UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 001-15749

ALLIANCE DATA SYSTEMS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**		**31-1429215** **(I.R.S. Employer Identification No.)**
7500 Dallas Parkway, Suite 700 **Plano, Texas** **(Address of principal executive offices)**		**75024** **(Zip Code)**

(214) 494-3000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer (Do not check if a smaller reporting company) ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of June 30, 2017, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $13.9 billion (based upon the closing price on the New York Stock Exchange on June 30, 2017 of $256.69 per share).

As of February 21, 2018, 55,461,323 shares of common stock were outstanding.

Documents Incorporated By Reference

Certain information called for by Part III is incorporated by reference to certain sections of the Proxy Statement for the 2018 Annual Meeting of our stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2017.

ALLIANCE DATA SYSTEMS CORPORATION

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Caution Regarding Forward-Looking Statements

This Form 10-K and the documents incorporated by reference herein contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements give our expectations or forecasts of future events and can generally be identified by the use of words such as “believe,” “expect,” “anticipate,” “estimate,” “intend,” “project,” “plan,” “likely,” “may,” “should” or other words or phrases of similar import. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. We believe that our expectations are based on reasonable assumptions. Forward-looking statements, however, are subject to a number of risks and uncertainties that could cause actual results to differ materially from the projections, anticipated results or other expectations expressed in this report, and no assurances can be given that our expectations will prove to have been correct. These risks and uncertainties include, but are not limited to, the following:

- loss of, or reduction in demand for services from, significant clients;
- increases in net charge-offs in credit card and loan receivables;
- increases in the cost of doing business, including market interest rates;
- inability to access the asset-backed securitization funding market;
- loss of active AIR MILES® Reward Program collectors;
- disruptions in the airline or travel industries;
- failure to identify or successfully integrate business acquisitions;
- increased redemptions by AIR MILES Reward Program collectors;
- unfavorable fluctuations in foreign currency exchange rates;
- limitations on consumer credit, loyalty or marketing services from new legislative or regulatory actions related to consumer protection and consumer privacy;
- increases in FDIC, Delaware or Utah regulatory capital requirements for banks;
- failure to maintain exemption from regulation under the Bank Holding Company Act;
- loss or disruption, due to cyber attack or other service failures, of data center operations or capacity;
- loss of consumer information due to compromised physical or cyber security; and
- those factors discussed in Item 1A of this Form 10-K, elsewhere in this Form 10-K and in the documents incorporated by reference in this Form 10-K.

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 contained in this Form 10-K speak only as of the date made, and we undertake no obligation, other than as required by applicable law, to update or revise any forward-looking statements, whether as a result of new information, subsequent events, anticipated or unanticipated circumstances or otherwise.

PART I

Item 1. Business.

We are a leading global provider of data-driven marketing and loyalty solutions serving large, consumer-based businesses in a variety of industries. We offer a comprehensive portfolio of integrated outsourced marketing solutions, including customer loyalty programs, database marketing services, end-to-end marketing services, analytics and creative services, direct marketing services and private label and co-brand retail credit card programs. We focus on facilitating and managing interactions between our clients and their customers through all consumer marketing channels, including in-store, online, email, social media, mobile, direct mail and telephone. We capture and analyze data created during each customer interaction, leveraging the insight derived from that data to enable clients to identify and acquire new customers and to enhance customer loyalty. We believe that our services are more valued as businesses shift marketing resources away from traditional mass marketing toward more targeted marketing programs that provide measurable returns on marketing investments.

Our client base of more than 2,000 companies consists primarily of large consumer-based businesses, including well-known brands such as Bank of Montreal, Sobeys Inc., Shell Canada Products, Albert Heijn, Bank of America, General Motors, FedEx, Walgreens, Kellogg's, Marriott, Victoria's Secret, Lane Bryant, Pottery Barn, J. Crew and Ann Taylor. Our client base is diversified across a broad range of end-markets, including financial services, specialty retail, grocery and drugstore chains, petroleum retail, automotive, hospitality and travel, telecommunications, insurance and healthcare. We believe our comprehensive suite of marketing solutions offers us a significant competitive advantage, as many of our competitors offer a more limited range of services. We believe the breadth and quality of our service offerings have enabled us to establish and maintain long-standing client relationships.

Segments

Our products and services are reported under three segments—LoyaltyOne®, Epsilon and Card Services, and are listed below. Financial information about our segments and geographic areas appears in Note 21, "Segment Information," of the Notes to Consolidated Financial Statements.

Segment	Products and Services
LoyaltyOne	• AIR MILES Reward Program • Short-term Loyalty Programs • Loyalty Services —Loyalty consulting —Customer analytics —Creative services —Mobile solutions
Epsilon	• Marketing Services —Agency services —Marketing technology services —Data services —Strategy and insights services —Traditional and digital marketing —Digital CRM services —Affiliate marketing services
Card Services	• Receivables Financing —Underwriting and risk management —Receivables funding • Processing Services —New account processing —Bill processing —Remittance processing —Customer care • Marketing Services

LoyaltyOne

Our LoyaltyOne clients are focused on acquiring and retaining loyal and profitable customers. We use the information gathered through our loyalty programs to help our clients design and implement effective marketing programs. Our clients within this segment include financial services providers, grocers, drug stores, petroleum retailers and specialty retailers. LoyaltyOne operates the AIR MILES Reward Program and BrandLoyalty.

The AIR MILES Reward Program is a full service outsourced coalition loyalty program for our sponsors, who pay us a fee per AIR MILES reward mile issued, in return for which we provide all marketing, customer service, rewards and redemption management. We typically grant participating sponsors exclusivity in their market category, enabling them to realize incremental sales and increase market share as a result of their participation in the AIR MILES Reward Program coalition.

The AIR MILES Reward Program enables consumers, referred to as collectors, to earn AIR MILES reward miles as they shop across a broad range of retailers and other sponsors participating in the AIR MILES Reward Program. These AIR MILES reward miles can be redeemed by our collectors for travel or other rewards. Through our AIR MILES Cash program option, collectors can also instantly redeem their AIR MILES reward miles collected in the AIR MILES Cash program option toward in-store purchases at participating sponsors. Approximately two-thirds of Canadian households actively participate in the AIR MILES Reward Program, and it has been named a “most influential” Canadian brand in Canada’s Ipsos Influence Index.

The three primary parties involved in our AIR MILES Reward Program are: sponsors, collectors and suppliers, each of which is described below.

Sponsors. Approximately 150 brand name sponsors participate in our AIR MILES Reward Program, including Shell Canada Products, Jean Coutu, RONA, Amex Bank of Canada, Sobeys Inc. and Bank of Montreal.

Collectors. Collectors earn AIR MILES reward miles at thousands of retail and service locations, typically including any online presence the sponsor may have. Collectors can also earn AIR MILES reward miles at the many locations where collectors can use certain credit cards issued by Bank of Montreal and Amex Bank of Canada. This enables collectors to rapidly accumulate AIR MILES reward miles across a significant portion of their everyday spend. The AIR MILES Reward Program offers a reward structure that provides a quick, easy and free way for collectors to earn a broad selection of travel, entertainment and other lifestyle rewards through their day-to-day shopping at participating sponsors.

Suppliers. We enter into agreements with airlines, manufacturers of consumer electronics and other providers to supply rewards for the AIR MILES Reward Program. The broad range of rewards that can be redeemed is one of the reasons the AIR MILES Reward Program remains popular with collectors. Over 400 suppliers use the AIR MILES Reward Program as an additional distribution channel for their products. Suppliers include well-recognized companies in diverse industries, including travel, hospitality, electronics and entertainment.

BrandLoyalty designs, implements, conducts and evaluates innovative and tailor-made loyalty programs for grocers worldwide. These loyalty programs are designed to generate immediate changes in consumer behavior and are offered through leading grocers across Europe and Asia, as well as around the world. BrandLoyalty began expansion efforts into Canada in 2015 and the United States in 2016. These short-term loyalty programs are designed to drive traffic by attracting new customers and motivating existing customers to spend more because the reward is instant, topical and newsworthy. These programs are tailored for the specific client and are designed to reward key customer segments based on their spending levels during defined campaign periods. Rewards for these programs are sourced from, and in some cases produced by, key suppliers in advance of the programs being offered based on expected demand. Following the completion of each program, BrandLoyalty analyzes spending data to determine the grocer’s lift in market share and the program’s return on investment.

Epsilon

Epsilon is a leading marketing services firm providing end-to-end, integrated marketing solutions that leverage rich data, analytics, creativity and technology to help clients more effectively acquire, retain and grow relationships with their customers. Services include strategic consulting, customer database technologies, omnichannel marketing, loyalty management, proprietary data, predictive modeling, permission-based email marketing, personalized digital marketing, affiliate marketing and a full range of direct and digital agency services. On behalf of our clients, we develop marketing programs for individual consumers with highly targeted offers and personalized communications via our digital media practice, Conversant®, to create better customer experiences. Since these communications are more relevant to the consumer, the consumer is more likely to be responsive to these offers, resulting in a measurable return on our clients' marketing investments. We distribute marketing campaigns and communications through all marketing channels based on the consumer's preference, including direct mail and digital platforms such as email, mobile, display and social media. Epsilon has over 1,600 clients, operating primarily in the financial services, insurance, media and entertainment, automotive, consumer packaged goods, retail, travel and hospitality, pharmaceutical/healthcare and telecommunications industries.

Agency Services. Through our consulting services we analyze our clients' business, brand and/or product strategy to create customer acquisition and retention plans and tactics designed to further optimize our clients' customer relationships and marketing return on investment. We offer ROI-based targeted marketing services through data-driven creative, digital user experience design technology, customer relationship marketing, consumer promotions marketing, direct and digital shopper marketing, distributed and local area marketing, and services that include brand planning and consumer insights.

Marketing Technology Services. For large consumer-facing brands, we design, build and operate complex consumer marketing databases, including loyalty program management, such as the Dunkin' Donuts DD Perks®, Walgreens Balance® Rewards and Citi Thank You® programs. Our solutions are highly customized and support our clients' needs for real-time data integration from a multitude of data sources, including multichannel transactional data.

Data Services. We believe we are one of the leading sources of comprehensive consumer data essential to marketers when making informed marketing decisions. Together with our clients, we use this data to create customer profiles and develop highly-targeted, personalized marketing programs that increase response rates and build stronger customer relationships.

