of receipt or the time of delivery or transmission is, after 5 p.m. at the place of receipt on a Business Day, then the notice shall be deemed to have been given and received on the next Business Day at the place of receipt.

ARTICLE 13
CONFIDENTIALITY

13.1 During the term of this Agreement, each Party shall keep confidential and not divulge to any Person any information, whether written or oral, or otherwise recorded, which is proprietary or confidential of the other including, but not limited to, customer lists, data compilations and data systems, pricing methods, cost information, financial information, strategic plans, finances, methods of operation, marketing plans and strategies, equipment and operational requirements, processes or products and services or intended products or services of the other and information concerning personnel and customers; provided however that neither Party shall have any confidentiality obligation (i) as to information which has come into the public domain through no fault of or action by such Party, (ii) to the extent such Party is required by law to disclose, or (iii) as to information such Party may

disclose to employees, directors or advisors of such Party or an Affiliate thereof in connection with performance of services for such Party; and provided further that AMIT shall have no obligation with respect to any information of ADSC unless such information relates exclusively to ADSC and provided further that upon termination of this Agreement and for two (2) years thereafter such confidentiality obligation shall apply only to disclosures of information which would be materially detrimental to the operations of LMGC's Business or AMIH's business.

13.2 ADSC's obligations under this Agreement with respect to any trade secrets forming part of the AMIT Know How shall cease with respect to such trade secrets to the extent that such trade secrets become part of the public domain through no fault of or action by ADSC.

ARTICLE 14
DISPUTE RESOLUTION

14.1 General Any dispute arising out of or relating to this Agreement, including any dispute regarding the existence, validity, scope, enforceability or termination of this Agreement and whether an issue is arbitrable (a "Dispute") shall be resolved in accordance with the procedures specified in this Article 14, which shall be the sole and exclusive procedures for the resolution of any such Disputes. The Parties shall attempt in good faith to resolve any Dispute (including the validity, scope and enforceability of this Article 14) promptly by negotiations between the Parties.

14.2 Negotiations between Executives

(a) AMIT and ADSC shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between executive officers who have authority to settle the controversy and who are at a higher level of management than the Persons with direct responsibility for administration of this Agreement. Either AMIT or ADSC may give to the other written notice of any dispute not resolved in the normal course of business. Within fifteen (15) days after delivery of the notice, the receiving Party shall submit to the other Party a written response. The notice and the response shall include (i) a statement of each Party's position and a summary of arguments

supporting that position, and (ii) the name and title of the executive officer who will represent that Party and of any other Person who will accompany the executive officer. Within twenty (20) days after delivery of the disputing Party's notice, the executive officers of both Parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to attempt to resolve the dispute. All reasonable requests for information made by one Party to the other Party will be honoured.

(b) All negotiations (including the existence, content and result thereof) pursuant to this Article 14 shall be confidential, non-discoverable in any judicial proceedings and treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

14.3 Binding Arbitration

(a) If the Dispute is not resolved by negotiation within forty-five (45) days (or any mutually agreed extension of time) of the disputing Party's notice, or if the Parties fail to meet within twenty (20) days of the' notice, either Party may, upon notice to the other Party and the American Arbitration Association ("AAA~) submit such Dispute to arbitration administered by the AAA in accordance with the International Commercial Arbitration Rules of the AAA ("Commercial Arbitration Rules").

(b) Such arbitration shall be based in New York, New York and shall be conducted by three (3) arbitrators (who shall be attorneys admitted to practice in one or more states and who shall be experienced in matters relating to intellectual property licenses) appointed as follows:

(i) the disputing Party shall appoint its nominee as first arbitrator;

(ii) the receiving Party shall, within ten (10) days of having received written notice from the disputing Party of the nature of the dispute to be referred to arbitration and of the identity of its nominee arbitrator, appoint its nominee as second arbitrator;

(iii) if the appointment required by clause (ii) is not made within the period therein stipulated, the disputing Party shall be entitled to appoint as second arbitrator a nominee of its choice who is not related to the disputing Party and who shall be deemed to be the nominee of the respondent to the dispute;

(iv) the two nominees so appointed shall, within ten (10) days of the date upon which the second of them had been appointed as arbitrator, appoint a third nominee as chairman of the tribunal. In the event of their failure so to do within the prescribed period, the third arbitrator shall be appointed in accordance with the provisions of the Commercial Arbitration Rules; and

(v) should a vacancy arise because any arbitrator dies, resigns, refuses to act, or becomes incapable of performing his functions, the vacancy shall be filled by the method by which that arbitrator was originally appointed. When a vacancy is filled the newly established tribunal shall exercise its discretion to determine whether any previously completed hearings shall be repeated.