Strategy and Insights. We provide behavior-based, demographic and attitudinal customer segmentation, purchase analysis, web analytics, marketing mix modeling, program optimization, predictive modeling and program measurement and analysis. Through our analytical services, we gain a better understanding of consumer behavior that can help our clients as they develop customer relationship strategies.

Traditional and Digital Marketing. We provide strategic communication solutions and our end-to-end suite of products and services includes strategic consulting, creative services, campaign management and delivery optimization. We deploy marketing campaigns and communications through all marketing channels, including direct mail and digital platforms such as email, display, mobile, video and social digital channels. We also operate what we believe to be one of the largest global permission-based email marketing platforms in the industry, sending tens of billions of emails per year on behalf of our clients, and enabling clients to build campaigns using measurable distribution channels. Conversant offers a fully integrated personalization platform and personalized media programs that are fueled by an in-depth understanding of what motivates people to engage, connect and buy. Further, Conversant helps companies grow by creating personalized experiences that deliver higher returns for brands and greater value for consumers.

Affiliate Marketing. We operate CJ Affiliate, one of the world's largest affiliate marketing networks specializing in pay-for-performance programs designed to drive results. Our network helps to create connections amid millions of online consumers daily by facilitating relationships between advertisers and publishers.

Card Services

Our Card Services segment assists some of the best known retailers in extending their brand with a private label and/or co-brand credit card account that can be used by their customers in the store, or through online or catalog purchases. Our partners benefit from customer insights and analytics, with each of our credit card branded programs tailored to our partner's brand and their unique card members.

Receivables Financing. Our Card Services segment provides risk management solutions, account origination and funding services for our more than 160 private label and co-brand credit card programs. Through these credit card programs, as of December 31, 2017, we had $17.7 billion in principal receivables from 43.4 million active accounts, with an average balance for the year ended December 31, 2017 of approximately $688 for accounts with outstanding balances. L Brands and its retail affiliates accounted for approximately 10% of our average credit card and loan receivables for the year ended December 31, 2017. We process millions of credit card applications each year using automated proprietary scoring technology and verification procedures to make risk-based origination decisions when approving new credit card accountholders and establishing their credit limits. Credit quality is monitored at least monthly during the life of an account. We augment these procedures with credit risk scores provided by credit bureaus. This information helps us segment prospects into narrower risk ranges, allowing us to better evaluate individual credit risk.

Our accountholder base consists primarily of middle- to upper-income individuals, in particular women who use our credit cards primarily as brand affinity tools. These accounts generally have lower average balances compared to balances on general purpose credit cards. We focus our sales efforts on prime borrowers and do not target sub-prime borrowers.

We use securitization and deposit programs as principal funding vehicles for our credit card receivables. Securitizations involve the packaging and selling of both current and future receivable balances of credit card accounts to a master trust, which is a variable interest entity, or VIE. Our three master trusts are consolidated in our financial statements.

Processing Services. We perform processing services and provide service and maintenance for private label and co-brand credit card programs. We use automated technology for bill preparation, printing and mailing, and also offer consumers the ability to view, print and pay their bills online. By doing so, we improve the funds availability for both our clients and for those private label and co-brand credit card receivables that we own or securitize. We also provide collection activities on delinquent accounts to support our private label and co-brand credit card programs. Our customer care operations are influenced by our retail heritage and we view every customer touch point as an opportunity to generate or reinforce a sale. Our call centers are equipped to handle a variety of inquiry types, including phone, mail, fax, email, text and web. We provide focused training programs in all areas to achieve the highest possible customer service standards and monitor our performance by conducting surveys with our clients and their customers. For the twelfth time since 2003, we were certified as a Center of Excellence for the quality of our operations, the most prestigious ranking attainable, by BenchmarkPortal. Founded by Purdue University in 1995, BenchmarkPortal is a global leader of best practices for call centers.

Marketing Services. Our private label and co-brand credit card programs are designed specifically for retailers and have the flexibility to be customized to accommodate our clients' specific needs. Through our integrated marketing services, we design and implement strategies that assist our clients in acquiring, retaining and managing valuable repeat customers. Our credit card programs capture transaction data that we analyze to better understand consumer behavior and use to increase the effectiveness of our clients' marketing activities. We use multi-channel marketing communication tools, including in-store, web, permission-based email, mobile messaging and direct mail to reach our clients' customers.

Disaster and Contingency Planning

We operate, either internally or through third-party service providers, multiple data processing centers to process and store our customer transaction data. Given the significant amount of data that we or our third-party service providers manage, much of which is real-time data to support our clients' commerce initiatives, we have established redundant capabilities for our data centers. We have a number of safeguards in place that are designed to protect us from data-related risks and in the event of a disaster, to restore our data centers' systems.

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 used in each segment of our business. 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 have a number of domestic and foreign patents and pending patent applications. We pursue registration and protection of our trademarks primarily in the United States and Canada, although we also have either registered trademarks or applications pending for certain marks in other countries. No individual patent or license is material to us or our segments other than that we are the exclusive Canadian licensee of the AIR MILES family of trademarks pursuant to a perpetual license agreement with Diversified Royalty Corp., for which we pay a royalty fee. We believe that the AIR MILES family of trademarks and our other trademarks are important for our branding, corporate identification and marketing of our services in each business segment.

Competition

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

LoyaltyOne. As a provider of marketing services, our LoyaltyOne segment generally competes 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. We expect competition to intensify as more competitors enter our market. Competitors may target our sponsors, clients and 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 also depend on our ability to remain affiliated with sponsors and suppliers that are desirable to consumers and to offer rewards that are both attainable and attractive to consumers.

Epsilon. Our Epsilon segment generally competes with a variety of niche providers as well as large media/digital agencies. For the niche provider competitors, their focus has primarily been on one or two services within the marketing value chain, rather than the full spectrum of data-driven marketing services used for both traditional and online advertising and promotional marketing programs. For the larger media/digital agencies, most offer the breadth of services but typically do not have the internal integration of offerings to deliver a seamless "one stop shop" solution, from strategy to execution across traditional as well as digital and emerging technologies. In addition, Epsilon competes against internally developed products and services created by our existing clients and others. We expect competition to intensify as more competitors enter our market and technologies evolve. For our targeted direct marketing services offerings, our ability to continue to capture detailed customer transaction data is critical in providing effective marketing and loyalty strategies for our clients. Our ability to differentiate the mix of products and services that we offer, together with the effective delivery of those products and services, are also important factors in meeting our clients' objective to continually improve their return on marketing investment.

Card Services. Our Card Services segment competes primarily with financial institutions whose marketing focus has been on developing credit card programs with large revolving balances. These competitors further drive their businesses by cross-selling their other financial products to their cardholders. Our focus has primarily been on targeting specialty retailers that understand the competitive advantage of developing loyal customers. Typically, these retailers seek customers that make more frequent but smaller transactions at their retail locations. As a result, we are able to analyze card-based transaction data we obtain through managing our credit card programs, including customer specific transaction data and overall consumer spending patterns, to develop and implement successful marketing strategies for our clients. As an issuer of private label retail credit cards and co-brand Visa®, MasterCard® and Discover® credit cards, we also compete with general purpose credit cards issued by other financial institutions, as well as cash, checks and debit cards.

Regulation

Federal and state laws and regulations extensively regulate the operations of our bank subsidiaries, Comenity Bank and Comenity Capital Bank. Many of these laws and regulations are intended to maintain the safety and soundness of Comenity Bank and Comenity Capital Bank, and they impose significant restraints to which other non-regulated companies are not subject. Because Comenity Bank is deemed a credit card bank and Comenity Capital Bank is an industrial bank within the meaning of the Bank Holding Company Act, we are not subject to regulation as a bank holding company. If we were subject to regulation as a bank holding company, we would be constrained in our operations to a limited number of activities that are closely related to banking or financial services in nature. As a state bank, Comenity Bank is subject to overlapping supervision by the FDIC and the State of Delaware; and, as an industrial bank, Comenity Capital Bank is subject to overlapping supervision by the FDIC and the State of Utah. Both Comenity Bank and Comenity Capital Bank are under the supervision of the Consumer Financial Protection Bureau, or CFPB—a federal consumer protection regulator with authority to make further changes to the federal consumer protection laws and regulations—who may, from time to time, conduct reviews of their practices.

Comenity Bank and Comenity Capital Bank must maintain minimum amounts of regulatory capital, including maintenance of certain capital ratios, paid-in capital minimums, and an appropriate allowance for loan loss, as well as meeting specific guidelines that involve measures and ratios of their assets, liabilities, regulatory capital and interest rate, among other factors. If Comenity Bank or Comenity Capital Bank does not meet these capital requirements, their respective regulators have broad discretion to institute a number of corrective actions that could have a direct material effect on our financial statements. To pay any dividend, Comenity Bank and Comenity Capital Bank must maintain adequate capital above regulatory guidelines.

We are limited under Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve Board Regulation W in the extent to which we can borrow or otherwise obtain credit from or engage in other “covered transactions” with Comenity Bank or Comenity Capital Bank, which may have the effect of limiting the extent to which Comenity Bank or Comenity Capital Bank can finance or otherwise supply funds to us. “Covered transactions” include loans or extensions of credit, purchases of or investments in securities, purchases of assets, including assets subject to an agreement to repurchase, acceptance of securities as collateral for a loan or extension of credit, or the issuance of a guarantee, acceptance, or letter of credit. Although the applicable rules do not serve as an outright bar on engaging in “covered transactions,” they do require that we engage in “covered transactions” with Comenity Bank or Comenity Capital Bank only on terms and under circumstances that are substantially the same, or at least as favorable to Comenity Bank or Comenity Capital Bank, as those prevailing at the time for comparable transactions with nonaffiliated companies. Furthermore, with certain exceptions, each loan or extension of credit by Comenity Bank or Comenity Capital Bank to us or our other affiliates must be secured by collateral with a market value ranging from 100% to 130% of the amount of the loan or extension of credit, depending on the type of collateral.