(c) The arbitration will be in accordance with the then current Commercial Arbitration Rules or any successor AAA rules (the "Arbitration Rules") and the procedures specified in this Article, to the extent they modify or add to such Arbitration Rules. The arbitration, shall be heard in New York, New York and the arbitration will be conducted at a neutral site in New York City selected by the arbitrators.

(d) The arbitrators will have sole authority to resolve issues of the arbitrability of Disputes, including the applicability of any statute of limitation. The arbitrators may not amend or disregard any provision of this Article and may not limit, expand or otherwise modify the terms of this Agreement (including any terms respecting the limitation of liability of any Person). The arbitrators will have the power to order the pre-hearing discovery of documents but such production shall be restricted to documents (which shall include information recorded or stored by means of any device) directly related to the Dispute. The arbitrators will also have the power to order the taking of examinations for discovery of no more than two (2) witnesses per side (with the witnesses to be selected by the adverse side) for a period of not more than three (3) hours per witness, unless otherwise agreed. In addition, the arbitrators may compel the attendance of witnesses and production of documents at the hearing, to the extent provided by the Arbitration Rules. The arbitrators will determine the rights and obligations of the Parties and decide the Dispute in accordance with the substantive and procedural laws of the State of New York and the federal laws of the United States.

(e) The Parties may seek injunctive relief either within the arbitration process or from the courts of the State of New York or in the United States District Court for the Southern District of New York (collectively, the "Courts") and the Parties accept the concurrent jurisdiction of the Courts for the purpose of granting injunctive relief, as set out herein. Within the arbitration process, Parties may seek either interim or permanent relief. From the Court, Parties may seek temporary injunctive relief. A Party seeking temporary injunctive relief from the Court will simultaneously file a claim in the arbitration for interim and permanent relief in the manner specified under this Article. If the Court issues a temporary injunction against one of the Parties, the Court will have jurisdiction to deal with all matters, including appeals, concerning the temporary injunction. Any requested arbitration concerning the subject-matter of the injunction shall proceed before the arbitrator in an expedited manner pursuant to Article 14.4.

(f) Time will be of the essence and the arbitrators' award will be rendered as soon as practicable after conclusion of the final hearing, but in any event not later than one hundred and eighty (180) days after the date of appointment of the third arbitrator unless otherwise agreed or the time period is extended for a fixed reasonable period by the arbitrators on written notice to each Party because of illness or other cause of an arbitrator beyond the arbitrator's control.

(g) The decision of any two of the three arbitrators shall be final and binding on the Parties to the Dispute with no right of appeal therefrom. The arbitrators' decision, reasons and award will be in writing, setting forth the legal and factual basis there for (except with respect to the validity, infringement or misappropriation of any patents or other proprietary rights of any Party, with respect to which such award will be a bare award without findings or any statement of legal or factual basis). The Parties will abide by and perform any award, including interim awards, rendered by the arbitrators and judgment on such awards may be entered and enforced in any court of competent jurisdiction.

(h) The fees and expenses of the arbitration, which may include the costs of CPR, the arbitrators, the arbitration site and counsel will be in the sole discretion of the arbitrators.

(i) All information and documents disclosed in arbitration by any Party will remain Confidential Information of the disclosing Party, and the arbitrators and the Parties will (and will cause their representatives, advisors and counsel to) hold the existence, content and result of the arbitration in confidence, except to the limited extent necessary to enforce a final settlement agreement or to obtain and secure enforcement of or a judgment on an arbitration award. No privilege or right of a Party with respect to information or documents disclosed by it in arbitration will be waived or lost by such disclosure.

14.4 Expedited Binding Arbitration

The Parties agree that there shall be expedited arbitration pursuant to this Article 19 to be completed in not more than ninety (90) days where there is a genuine issue with respect to the following events:

(i) if AMIT or ADSC is enjoined pursuant to a temporary injunction of the Ontario Court (General Division) or the Federal Court of Canada or' any other Court in the World;

(ii) if ADSC uses or licenses the use of the AMIT Know How outside the Territory contrary to Articles 2 or 3;

(iii) if AMIT uses or licenses the use of the AMIT Know How and/or the Programme inside the Territory contrary to Article 2; or

(v) if the Related Agreements are or one of them is terminated by any of the parties thereto.