We are required to monitor and report unusual or suspicious account activity as well as transactions involving amounts in excess of prescribed limits under the Bank Secrecy Act, Internal Revenue Service, or IRS, rules, and other regulations. Congress, the IRS and the bank regulators have focused their attention on banks’ monitoring and reporting of suspicious activities. Additionally, Congress and the bank regulators have proposed, adopted or passed a number of new laws and regulations that may increase reporting obligations of banks. We are also subject to numerous laws and regulations that are intended to protect consumers, including state laws, the Truth in Lending Act, Equal Credit Opportunity Act and Fair Credit Reporting Act, as amended by the Credit Card Accountability, Responsibility and Disclosure Act of 2009, or the CARD Act. These laws and regulations mandate various disclosure requirements and regulate the manner in which we may interact with consumers. These and other laws also limit finance charges or other fees or charges earned in our lending activities. We conduct our operations in a manner that we believe excludes us from regulation as a consumer reporting agency under the Fair Credit Reporting Act. If we were deemed a consumer reporting agency, however, we would be subject to a number of additional complex regulatory requirements and restrictions.

A number of privacy laws and regulations have been enacted in the United States, Canada, the European Union, China and other international markets in which we operate. These laws and regulations place many restrictions on our ability to collect and disseminate customer information. In addition, the enactment of new or amended legislation around the world could place additional restrictions on our ability to utilize customer information. For example, Canada has enacted privacy legislation known as the Personal Information Protection and Electronic Documents Act. Among its principles, this act requires organizations to obtain a consumer’s consent to collect, use or disclose personal information. Under this act, which took effect on January 1, 2001, the nature of the required consent depends on the sensitivity of the

personal information, and the act permits personal information to be used only for the purposes for which it was collected. Some Canadian provinces have enacted substantially similar privacy legislation.

In the United States under the Gramm-Leach-Bliley Act, we are required to maintain a comprehensive written information security program that includes administrative, technical and physical safeguards relating to customer information. It also requires us to provide initial and annual privacy notices to customers that describe in general terms our information sharing practices. If we intend to share nonpublic personal information about customers with affiliates and/or nonaffiliated third parties, we must provide our customers with a notice and a reasonable period of time for each customer to "opt out" of any such disclosure. In Canada, the Act to promote the efficiency and adaptability of the Canadian economy by regulating certain activities that discourage reliance on electronic means of carrying out commercial activities, and to amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act, more generally known as Canada's Anti-Spam Legislation, may restrict our ability to send commercial "electronic messages," defined to include text, sound, voice and image messages to email, or similar accounts, where the primary purpose is advertising or promoting a commercial product or service to our customers and prospective customers. The Act requires that a sender have consent to send a commercial electronic message, and provide the customers with an opportunity to opt out from receiving future commercial electronic email messages from the sender. In the European Union, the Directive 95/46/EC of the European Parliament, or the EU Parliament, and of the Council of 24 October 1995 requires member states to implement and enforce a comprehensive data protection law that is based on principles designed to safeguard personal data, defined as any information relating to an identified or identifiable natural person. The Directive frames certain requirements for transfer outside of the European Economic Area and individual rights such as consent requirements. In January 2012, the European Commission proposed the General Data Protection Regulation, or the GDPR, a new European Union-wide legal framework to govern data sharing and collection and related consumer privacy rights. In December 2015, the EU Parliament and the EU Council reached informal agreement on the text of the GDPR, and in April 2016 both the EU Council and the EU Parliament adopted the GDPR, which will go into effect May 25, 2018. The GDPR will replace the Directive and, because it is a regulation rather than a directive, will directly apply to and bind the 28 EU Member States. Compared to the Directive, GDPR may result in greater compliance obligations, including the implementation of a number of processes and policies around our data collection and use.

In addition to U.S. federal privacy laws with which we must comply, states also have adopted statutes, regulations or other measures governing the collection and distribution of nonpublic personal information about customers. In some cases these state measures are preempted by federal law, but if not, we monitor and seek to comply with individual state privacy laws in the conduct of our business. The European Union has also released a draft of the proposed reforms to the ePrivacy Directive that governs the use of technologies to collect consumer information. Similarly, it is possible that in the future, U.S. and foreign jurisdictions may adopt legislation or regulations that impair our ability to effectively track consumers' use of our advertising services, such as the FTC's proposed "Do-Not-Track" standard or other legislation or regulations similar to EU Directive 2009/136/EC, commonly referred to as the "Cookie Directive," which directs EU Member States to ensure that accessing information on an internet user's computer, such as through a cookie, is allowed only if the internet user has given his or her consent.

We also have systems and processes to comply with the USA PATRIOT ACT of 2001, which is designed to deter and punish terrorist acts in the United States and around the world, to enhance law enforcement investigatory tools, and for other purposes.

On December 5, 2016, the Legislative Assembly of the Province of Ontario, or the Ontario Legislature, passed Bill 47, Protecting Rewards Points Act (Consumer Protection Amendment), 2016, amending Ontario's Consumer Protection Act, 2002 with respect to rewards points. The amendments became effective on December 8, 2016, and additional related regulations were made effective on January 1, 2018. Changes to the Ontario Consumer Protection Act effected by the amendment and related regulations prohibit suppliers from entering into or amending consumer agreements to provide for the expiry of rewards points due to the passage of time alone, while permitting the expiry of rewards points if the underlying consumer agreement is terminated and that agreement provides that reward points expire upon termination. Accordingly, the Ontario Consumer Protection Act, as amended, does not impact LoyaltyOne's practice of terminating a collector's account and cancelling their AIR MILES reward miles after two years of inactivity. In Quebec, similar legislation pertaining to the expiry of rewards points due to the passage of time alone was passed in 2017, subject to additional related regulations currently being proposed for implementation.

Employees

As of December 31, 2017, we had approximately 20,000 employees. We believe our relations with our employees are good. We have no collective bargaining agreements with our employees.

Other Information

Our corporate headquarters are located at 7500 Dallas Parkway, Suite 700, Plano, Texas 75024, where our telephone number is 214-494-3000.

We file or furnish annual, quarterly and current reports, proxy statements and other information with the SEC. You may request, for a fee, any document we file or furnish at the SEC's Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public at the SEC's website at *www.sec.gov*. You may also obtain copies of our annual, quarterly and current reports, proxy statements and certain other information filed or furnished with the SEC, as well as amendments thereto, free of charge from our website, *www.AllianceData.com*. No information from this website is incorporated by reference herein. These documents are posted to our website as soon as reasonably practicable after we have filed or furnished these documents with the SEC. We post our audit committee, compensation committee, nominating and corporate governance committee, and executive committee charters, our corporate governance guidelines, and our code of ethics, code of ethics for Senior Financial Officers, and code of ethics for Board Members on our website. These documents are available free of charge to any stockholder upon request.

RISK FACTORS

Strategic Business Risk and Competitive Environment

Our 10 largest clients represented 33% and 35%, respectively, of our consolidated revenue for the years ended December 31, 2017 and 2016, and the loss of any of these clients could cause a significant drop in our revenue.

We depend on a limited number of large clients for a significant portion of our consolidated revenue. Our 10 largest clients represented approximately 33% and 35%, respectively, of our consolidated revenue during the years ended December 31, 2017 and 2016, with no single client representing more than 10% of our consolidated revenue during either of these periods. A decrease in revenue from any of our significant clients for any reason, including a decrease in pricing or activity, or a decision either to utilize another service provider or to no longer outsource some or all of the services we provide, could have a material adverse effect on our consolidated revenue.

LoyaltyOne. LoyaltyOne represents 17% and 19%, respectively, of our consolidated revenue for the years ended December 31, 2017 and 2016. Our 10 largest clients in this segment represented approximately 59% and 54%, respectively, of our LoyaltyOne revenue for the years ended December 31, 2017 and 2016. Bank of Montreal represented approximately 21% and 17%, respectively, of this segment's revenue for the years ended December 31, 2017 and 2016. Sobeys Inc. and its retail affiliates represented approximately 14% and 13%, respectively, of this segment's revenue for the years ended December 31, 2017 and 2016. Our contract with Bank of Montreal expires in 2020, subject to automatic renewals. Our contract with Sobeys Inc. and its retail affiliates expires in 2024.

Epsilon. Epsilon represents 29% and 30%, respectively, of our consolidated revenue for the years ended December 31, 2017 and 2016. Our 10 largest clients in this segment represented approximately 32% and 30%, respectively, of our Epsilon revenue for the years ended December 31, 2017 and 2016, with no single client representing more than 10% of Epsilon's revenue during either of these periods.

Card Services. Card Services represents 54% and 51%, respectively, of our consolidated revenue for the years ended December 31, 2017 and 2016. Our 10 largest clients in this segment represented approximately 52% and 59%, respectively, of our Card Services revenue for the years ended December 31, 2017 and 2016. L Brands and its retail affiliates represented approximately 16% of this segment's revenue for each of the years ended December 31, 2017 and 2016. Ascena Retail Group, Inc. and its retail affiliates represented approximately 13% of this segment's revenue for the year ended December 31, 2016. Our contract with L Brands and its retail affiliates expires in 2019. Our contracts with Ascena Retail Group, Inc. and its retail affiliates expire in 2019 and 2022.

We expect growth in our Card Services segment to result from new and acquired credit card programs whose credit card receivables performance could result in increased portfolio losses and negatively impact our profitability.

We expect an important source of growth in our credit card operations to come from the acquisition of existing credit card programs and initiating credit card programs with retailers and others who do not currently offer a private label or co-brand credit card. Although we believe our pricing and models for determining credit risk are designed to evaluate the credit risk of existing programs and the credit risk we are willing to assume for acquired and start-up programs, we cannot be assured that the loss experience on acquired and start-up programs will be consistent with our more established programs. The failure to successfully underwrite these credit card programs may result in defaults greater than our expectations and could have a material adverse impact on us and our profitability.

Increases in net charge-offs could have a negative impact on our net income and profitability.

The primary risk associated with unsecured consumer lending is the risk of default or bankruptcy of the borrower, resulting in the borrower's balance being charged-off as uncollectible. We rely principally on the customer's creditworthiness for repayment of the loan and therefore have no other recourse for collection. We may not be able to successfully identify and evaluate the creditworthiness of cardholders to minimize delinquencies and losses. An increase in defaults or net charge-offs could result in a reduction in net income. General economic factors, such as the rate of inflation, unemployment levels and interest rates, may result in greater delinquencies that lead to greater credit losses. In addition to being affected by general economic conditions and the success of our collection and recovery efforts, the

stability of our delinquency and net charge-off rates are affected by the credit risk of our credit card and loan receivables and the average age of our various credit card account portfolios. Further, our pricing strategy may not offset the negative impact on profitability caused by increases in delinquencies and losses, thus any material increases in delinquencies and losses beyond our current estimates could have a material adverse impact on us. For 2017, our net charge-off rate was 6.0%, compared to 5.1% and 4.5% for 2016 and 2015, respectively. Delinquency rates were 5.1% of principal credit card and loan receivables at December 31, 2017, compared to 4.8% and 4.2% at December 31, 2016 and 2015, respectively.

If actual redemptions by AIR MILES Reward Program collectors are greater than expected, or if the costs related to redemption of AIR MILES reward miles increase, our profitability could be adversely affected.

A portion of our revenue is based on our estimate of the number of AIR MILES reward miles that will go unused by the collector base. The percentage of AIR MILES reward miles not expected to be redeemed is known as “breakage.”

Breakage is based on management’s estimate after viewing and analyzing various historical trends including vintage analysis, current run rates and other pertinent factors, such as the impact of macroeconomic factors and changes in the program structure, the introduction of new program options and changes to rewards offered. Any significant change in or failure by management to reasonably estimate breakage, or if actual redemptions are greater than our estimates, our profitability could be adversely affected.

Our AIR MILES Reward Program also exposes us to risks arising from potentially increasing reward costs. Our profitability could be adversely affected if costs related to redemption of AIR MILES reward miles increase. A 10% increase in the cost of redemptions would have resulted in a decrease in pre-tax income of $34.2 million for the year ended December 31, 2017.

The loss of our most active AIR MILES Reward Program collectors could adversely affect our growth and profitability.

Our most active AIR MILES Reward Program collectors drive a disproportionately large percentage of our AIR MILES Reward Program revenue. The loss of a significant portion of these collectors, for any reason, could impact our ability to generate significant revenue from sponsors. 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 collectors and to offer rewards that are both attainable and attractive.

Airline or travel industry disruptions, such as an airline insolvency, could negatively affect the AIR MILES Reward Program, our revenues and profitability.

Air travel is one of the appeals of the AIR MILES Reward Program to collectors. As a result of airline insolvencies and restructurings, we may experience service disruptions that prevent us from fulfilling collectors’ flight redemption requests. If one of our existing airline suppliers sharply reduces its fleet capacity and route network, we may not be able to satisfy our collectors’ demands for airline tickets. Tickets from other airlines, if available, could be more expensive than a comparable ticket under our current supply agreements with existing suppliers, and the routes offered by the other airlines may be inadequate, inconvenient or undesirable to the redeeming collectors. As a result, we may experience higher air travel redemption costs, and collector satisfaction with the AIR MILES Reward Program might be adversely affected.

As a result of airline or travel industry disruptions, political instability, terrorist acts or war, some collectors could determine that air travel is too dangerous or burdensome. Consequently, collectors might forego redeeming AIR MILES reward miles for air travel and therefore might not participate in the AIR MILES Reward Program to the extent they previously did, which could adversely affect our revenue from the program.

If we fail to identify suitable acquisition candidates or new business opportunities, or to integrate the businesses we acquire, it could negatively affect our business.

Historically, we have engaged in a significant number of acquisitions, and those acquisitions have contributed to our growth in revenue and profitability. We believe that acquisitions and the identification and pursuit of new business opportunities will be a key component of our continued growth strategy. However, we may not be able to locate and

secure future acquisition candidates or to identify and implement new business opportunities on terms and conditions that are acceptable to us. If we are unable to identify attractive acquisition candidates or successful new business opportunities, our growth could be impaired.

In addition, there are numerous risks associated with acquisitions and the implementation of new businesses, including, but not limited to:

- the difficulty and expense that we incur in connection with the acquisition or new business opportunity;
- the potential for adverse consequences when conforming the acquired company's accounting policies to ours;
- the diversion of management's attention from other business concerns;
- the potential loss of customers or key employees of the acquired company;
- the impact on our financial condition due to the timing of the acquisition or new business implementation or the failure of the acquired or new business to meet operating expectations; and
- the assumption of unknown liabilities of the acquired company.

Furthermore, acquisitions that we make may not be successfully integrated into our ongoing operations and we may not achieve expected cost savings or other synergies from an acquisition. If the operations of an acquired or new business do not meet expectations, our profitability may decline and we may seek to restructure the acquired business or impair the value of some or all of the assets of the acquired or new business.

The markets for the services that we offer may contract or fail to expand which could negatively impact our growth and profitability.

Our growth and continued profitability depend on acceptance of the services that we offer. Our clients may not continue to use the loyalty and targeted marketing strategies and programs that we offer. Changes in technology may enable merchants and retail companies to directly process transactions in a cost-efficient manner without the use of our services. Additionally, downturns in the economy or the performance of retailers may result in a decrease in the demand for our marketing strategies. Any decrease in the demand for our services for the reasons discussed above or any other reasons could have a material adverse effect on our growth, revenue and operating results.

Competition in our industries is intense and we expect it to intensify.

The markets for our products and services are highly competitive and we expect competition to intensify in each of those markets. Some of our current competitors have longer operating histories, stronger brand names and greater financial, technical, marketing and other resources than we do. Certain of our segments also compete against in-house staffs of our current clients and others or internally developed products and services by our current clients and others. Our ability to generate significant revenue from clients and partners will depend on our ability to differentiate ourselves through the products and services we provide and the attractiveness of our programs to consumers. We may not be able to continue to compete successfully against our current and potential competitors.

Liquidity, Market and Credit Risk

Interest rate increases on our variable rate debt could materially adversely affect our profitability.

Interest rate risk affects us directly in our borrowing activities. Our interest expense, net was $564.4 million for the year ended December 31, 2017. To manage our risk from market interest rates, we actively monitor the interest rates and the interest sensitive components to minimize the impact that changes in interest rates have on the fair value of assets, net income and cash flow. In 2017, a 1% increase or decrease in interest rates would have resulted in a change to our interest expense of approximately $112 million.

If we are unable to securitize our credit card receivables due to changes in the market, we may not be able to fund new credit card receivables, which would have a negative impact on our operations and profitability.

A number of factors affect our ability to fund our receivables in the securitization market, some of which are beyond our control, including:

- conditions in the securities markets in general and the asset-backed securitization market in particular;
- conformity in the quality of our credit card receivables to rating agency requirements and changes in that quality or those requirements; and
- ability to fund required overcollateralizations or credit enhancements, which are routinely utilized in order to achieve better credit ratings to lower borrowing cost.

In addition, on August 27, 2014, the SEC adopted a number of rules that will change the disclosure, reporting and offering process for publicly registered offerings of asset-backed securities, including those offered under our credit card securitization program. The adopted rules finalize rules that were originally proposed on April 7, 2010 and re-proposed on July 26, 2011. A number of rules proposed by the SEC in 2010 and 2011, such as requiring group-level data for the underlying assets in credit card securitizations, were not adopted in the final rulemaking but may be adopted by the SEC in the future with or without further modifications. The adoption of further rules affecting disclosure, reporting and the offering process for publicly registered offerings of asset-backed securities may impact our ability or desire to issue asset-backed securities in the future.

The FDIC, the SEC, the Federal Reserve and certain other federal regulators have adopted regulations, commonly known as Regulation RR, that mandate a minimum five percent risk retention requirement for securitizations that are issued on and after December 24, 2016. Such risk retention requirements may limit our liquidity by restricting the amount of asset-backed securities we are able to issue or affecting the timing of future issuances of asset-backed securities; we intend to satisfy such risk retention requirements by maintaining a seller’s interest calculated in accordance with Regulation RR.

Early amortization events may occur as a result of certain adverse events specified for each asset-backed securitization transaction, including, among others, deteriorating asset performance or material servicing defaults. In addition, certain series of funding notes issued by our securitization trusts are subject to early amortization based on triggers relating to the bankruptcy of one or more retailers. Deteriorating economic conditions and increased competition in the retail industry, among other factors, may lead to an increase in bankruptcies among retailers who have entered into credit card programs with us. The bankruptcy of one or more retailers could lead to a decline in the amount of new receivables and could lead to increased delinquencies and defaults on the associated receivables. Any of these effects of a retailer bankruptcy could result in the commencement of an early amortization for one or more series of such funding securities, particularly if such an event were to occur with respect to a retailer relating to a large percentage of such securitization trust’s assets. The occurrence of an early amortization event may significantly limit our ability to securitize additional receivables.

As a result of Basel III, which refers generally to a set of regulatory reforms adopted in the U.S. and internationally that are meant to address issues that arose in the banking sector during the recent financial crisis, banks are becoming subject to more stringent capital, liquidity and leverage requirements. In response to Basel III, investors of our securitization trusts’ funding securities have sought and obtained amendments to their respective transaction documents permitting them to delay disbursement of funding increases by up to 35 days. Although funding may be requested from other investors who have not delayed their funding, access to financing could be disrupted if all of the investors implement such delays or if the lending capacities of those who did not do so were insufficient to make up the shortfall. In addition, excess spread may be affected if the issuing entity’s borrowing costs increase as a result of Basel III. Such cost increases may result, for example, because the investors are entitled to indemnification for increased costs resulting from such regulatory changes.

The inability to securitize card receivables due to changes in the market, regulatory proposals, the unavailability of credit enhancements, or any other circumstance or event would have a material adverse effect on our operations and profitability.

Our level of indebtedness could materially adversely affect our ability to generate sufficient cash to repay our outstanding debt, our ability to react to changes in our business and our ability to incur additional indebtedness to fund future needs.

We have a high level of indebtedness, which requires a high level of interest and principal payments. Subject to the limits contained in our credit agreement, the indentures governing our senior notes and our other debt instruments, we may be able to incur substantial additional indebtedness from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our level of indebtedness could intensify. Our level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of our indebtedness. Our higher level of indebtedness, combined with our other financial obligations and contractual commitments, could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, and any failure to comply with the obligations under any of our debt instruments, including restrictive covenants, could result in an event of default under our credit agreement, the indentures governing our senior notes and the agreements governing our other indebtedness;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing funds available for working capital, capital expenditures, acquisitions and other corporate purposes;
- increase our vulnerability to adverse economic and industry conditions, which could place us at a competitive disadvantage;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- limit our ability to borrow additional funds, or to dispose of assets to raise funds, if needed, for working capital, capital expenditures, acquisitions and other corporate purposes;
- reduce or delay investments and capital expenditures;
- cause any refinancing of our indebtedness to be at higher interest rates and require us to comply with more onerous covenants, which could further restrict our business operations; and
- prevent us from raising the funds necessary to repurchase all notes tendered to us upon the occurrence of certain changes of control.