ARTICLE 15
MISCELLANEOUS

15.1 Name, Captions

The provision of a Table of Contents, the division of this Agreement into Articles, Sections, Sub sections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilized in the construction or interpretation of this Agreement.

15.2 Entire Agreement and Relationship Between the Parties

(a) This Agreement and the Related Agreements constitute the entire agreement between the Parties pertaining to the matters contemplated hereby and

supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, relating to the subject matter hereof.

(b) This Agreement is not a franchise and does not create a partnership or joint venture. Neither Party shall have any right to obligate or bind any other Party in any manner. Each of ADSC and AMIT is an independent contractor, not an agent or employee of the other. The continuing obligations of ADSC in this Agreement, including those obligations set forth in Articles 8.1, 9.5 and 14, and the continuing obligations of AMIT in this Agreement, including those obligations of AMIT under Articles 8.2, 9.5 and 14, shall survive and continue after the termination of this Agreement. The continuing obligations of each of ADSC and AMIT set forth in Article 13 of this Agreement shall survive and continue for a period of two (2) years after the termination of this Agreement.

15.3 Amendments

No amendment of this Agreement shall be effective unless such amendment is made in writing and signed by authorized representatives of the Parties hereto.

15.4 Severability

If any provision of this Agreement is determined to be invalid or unenforceable by an arbitrator or a court of competent jurisdiction from which no further appeal lies or is taken, that provision shall be deemed to be severed therefrom, and the remaining provisions of this Agreement shall not be affected thereby and shall remain valid and enforceable; provided that in the event that any portion of this Agreement shall have been so determined to be or become invalid or unenforceable (the "offending portion"), the Parties shall negotiate in good faith such changes to this Agreement as will best preserve for the Parties the benefits and obligations of such offending portion. The invalidity or unenforceability of any term or any right
arising pursuant to this Agreement shall in no way affect the validity or enforceability of any of the remaining terms or rights.

15.5 Specific Performance/Injunctive Relief

The Parties acknowledge and agree that money damages are not an adequate remedy for violations of this Agreement and that any Party may, in its sole discretion, notwithstanding Article 14, apply to the Courts of the State of New York, including the Federal Court of the United States having jurisdiction in that state, for specific performance or for temporary injunctive relief or such other temporary relief (equitable or otherwise) as such court may deem appropriate in order to enforce this Agreement or to prevent any violation hereof, and each Party waives any objection to the imposition of such relief and any requirement for the posting of any security, including a bond, with respect to such relief.

15.6 Remedies Cumulative

All rights, powers and remedies provided under this Agreement or otherwise available in respect hereof at law or in equity shall be cumulative and not alternative, and the exercise or beginning of the exercise of any thereof by either Party shall not preclude the simultaneous or later exercise of any other such right, power or remedy by such Party.

15.7 No Waiver

No waiver of any of the provisions of this Agreement is binding unless it is in writing and signed by the Party entitled to grant the waiver. No failure to exercise, and no delay in exercising, any right or remedy under this Agreement will be deemed to be a waiver of that right or remedy. No waiver of any breach of any provision of this Agreement will be deemed to be a waiver of any subsequent breach of that provision.

15.8 Further Assurances

The Parties will, from time to time during the course of this Agreement or upon its expiry and without further consideration, execute and deliver such other documents and instruments of transfer, conveyance and assignment and take such further action as the other may reasonably require to effect the transactions contemplated thereby.

15.9 Extended Meanings

Any reference in this Agreement to gender shall include all genders, and words importing the singular number only shall include the plural and vice versa.

15.10 No Third Party Beneficiaries

Each Party intends that this Agreement shall not benefit or create any right or cause of action in or on behalf of any Person, other than the Parties and their Affiliates, and no Person, other than the Parties, shall be entitled to rely on the provisions hereof in any action, suit, proceeding, hearing or other forum.

15.11 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one and the same instrument. Each counterpart may consist of a number of copies each signed by less than all, but together signed by all, the Parties.

15.12 No Liability of Shareholders

No shareholder of ADSC or the successors or transferees of a shareholder of ADSC shall be liable for any of the obligations of ADSC here under. No shareholder of AMIT or the successors or transferees of a shareholder of AMIT shall be liable for any of the obligations of AMIT hereunder.