Future sales of our common stock, or the perception that future sales could occur, may adversely affect our common stock price.

As of February 21, 2018, we had an aggregate of 80,414,831 shares of our common stock authorized but unissued and not reserved for specific purposes. In general, we may issue all of these shares without any action or approval by our stockholders. We have reserved 6,638,165 shares of our common stock for issuance under our employee stock purchase plan and our long-term incentive plans, of which 531,501 shares have been issued and 864,713 shares are issuable upon vesting of restricted stock awards, restricted stock units, and upon exercise of options granted as of February 21, 2018, including options to purchase approximately 11,513 shares exercisable as of February 21, 2018 or that will become exercisable within 60 days after February 21, 2018. We have reserved for issuance 1,500,000 shares of our common stock, 568,045 of which remain issuable, under our 401(k) and Retirement Savings Plan as of December 31, 2017. In addition, we may pursue acquisitions of competitors and related businesses and may issue shares of our common stock in connection with these acquisitions. Sales or issuances of a substantial number of shares of common stock, or the perception that such sales could occur, could adversely affect prevailing market prices of our common stock, and any sale or issuance of our common stock will dilute the ownership interests of existing stockholders.

The market price and trading volume of our common stock may be volatile and our stock price could decline.

The trading price of shares of our common stock has from time to time fluctuated widely and in the future may be subject to similar fluctuations. The trading price of our common stock may be affected by a number of factors, including our operating results, changes in our earnings estimates, additions or departures of key personnel, our financial condition, legislative and regulatory changes, general conditions in the industries in which we operate, general economic conditions, and general conditions in the securities markets. Other risks described in this report could also materially and adversely affect our share price.

There is no guarantee that we will pay future dividends or repurchase shares at a level anticipated by stockholders, which could reduce returns to our stockholders. Decisions to declare future dividends on, or repurchase, our common stock will be at the discretion of our Board of Directors based upon a review of relevant considerations.

Since October 2016, our Board of Directors has declared quarterly cash dividend payments on our outstanding common stock. Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to approval by our Board of Directors. Since 2001, our Board of Directors has approved various share repurchase programs, including the share repurchase program approved in 2017 for the repurchase of up to $1 billion of our common stock through July 31, 2018. The Board's determination to declare dividends on, or repurchase shares of, our common stock will depend upon our profitability and financial condition, contractual restrictions, restrictions imposed by applicable law and other factors that the board deems relevant. Based on an evaluation of these factors, the Board of Directors may determine not to declare future dividends at all, to declare future dividends at a reduced amount, not to repurchase shares or to repurchase shares at reduced levels compared to historical levels, any or all of which could reduce returns to our stockholders.

Our reported financial information will be affected by fluctuations in the exchange rate between the U.S. dollar and certain foreign currencies.

The results of our operations are exposed to foreign exchange rate fluctuations. We are exposed primarily to fluctuations in the exchange rate between the U.S. and Canadian dollars and the exchange rate between the U.S. dollar and the Euro. Upon translation, operating results may differ from our expectations. As we have expanded our international operations, our exposure to exchange rate fluctuations has increased. For the year ended December 31, 2017, foreign currency movements relative to the U.S. dollar positively impacted our revenue by approximately $27 million and positively impacted income before income taxes by approximately $3 million.

Regulatory Environment

Current and proposed regulation and legislation relating to our card services could limit our business activities, product offerings and fees charged and may have a significant impact on our business, results of operations and financial condition.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), among other things, includes a sweeping reform of the regulation and supervision of financial institutions, as well as of the regulation of derivatives and capital market activities.

The full impact of the Dodd-Frank Act is difficult to assess because many provisions require federal agencies to adopt implementing regulations, and some of the final implementing regulations have not yet been issued. In addition, the Dodd-Frank Act mandates multiple studies, which could result in future legislative or regulatory action. In particular, the Government Accountability Office issued its study on whether it is necessary, in order to strengthen the safety and soundness of institutions or the stability of the financial system of the United States, to eliminate the exemptions to the definition of "bank" under the Bank Holding Company Act for certain institutions including limited purpose credit card banks and industrial loan companies. The study did not recommend the elimination of these exemptions. However, if legislation were enacted to eliminate these exemptions without any grandfathering of or accommodations for existing institutions, we could be required to become a bank holding company and cease certain of our activities that are not permissible for bank holding companies or divest our credit card bank subsidiary, Comenity Bank, or our industrial bank subsidiary, Comenity Capital Bank.

The Dodd-Frank Act created the CFPB, a federal consumer protection regulator with authority to make further changes to the federal consumer protection laws and regulations. The CFPB assumed rulemaking authority under the existing federal consumer financial protection laws, and enforces those laws against and examines certain non-depository institutions and insured depository institutions with total assets greater than $10 billion and their affiliates.

As of October 1, 2016, both Comenity Bank and Comenity Capital Bank are under the CFPB's supervision and the CFPB may, from time to time, conduct reviews of their practices. In addition, the CFPB's broad rulemaking authority is expected to impact their operations, including with respect to deferred interest products. For example, the CFPB's rulemaking authority may allow it to change regulations adopted in the past by other regulators including regulations issued under the Truth in Lending Act or the CARD Act by the Board of Governors of the Federal Reserve System. The CFPB's ability to rescind, modify or interpret past regulatory guidance could increase our compliance costs and litigation exposure. Further, the CFPB has broad authority to prevent "unfair, deceptive or abusive" acts or practices and has taken enforcement action against other credit card issuers and financial services companies. Evolution of these standards could result in changes to pricing, practices, procedures and other activities relating to our credit card accounts in ways that could reduce the associated return. It is unclear what changes would be promulgated by the CFPB and what effect, if any, such changes would have on our credit accounts.

The Dodd-Frank Act authorizes certain state officials to enforce regulations issued by the CFPB and to enforce the Dodd-Frank Act's general prohibition against unfair, deceptive or abusive practices. To the extent that states enact requirements that differ from federal standards or courts adopt interpretations of federal consumer laws that differ from those adopted by the federal banking agencies, we may be required to alter products or services offered in some jurisdictions or cease offering products, which will increase compliance costs and reduce our ability to offer the same products and services to consumers nationwide.

Various federal and state laws and regulations significantly limit the retail credit card 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 consumers, limit or proscribe certain other terms of our products and services, require specified disclosures to consumers, or require that we maintain certain licenses, qualifications and minimum capital levels. 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 CARD Act acts to limit or modify certain credit card practices and requires increased disclosures to consumers. The credit card practices addressed by the rules include, but are not limited to, restrictions on the application of rate increases to existing and new balances, payment allocation, default pricing, imposition of late fees and two-cycle billing. 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 profitability.

In the normal course of business, from time to time, Comenity Bank and Comenity Capital Bank have been named as defendants in various legal actions, including arbitrations, class actions and other litigation arising in connection with their business activities. While historically the arbitration provision in each bank's customer agreement has generally limited such bank's exposure to consumer class action litigation, there can be no assurance that the banks will be successful in enforcing the arbitration clause in the future. There may also be legislative, administrative or regulatory efforts to directly or indirectly prohibit the use of pre-dispute arbitration clauses.

Comenity Bank and Comenity Capital Bank are also involved, from time to time, in reviews, investigations, and proceedings (both formal and informal) by governmental agencies regarding the bank's business, which could subject the bank to significant fines, penalties, obligations to change its business practices or other requirements. In September 2015, each bank entered into a consent order with the FDIC agreeing to provide restitution to eligible customers, to pay civil money penalties to the FDIC and to make further enhancements to their compliance and other processes related to the marketing, promotion and sale of add-on products.

The effect of the Dodd-Frank Act on our business and operations could be significant, depending upon final implementing regulations, the actions of our competitors, the behavior of other marketplace participants and its interpretation and enforcement by federal or state officials or regulators. In addition, we may be required to invest significant management time and resources to address the various provisions of the Dodd-Frank Act and the numerous regulations that are required to be issued under it. The Dodd-Frank Act and any related legislation or regulations and their interpretation and enforcement may have a material impact on our business, results of operations and financial condition.

Legislation relating to consumer privacy and security may affect our ability to collect data that we use in providing our loyalty and marketing services, which, among other things, could negatively affect our ability to satisfy our clients' needs.

The evolution of legal standards and regulations around data protection and consumer privacy may affect our business. The enactment of new or amended legislation or industry regulations pertaining to consumer, public or private sector privacy issues could have a material adverse impact on our marketing services, including placing restrictions upon the collection, sharing and use of information that is currently legally available. This, in turn, could materially increase our cost of collecting certain data. These types of legislation or industry regulations could also prohibit us from collecting or disseminating certain types of data, which could adversely affect our ability to meet our clients' requirements and our profitability and cash flow targets. In addition to the United States, Canadian and European Union regulations discussed below, we have expanded our marketing services through the acquisition of companies formed and operating in foreign jurisdictions that may be subject to additional or more stringent legislation and regulations regarding consumer or private sector privacy.

There are also a number of specific laws and regulations governing the collection and use of certain types of consumer data that are relevant to our various business and services. In the United States, federal and state laws such as the federal Gramm-Leach-Bliley Act and the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act of 2003, make it more difficult to collect, share and use information that has previously been legally available and may increase our costs of collecting some data. Regulations under these acts give cardholders the ability to "opt out" of having information generated by their credit card purchases shared with other affiliated and unaffiliated parties or the public. Our ability to gather, share and utilize this data will be adversely affected if a significant percentage of the consumers whose purchasing behavior we track elect to "opt out," thereby precluding us and our affiliates from using their data.