15.13 Statutory References

Unless expressly stated to the contrary, any references in this Agreement to any law, by-law, rule, regulation, order or act of any government, governmental body or other regulatory authority shall be construed as a reference thereto as enacted at the date of this Agreement as such law, by-law, rule, regulation, order or act may be amended, re-enacted or superseded from time to time.

15.14 Business Day Payments

If under this Agreement any payment or calculation is to be made or any other action is to be taken on a day which is not a Business Day, that payment or' calculation is to be made, and that other action is to be taken, as applicable, on or as of the next day that is a Business Day

15.15 References

In this Agreement, references to "hereof", "hereto", and "hereunder" and similar expressions mean and refer to this Agreement taken as a whole, and not to any particular Article, Section, Subsection or other subdivision; "Article", "Section "Subsection" or other subdivision of this Agreement followed by a number means and refers to the specified Article, Section, Subsection or other subdivision of this Agreement.

15.16 Currency

In this Agreement, all references to currency shall be references to the lawful currency of the Territory.

15.17 Schedules

The following Schedules are attached to and form part of this Agreement:

Schedule	Description
SCHEDULE 1	AMIT KNOW HOW

15.18 Limitation of Liability

THE PARTIES (INCLUDING FOR THIS PURPOSE THEIR AFFILIATES) EXPRESSLY ACKNOWLEDGE AND AGREE THAT THEY WILL NOT BE LIABLE FOR EACH OTHER'S INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES OR FOR PUNITIVE, EXEMPLARY OR AGGRAVATED DAMAGES OR FOR DAMAGES FOR LOST PROFITS, LOST REVENUES OR FAILURE TO REALIZE EXPECTED SAVINGS, REGARDLESS OF WHETHER SUCH LIABILITY ARISES IN OR IS BASED UPON TORT (INCLUDING NEGLIGENCE), CONTRACT (INCLUDING FUNDAMENTAL BREACH OR BREACH OF A FUNDAMENTAL TERM), BREACH OF TRUST OR FIDUCIARY DUTY, RESCISSION OF CONTRACT, RESTITUTION, INDEMNIFICATION OR OTHERWISE.

15.19 Time of the Essence

Time shall be of the essence of this Agreement.

15.20 Costs and Expenses

Except as otherwise or expressly provided in this Agreement, each Party shall pay all costs and expenses it incurs in authorizing, preparing, executing and performing this Agreement and the transactions contemplated thereunder, including all fees and expenses of its respective legal counsel, investment bankers, brokers, accountants or other representatives or consultants.

15.21 Excusable Delays

The dates and times by which any Party is required to perform any obligation under this Agreement shall be postponed automatically to the extent, for the period of time, that the Party is prevented from so performing by circumstances beyond its reasonable control. Such period shall not extend beyond one year. Said circumstances shall include acts of nature, strikes, lockouts, riots, acts of war, epidemics, government regulations imposed after the fact, fire, power failures, earthquakes or other disasters or other causes beyond the performing Party's reasonable control whether or not similar to the foregoing.

15.22 Governing Law and Attornment

This Agreement shall be governed by and interpreted and enforced in accordance with the laws of the State of New York (excluding any conflict of laws rule or principle which might refer such construction to the laws of another jurisdiction). To the extent applicable, the Parties expressly exclude the application of the United Nations Convention on Contracts for the International Sale of Goods. Each of the Parties hereby irrevocably attorns and submits to the exclusive jurisdiction of the Courts of the State of New York or the Federal Court of the United States having jurisdiction in that state, except to the extent any Court action of AMIT relates to the use of the AMIT Know How by ADSC outside the Territory.

IN WITNESS WHEREOF, the Parties have executed the Agreement.

AIR MILES INTERNATIONAL TRADING B.V.	ALLIANCE DATA SYSTEMS CORPORATION
By /s/ Liam P.B. Cowdrey	By: /s/ Michael Beltz
Name: Liam P.B. Cowdrey	Name: Michael Beltz
Title: Director	Title: Executive Vice President
Date July 24, 1998	Date: July 24, 1998

SCHEDULE 1

All know-how, processes, trade secrets, confidential information, unpatented inventions, studies and data, marketing strategies] product information, sponsor and/or supplier information, manuals, technology, research and development reports, technical information, technical assistance and similar materials recording or evidencing expertise or information related to the Programme.