In the United States, the federal Do-Not-Call Implementation Act makes it more difficult to telephonically communicate with prospective and existing customers. Similar measures were implemented in Canada beginning September 1, 2008. Regulations in both the United States and Canada give consumers the ability to "opt out," through a national do-not-call registry and state do-not-call registries of having telephone solicitations placed to them by companies that do not have an existing business relationship with the consumer. In addition, regulations require companies to maintain an internal do-not-call list for those who do not want the companies to solicit them through telemarketing. These regulations could limit our ability to provide services and information to our clients. Failure to comply with these regulations could have a negative impact on our reputation and subject us to significant penalties. Further, the Federal Communications Commission has approved interpretations of rules related to the Telephone Consumer Protection Act defining robo-calls broadly, which may affect our ability to contact customers and may increase our litigation exposure.

In the United States, the federal Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 restricts our ability to send commercial electronic mail messages, the primary purpose of which is advertising or promoting a commercial product or service, to our customers and prospective customers. The act requires that a commercial electronic mail message provide the customers with an opportunity to opt-out from receiving future commercial electronic mail messages from the sender. Failure to comply with the terms of this act could have a negative impact on our reputation and subject us to significant penalties.

Further, many state governments are reviewing or proposing the need for greater regulation of the collection, processing, sharing and use of consumer data for various marketing purposes. This may result in new laws or regulations imposing additional compliance requirements.

In Canada, the Personal Information Protection and Electronic Documents Act requires an organization to obtain a consumer's consent to collect, use or disclose personal information. Under this act, consumer personal information may be used only for the purposes for which it was collected. We allow our customers to voluntarily "opt out" from receiving either one or both promotional and marketing mail or promotional and marketing electronic mail. Heightened consumer awareness of, and concern about, privacy may result in customers "opting out" at higher rates than they have historically. This would mean that a reduced number of customers would receive bonus and promotional offers and therefore those customers may collect fewer AIR MILES reward miles.

Canada's Anti-Spam Legislation may restrict our ability to send commercial "electronic messages," defined to include text, sound, voice and image messages to email, or similar accounts, where the primary purpose is advertising or promoting a commercial product or service to our customers and prospective customers. The Act requires, in part, that a sender have consent to send a commercial electronic message, and provide the customers with an opportunity to opt out from receiving future commercial electronic email messages from the sender. Failure to comply with the terms of this Act or any proposed regulations that may be adopted in the future could have a negative impact on our reputation and subject us to significant monetary penalties.

In the European Union, the Directive 95/46/EC of the EU Parliament and of the Council of 24 October 1995 requires member states to implement and enforce a comprehensive data protection law that is based on principles designed to safeguard personal data, defined as any information relating to an identified or identifiable natural person. The Directive frames certain requirements for transfer outside of the European Economic Area and individual rights such as consent requirements. In January 2012, the European Commission proposed the General Data Protection Regulation, or GDPR, a new European Union-wide legal framework to govern data collection, use and sharing and related consumer privacy rights. In December 2015, the EU Parliament and the EU Council reached informal agreement on the text of the GDPR, and in April 2016 both the EU Council and the EU Parliament adopted the GDPR, which will go into effect May 25, 2018. The GDPR will replace the Directive and, because it is a regulation rather than a directive, will directly apply to and bind the 28 EU Member States. Compared to the Directive, GDPR may result in greater compliance obligations, including the implementation of a number of processes and policies around our data collection and use. These and other terms of the GDPR could limit our ability to provide services and information to our customers. In addition, the GDPR includes significant new penalties for non-compliance, with fines up to the higher of €20 million ($24 million as of December 31, 2017) or 4% of total annual worldwide revenue.

Further, the European Union has also released a draft of the proposed reforms to the ePrivacy Directive that governs the use of technologies to collect consumer information. In general, GDPR, and other local privacy laws, could also lead to adaptation of our technologies or practices to satisfy local privacy requirements and standards that may be more stringent than in the U.S. Similarly, it is possible that in the future, U.S. and foreign jurisdictions may adopt legislation or regulations that impair our ability to effectively track consumers' use of our advertising services, such as the FTC's proposed "Do-Not-Track" standard or other legislation or regulations similar to EU Directive 2009/136/EC, commonly referred to as the "Cookie Directive," which directs EU Member States to ensure that accessing information on an internet user's computer, such as through a cookie, is allowed only if the internet user has given his or her consent.

In addition, in 2016, the EU-US Safe Harbor program ("Safe Harbor") was held to be invalid. Safe Harbor provided a valid legal basis for transfers of personal data from Europe Union to the United States. While we have other legally recognized mechanisms in place that we believe allow for the transfer of customer and employee data from the European Union to the United States, these mechanisms are also being challenged. Further, some of these mechanisms are set to be updated and changed under GDPR. These changes may include new legal requirements that could have an impact on how we move data from the European Union to entities outside the European Union, including to our affiliates or vendors.

There is also rapid development of new privacy laws and regulations in the Asia Pacific region and elsewhere around the globe, including amendments of existing data protection laws to the scope of such laws and penalties for noncompliance. Failure to comply with these international data protection laws and regulations could have a negative impact on our reputation and subject us to significant penalties.

While 48 U.S. states and the District of Columbia have enacted data breach notification laws, there is no such federal law generally applicable to our businesses. Data breach notification legislation has been proposed widely and exists in specific countries and jurisdictions in which we conduct business. If, when and as enacted, these legislative measures could impose, among other elements, strict requirements on reporting time frames for providing notice, as well as the contents of such notices.

Legislation relating to consumer protection may affect our ability to provide our loyalty and marketing services, which, among other things, could negatively affect our ability to satisfy our clients' needs.

The enactment of new or amended legislation or industry regulations pertaining to consumer protection could have a material adverse impact on our loyalty and marketing services. On December 5, 2016, the Ontario, Canada Legislature passed Bill 47, Protecting Rewards Points Act (Consumer Protection Amendment), 2016, amending Ontario's Consumer Protection Act, 2002 with respect to rewards points. The amendments became effective on December 8, 2016, and additional related regulations were made effective on January 1, 2018. Changes to the Ontario Consumer Protection Act effected by the amendments and related regulations prohibit suppliers from entering into or amending consumer agreements to provide for the expiry of rewards points due to the passage of time alone, while permitting the expiry of rewards points if the underlying consumer agreement is terminated and that agreement provides that reward points expire upon termination. Accordingly, the Ontario Consumer Protection Act, as amended, does not impact LoyaltyOne's practice of terminating a collector's account and cancelling their AIR MILES reward miles after two years of inactivity.

In Quebec, similar legislation pertaining to the expiry of rewards points due to the passage of time alone was passed in 2017, subject to additional related regulations currently being proposed for implementation. Additional changes to consumer protection laws and regulations, or any failure to comply with such changes, could have a negative impact on our reputation, adversely affect our profitability and may increase our litigation exposure.

Technologies have been developed that can block the display of ads we serve for clients, which could limit our product offerings and adversely impact our financial results.

Technologies have been developed, and will likely continue to be developed, that can block the display of ads we serve for our clients, particularly advertising displayed on personal computers. Ad blockers, cookie blocking, and tracking protection lists (TPLs) are being offered by browser agents and device manufacturers to prevent ads from being displayed to consumers. We generate revenue from online advertising, including revenue resulting from the display of ads on personal computers. Revenue generated from the display of ads on personal computers has been impacted by these technologies from time to time. If these technologies continue to proliferate, in particular with respect to mobile platforms, our product offerings may be limited and our future financial results may be harmed.

Our bank subsidiaries are subject to extensive federal and state regulation that may require us to make capital contributions to them, and that may restrict the ability of these subsidiaries to make cash available to us.

Federal and state laws and regulations extensively regulate the operations of Comenity Bank, as well as Comenity Capital Bank. Many of these laws and regulations are intended to maintain the safety and soundness of Comenity Bank and Comenity Capital Bank, and they impose significant restraints on them to which other non-regulated entities are not subject. As a state bank, Comenity Bank is subject to overlapping supervision by the State of Delaware and the FDIC. As a Utah industrial bank, Comenity Capital Bank is subject to overlapping supervision by the FDIC and the State of Utah. Comenity Bank and Comenity Capital Bank must maintain minimum amounts of regulatory capital. If Comenity Bank and Comenity Capital Bank do not meet these capital requirements, their respective regulators have broad discretion to institute a number of corrective actions that could have a direct material effect on our financial statements. Comenity Bank and Comenity Capital Bank, as institutions insured by the FDIC, must maintain certain capital ratios, paid-in capital minimums and adequate allowances for loan loss. If either Comenity Bank or Comenity Capital Bank were to fail to meet any of the capital requirements to which it is subject, we may be required to provide them with additional capital, which could impair our ability to service our indebtedness. To pay any dividend, Comenity Bank and Comenity Capital Bank must each maintain adequate capital above regulatory guidelines. Accordingly, neither Comenity Bank nor Comenity Capital Bank may be able to make any of its cash or other assets available to us, including to service our indebtedness.

If our bank subsidiaries fail to meet certain criteria, we may become subject to regulation under the Bank Holding Company Act, which could force us to cease all of our non-banking activities and lead to a drastic reduction in our revenue and profitability.

If either of our depository institution subsidiaries failed to meet the criteria for the exemption from the definition of "bank" in the Bank Holding Company Act under which it operates (which exemptions are described below), and if we did not divest such depository institution upon such an occurrence, we would become subject to regulation under the Bank Holding Company Act. This would require us to cease certain of our activities that are not permissible for

companies that are subject to regulation under the Bank Holding Company Act. One of our depository institution subsidiaries, Comenity Bank, is a Delaware State FDIC-insured bank and a limited-purpose credit card bank located in Delaware. Comenity Bank will not be a "bank" as defined under the Bank Holding Company Act so long as it remains 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;
- it does not accept any savings or time deposits of less than $100,000, except for deposits pledged as collateral for its extensions of credit;
- it maintains only one office that accepts deposits; and
- it does not engage in the business of making commercial loans (except small business loans).

Our other depository institution subsidiary, Comenity Capital Bank, is a Utah industrial bank that is authorized to do business by the State of Utah and the FDIC. Comenity Capital Bank will not be a "bank" as defined under the Bank Holding Company Act so long as it remains an industrial bank in compliance with the following requirements:

- it is an institution organized under the laws of a state which, on March 5, 1987, had in effect or had under consideration in such state's legislature a statute which required or would require such institution to obtain insurance under the Federal Deposit Insurance Act; and
- it does not accept demand deposits that the depositor may withdraw by check or similar means for payment to third parties.