LIST OF SUBSIDIARIES
OF
ALLIANCE DATA SYSTEMS CORPORATION

NAME OF DIRECT SUBSIDIARY	STATE & DATE OF INC.	DOING BUSINESS AS	SUBSIDIARIES
ADS ALLIANCE DATA SYSTEMS, INC.	DELAWARE 4/22/83	ADS ALLIANCE DATA SYSTEMS, INC.	HARMONIC TECHNOLOGY LICENSING, INC. (MINNESOTA - 7/12/93)
WORLD FINANCIAL NETWORK NATIONAL BANK	FEDERAL CHARTER 5/1/89	WORLD FINANCIAL NETWORK NATIONAL BANK	NONE
ALLIANCE DATA SYSTEMS (NEW ZEALAND) LIMITED	NEW ZEALAND 1/7/97	ALLIANCE DATA SYSTEMS (NEW ZEALAND) LIMITED	FINANCIAL AUTOMATION LIMITED (NEW ZEALAND - 10/1/87)
LOYALTY MANAGEMENT GROUP CANADA, INC.	TORONTO, CANADA AMALGAMATED 7/24/98	LOYALTY MANAGEMENT GROUP CANADA, INC.	LMG TRAVEL SERVICES LTD (TORONTO CANADA - 2/21/92)
ADS REINSURANCE LTD.	BERMUDA 11/26/98	ADS REINSURANCE LTD.	NONE
ADS COMMERCIAL SERVICES, INC.	DELAWARE 1/18/95	ADS COMMERCIAL SERVICES, INC.	NONE

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the use in this Registration Statement of Alliance Data Systems Corporation and Subsidiaries on Form S-1 of our report dated March 29, 1999 (except for Note 18, as to which the date is January 13, 2000), appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the headings "Selected Historical Consolidated Financial and Operating Information" and "Experts" in such Prospectus.

/s/ Deloitte & Touche LLP
DELOITTE & TOUCHE LLP
Columbus, Ohio

January 13, 2000

EXHIBIT 23.2

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated June 12, 1998 (except note 14 which is as at January 12, 2000) to the shareholders of the company, with respect to the financial statements of Loyalty Management Group Canada Inc. as at April 30, 1998 and 1997 and for each of the years then ended, included in the Registration Statement on Form S-1 dated January 13, 2000 and related Prospectus of Alliance Data Systems Corporation for the registration of common shares.

/s/ Ernst & Young LLP
Toronto, Canada

January 13, 2000 Chartered Accountants

EXHIBIT 23.3

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated May 22, 1998 with respect to the consolidated financial statements of Harmonic Systems Incorporated included in the Registration Statement on Form S-1 and related Prospectus of Alliance Data Systems Corporation for the registration of its common stock.

/s/ Ernst & Young LLP
Minneapolis, Minnesota
January 13, 2000

9-MOS	9-MOS	YEAR	YEAR
DEC-31-1999	DEC-31-1998	DEC-31-1998	JAN-31-1998
JAN-01-1999	JAN-01-1998	FEB-01-1998	FEB-02-1997
SEP-30-1999	SEP-30-1998	DEC-31-1998	JAN-31-1998
121,444	64,945	64,945	20,595
64,436	52,269	52,269	0
229,804	282,744	282,744	248,801
0	0	0	0
0	0	0	0
447,790	454,562	454,562	313,533
85,909	66,339	66,339	54,067
0	0	0	0
1,201,360	1,010,119	1,010,119	626,809
315,612	268,801	268,801	216,531
0	0	0	0
0	0	0	0
0	0	0	0
4,275	4,274	4,274	3,296
296,784	308,139	308,139	211,664
1,201,360	1,010,119	1,010,119	626,809
0	0	0	0
465,265	330,210	434,309	353,399
0	0	0	0
431,400	297,150	408,068	314,910
0	0	0	0
0	0	0	0
33,018	19,165	27,884	15,459
847	13,895	(1,643)	23,030
15,686	7,939	6,653	8,420
(14,839)	5,956	(8,296)	14,610
3,951	(4,483)	(300)	(8,247)
0	0	0	0
0	0	0	0
(10,888)	1,473	(8,596)	6,363
(.03)	.02	(.02)	.02
(.03)	.02	(.02)	.02