Operational and Other Risk

We rely on third party vendors to provide products and services. Our profitability could be adversely impacted if they fail to fulfill their obligations.

The failure of our suppliers to deliver products and services in sufficient quantities and in a timely manner could adversely affect our business. If our significant vendors were unable to renew our existing contracts, we might not be able to replace the related product or service at the same cost which would negatively impact our profitability.

Failure to safeguard our databases and consumer privacy could affect our reputation among our clients and their customers, and may expose us to legal claims.

Although we have extensive physical and cyber security controls and associated procedures, our data has in the past been and in the future may be subject to unauthorized access. In such instances of unauthorized access, the integrity of our data has in the past been and may in the future be affected. Security and privacy concerns may cause consumers to resist providing the personal data necessary to support our loyalty and marketing programs. Information security risks for large financial institutions have increased with the adoption of new technologies, including those used on mobile devices, to conduct financial and other business transactions, and the increased sophistication and activity level of threat actors. The use of our loyalty, marketing services or credit card programs could decline if any compromise of physical or cyber security occurred. In addition, any unauthorized release of customer information or any public perception that we released consumer information without authorization, could subject us to legal claims from our clients or their customers, consumers or regulatory enforcement actions, which may adversely affect our client relationships.

Loss of data center capacity, interruption due to cyber attacks, loss of network links or inability to utilize proprietary software of third party vendors could affect our ability to timely meet the needs of our clients and their customers.

Our ability, and that of our third-party service providers, to protect our data centers against damage, loss or performance degradation from fire, power loss, network failure, cyber attacks, including ransomware or denial of service attacks, and other disasters is critical. In order to provide many of our services, we must be able to store, retrieve, process and manage large amounts of data as well as periodically expand and upgrade our technology capabilities. Any damage to our data centers, or those of our third-party service providers, any failure of our network links that interrupts our operations or any impairment of our ability to use our software or the proprietary software of third party vendors,

including impairments due to cyber attacks, could adversely affect our ability to meet our clients' needs and their confidence in utilizing us for future services.

Our failure to protect our intellectual property rights may harm our competitive position, and litigation to protect our intellectual property rights or defend against third party allegations of infringement may be costly.

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 may not be able to prevent infringement of our intellectual property rights or misappropriation 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 also 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 resources. Any claims from third parties may also result in limitations on our ability to use the intellectual property subject to these claims. Further, our competitors or other third parties may independently design around or develop similar technology, or otherwise duplicate our services or products in a way that would preclude us from asserting our intellectual property rights against them. In addition, our contractual arrangements may not effectively prevent disclosure of our intellectual property or confidential and proprietary information or provide an adequate remedy in the event of an unauthorized disclosure.

Our international operations, acquisitions and personnel may require us to comply with complex United States and international laws and regulations in the various foreign jurisdictions where we do business.

Our operations, acquisitions and employment of personnel outside the United States may require us to comply with numerous complex laws and regulations of the United States government and those of the various international jurisdictions where we do business. These laws and regulations may apply to a company, or individual directors, officers, employees or agents of such company, and may restrict our operations, investment decisions or joint venture activities. Specifically, we may be subject to anti-corruption laws and regulations, including, but not limited to, the United States' Foreign Corrupt Practices Act, or FCPA; the United Kingdom's Bribery Act 2010, or UKBA; and Canada's Corruption of Foreign Public Officials Act, or CFPOA. These anti-corruption laws generally prohibit providing anything of value to foreign officials for the purpose of influencing official decisions, obtaining or retaining business, or obtaining preferential treatment and require us to maintain adequate record-keeping and internal controls to ensure that our books and records accurately reflect transactions. As part of our business, we or our partners may do business with state-owned enterprises, the employees and representatives of which may be considered foreign officials for purposes of the FCPA, UKBA or CFPOA. There can be no assurance that our policies, procedures, training and compliance programs will effectively prevent violation of all United States and international laws and regulations with which we are required to comply, and such a violation may subject us to penalties that could adversely affect our reputation, business, financial condition or results of operations. In addition, some of the international jurisdictions in which we operate may lack a developed legal system, have elevated levels of corruption, maintain strict currency controls, present adverse tax consequences or foreign ownership requirements, require difficult or lengthy regulatory approvals, or lack enforcement for non-compete agreements, among other obstacles.

Anti-takeover provisions in our organizational documents and Delaware law may discourage or prevent a change of control, even if an acquisition would be beneficial to our stockholders, which could affect our stock price adversely and prevent or delay change of control transactions or attempts by our stockholders to replace or remove our current management.

Delaware law, as well as provisions of our certificate of incorporation, bylaws and debt instruments, could discourage unsolicited proposals to acquire us, even though such proposals may be beneficial to our stockholders. These include our Board's authority to issue shares of preferred stock without further stockholder approval.

In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These and other provisions in our certificate of incorporation, bylaws and Delaware law could make it more difficult for stockholders or potential acquirers to obtain control of our Board of Directors or initiate actions that are opposed by our then-current Board of Directors, including a merger, tender offer or proxy contest involving us. Any delay or prevention of a change of control transaction or changes in our Board of Directors could cause the market price of our common stock to decline or delay or prevent our stockholders from receiving a premium over the market price of our common stock that they might otherwise receive.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of December 31, 2017, we own one general office property and lease approximately 110 general office properties worldwide, comprised of approximately 4.7 million square feet. These facilities are used to carry out our operational, sales and administrative functions. Our principal facilities are as follows:

Location	Segment	Approximate Square Footage	Lease Expiration Date
Plano, Texas	Corporate	107,698	June 30, 2026
Columbus, Ohio	Corporate, Card Services	567,006	September 12, 2032
Toronto, Ontario, Canada	LoyaltyOne	199,539	March 31, 2033
Mississauga, Ontario, Canada	LoyaltyOne	50,908	November 30, 2019
Den Bosch, Netherlands	LoyaltyOne	132,482	December 31, 2028
Maasbree, Netherlands	LoyaltyOne	488,681	September 1, 2028
Wakefield, Massachusetts	Epsilon	184,411	December 31, 2020
Irving, Texas	Epsilon	221,898	June 30, 2026
Earth City, Missouri	Epsilon	116,783	April 30, 2022
West Chicago, Illinois	Epsilon	155,412	October 31, 2025
Bengaluru, India	Epsilon	264,459	November 24, 2026
Columbus, Ohio	Card Services	103,161	December 31, 2027
Westminster, Colorado	Card Services	120,132	June 30, 2028
Couer D'Alene, Idaho	Card Services	114,000	March 31, 2027
Westerville, Ohio	Card Services	100,800	July 31, 2024
Wilmington, Delaware	Card Services	5,198	November 30, 2020
Salt Lake City, Utah	Card Services	9,978	April 30, 2018

We believe our current facilities are suitable to our businesses and that we will be able to lease, purchase or newly construct additional facilities as needed.

Item 3. Legal Proceedings.

From time to time we are involved in various claims and lawsuits arising in the ordinary course of our business that we believe will not have a material effect on our business or financial condition, including claims and lawsuits alleging breaches of our contractual obligations.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is listed on the New York Stock Exchange, or NYSE, and trades under the symbol "ADS." The following tables set forth for the periods indicated the high and low composite per share prices as reported by the NYSE.

	High	Low
Year Ended December 31, 2017		
First quarter	$ 251.19	$ 214.68
Second quarter	266.25	232.81
Third quarter	265.68	209.00
Fourth quarter	254.79	215.37
Year Ended December 31, 2016		
First quarter	$ 275.94	$ 176.63
Second quarter	227.34	185.02
Third quarter	239.72	191.59
Fourth quarter	241.69	197.69

Holders

As of February 21, 2018, the closing price of our common stock was $239.59 per share, there were 55,461,323 shares of our common stock outstanding, and there were 100 holders of record of our common stock.

Dividends

We declared and paid cash dividends per share during the periods presented as follows:

	Dividends Per Share	Amount (in millions)
Year Ended December 31, 2017		
First quarter	$ 0.52	$ 29.0
Second quarter	0.52	29.0
Third quarter	0.52	28.8
Fourth quarter	0.52	28.7
Total cash dividends declared and paid	$ 2.08	$ 115.5
Year Ended December 31, 2016		
First quarter	$ —	$ —
Second quarter	—	—
Third quarter	—	—
Fourth quarter	0.52	30.0
Total cash dividends declared and paid	$ 0.52	$ 30.0

On January 25, 2018, our Board of Directors declared a quarterly cash dividend of $0.57 per share on our common stock, payable on March 20, 2018 to stockholders of record at the close of business on February 14, 2018.

Payment of future dividends is subject to declaration by our Board of Directors. Factors considered in determining dividends include, but are not limited to, our profitability, expected capital needs, and contractual restrictions. See also "Risk Factors—*There is no guarantee that we will pay future dividends or repurchase shares at a level anticipated by stockholders, which could reduce returns to our stockholders.*" Subject to these qualifications, we presently expect to continue to pay dividends on a quarterly basis.

Issuer Purchases of Equity Securities

On January 1, 2017, our Board of Directors authorized a stock repurchase program to acquire up to $500.0 million of our outstanding common stock from January 1, 2017 through December 31, 2017. On July 25, 2017, our Board of Directors authorized an increase to the stock repurchase program originally approved on January 1, 2017 to acquire an additional $500.0 million of our outstanding common stock through July 31, 2018, for a total stock repurchase authorization of up to $1.0 billion.

The following table presents information with respect to purchases of our common stock made during the three months ended December 31, 2017:

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [2]
				(Dollars in millions)
During 2017:				
October 1-31	3,656	$ 226.34	—	$ 446.3
November 1-30	2,698	224.91	—	446.3
December 1-31	2,829	242.14	—	446.3
Total	9,183	$ 230.79	—	$ 446.3

(1) During the period represented by the table, 9,183 shares of our common stock were purchased by the administrator of our 401(k) and Retirement Saving Plan for the benefit of the employees who participated in that portion of the plan.

(2) On January 1, 2017, our Board of Directors authorized a stock repurchase program to acquire up to $500.0 million of our outstanding common stock from January 1, 2017 through December 31, 2017. On July 25, 2017, our Board of Directors authorized an increase to the stock repurchase program originally approved on January 1, 2017 to acquire an additional $500.0 million of our outstanding common stock through July 31, 2018, for a total stock repurchase authorization of up to $1.0 billion. Both authorizations are subject to any restrictions pursuant to the terms of our credit agreements, indentures, and applicable securities laws or otherwise.

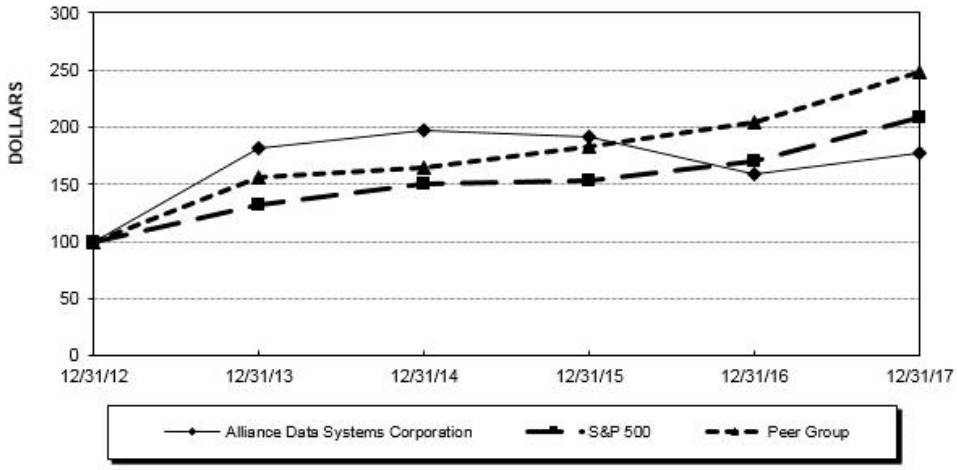
Performance Graph

The following graph compares the yearly percentage change in cumulative total stockholder return on our common stock since December 31, 2012, with the cumulative total return over the same period of (1) the S&P 500 Index and (2) a peer group of sixteen companies selected by us.

The companies in the peer group index are CDK Global, Inc., Discover Financial Services, Equifax, Inc., Experian PLC, Fidelity National Information Services, Inc., Fiserv, Inc., Global Payments, Inc., MasterCard Incorporated, Nielsen Holdings plc, Omnicom Group Inc., Synchrony Financial, The Dun & Bradstreet Corporation, The Interpublic Group of Companies, Inc., Total System Services, Inc., Vantiv, Inc. and WPP plc.

Pursuant to rules of the SEC, the comparison assumes $100 was invested on December 31, 2012 in our common stock and in each of the indices and assumes reinvestment of dividends, if any. Also pursuant to SEC rules, the returns of each of the companies in the peer group are weighted according to the respective company’s stock market capitalization at the beginning of each period for which a return is indicated. Historical stock prices are not indicative of future stock price performance.

COMPARISON OF CUMULATIVE TOTAL RETURN*
AMONG ALLIANCE DATA SYSTEMS CORPORATION,
S&P 500 INDEX AND A PEER GROUP INDEX



*$100 invested on 12/31/12 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	Alliance Data Systems Corporation	S&P 500	Peer Group Index
December 31, 2012	$ 100.00	$ 100.00	$ 100.00
December 31, 2013	181.63	132.39	155.46
December 31, 2014	197.60	150.51	165.15
December 31, 2015	191.05	152.59	182.85
December 31, 2016	158.25	170.84	204.30
December 31, 2017	177.14	208.14	248.05

Our future filings with the SEC may “incorporate information by reference,” including this Form 10-K. Unless we specifically state otherwise, this Performance Graph shall not be deemed to be incorporated by reference and shall not constitute soliciting material or otherwise be considered filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

Item 6. Selected Financial Data.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The following table sets forth our summary historical consolidated financial information for the periods ended and as of the dates indicated. You should read the following historical consolidated financial information along with "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in this Form 10-K. The fiscal year financial information included in the table below is derived from our audited consolidated financial statements.

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(In millions, except per share amounts)				
Income statement data					
Total revenue	$ 7,719.4	$ 7,138.1	$ 6,439.7	$ 5,302.9	$ 4,319.1
Cost of operations (exclusive of amortization and depreciation disclosed separately below)	4,269.9	4,276.8	3,814.4	3,218.8	2,549.2
Provision for loan loss	1,140.1	940.5	668.2	425.2	345.8
General and administrative	166.3	143.2	138.5	141.5	109.1
Regulatory settlement	—	—	64.6	—	—
Earn-out obligation	—	—	—	105.9	—
Depreciation and other amortization	183.1	167.1	142.1	109.7	84.3
Amortization of purchased intangibles	314.5	345.0	350.1	203.4	131.8
Total operating expenses	6,073.9	5,872.6	5,177.9	4,204.5	3,220.2
Operating income	1,645.5	1,265.5	1,261.8	1,098.4	1,098.9
Interest expense, net	564.4	428.5	330.2	260.5	305.5
Income before income taxes	1,081.1	837.0	931.6	837.9	793.4
Provision for income taxes	292.4	319.4	326.2	321.8	297.2
Net income	$ 788.7	$ 517.6	$ 605.4	$ 516.1	$ 496.2
Less: Net income attributable to non-controlling interest	—	1.8	8.9	9.8	—
Net income attributable to common stockholders	$ 788.7	$ 515.8	$ 596.5	$ 506.3	$ 496.2
Net income attributable to common stockholders per share:					
Basic	$ 14.17	$ 7.37	$ 8.91	$ 8.72	$ 10.09
Diluted	$ 14.10	$ 7.34	$ 8.85	$ 7.87	$ 7.42
Weighted average shares:					
Basic	55.7	58.6	61.9	56.4	49.2
Diluted	55.9	58.9	62.3	62.4	66.9
Dividends declared per share:	$ 2.08	$ 0.52	$ —	$ —	$ —

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(In millions)				
Adjusted EBITDA and Adjusted EBITDA, net [1]					
Adjusted EBITDA	$ 2,218.2	$ 2,095.8	$ 1,909.9	$ 1,597.2	$ 1,374.2
Adjusted EBITDA, net	$ 1,936.5	$ 1,880.0	$ 1,728.3	$ 1,425.5	$ 1,249.8
Other financial data [2]					
Cash flows from operating activities	$ 2,609.6	$ 2,114.4	$ 1,759.8	$ 1,396.2	$ 1,036.2
Cash flows from investing activities	$ (4,288.5)	$ (4,063.0)	$ (3,362.6)	$ (4,737.1)	$ (1,619.4)
Cash flows from financing activities	$ 4,004.9	$ 2,637.4	$ 1,718.9	$ 3,464.1	$ 671.5
Segment operating data					
Credit card statements generated	296.7	279.4	242.3	212.0	192.5
Credit sales	$ 31,001.6	$ 29,271.3	$ 24,736.1	$ 18,948.2	$ 15,252.3
Average credit card and loan receivables	$ 16,185.5	$ 14,085.8	$ 11,364.6	$ 8,750.1	$ 7,212.7
AIR MILES reward miles issued	5,524.2	5,772.3	5,743.1	5,500.9	5,420.7
AIR MILES reward miles redeemed	4,552.1	7,071.6	4,406.3	4,100.7	4,017.5

	As of December 31,				
	2017	2016	2015	2014	2013
	(In millions)				
Balance sheet data					
Credit card and loan receivables, net	$ 17,494.5	$ 15,595.9	$ 13,057.9	$ 10,673.7	$ 8,069.7
Redemption settlement assets, restricted	589.5	324.4	456.6	520.3	510.3
Total assets	30,684.8	25,514.1	22,349.9	20,188.2	13,197.8
Deferred revenue	966.9	931.5	844.9	1,013.2	1,137.2
Deposits	10,930.9	8,391.9	5,605.9	4,759.4	2,806.8
Non-recourse borrowings of consolidated securitization entities	8,807.3	6,955.4	6,482.7	5,181.1	4,581.5
Long-term and other debt, including current maturities	6,079.6	5,601.4	5,017.4	4,158.4	2,773.7
Total liabilities	28,829.5	23,855.9	20,172.5	17,556.2	12,342.0
Redeemable non-controlling interest	—	—	167.4	235.6	—
Total stockholders' equity	1,855.3	1,658.2	2,010.0	2,396.4	855.8

(1) See "Use of Non-GAAP Financial Measures" set forth in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for a discussion of our use of adjusted EBITDA and adjusted EBITDA, net and a reconciliation to net income, the most directly comparable GAAP financial measure.

(2) Adjusted to reflect the retrospective adoption of Accounting Standards Update, or ASU, 2016-09, "Improvements to Employee Share-Based Payment Accounting." The effect of the adoption of the standard was to increase cash flows from operating activities and reduce cash flows from financing activities by $26.0 million, $54.0 million, $52.0 million and $32.7 million for the years ended December 31, 2016, 2015, 2014, and 2013, respectively. See "Recently Adopted Accounting Standards" under Note 2, "Summary of Significant Accounting Policies," of the Notes to Consolidated Financial Statements for a discussion of accounting standards adopted prospectively.

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

Overview

We are a leading global provider of data-driven marketing and loyalty solutions serving large, consumer-based businesses in a variety of industries. We offer a comprehensive portfolio of integrated outsourced marketing solutions, including customer loyalty programs, database marketing services, end-to-end marketing services, analytics and creative services, direct marketing services and private label and co-brand retail credit card programs. We focus on facilitating and managing interactions between our clients and their customers through all consumer marketing channels, including in-store, online, email, social media, mobile, direct mail and telephone. We capture and analyze data created during each customer interaction, leveraging the insight derived from that data to enable clients to identify and acquire new customers and to enhance customer loyalty. We believe that our services are more valued as businesses shift marketing resources away from traditional mass marketing toward targeted marketing programs that provide measurable returns on marketing investments. We operate in the following reportable segments: LoyaltyOne, Epsilon, and Card Services.

2017 Highlights and Recent Developments

- Total revenue increased 8% to $7,719.4 million in 2017 compared to $7,138.1 million in 2016.
- Net income increased 52% to $788.7 million in 2017 compared to $517.6 million in 2016, and earnings per diluted share increased 92% to $14.10 in 2017 compared to $7.34 in 2016.
  - In 2017, the passage of H.R. 1, or the 2017 Tax Reform, benefited net income by approximately $64.9 million.
  - In 2016, accretion charges of $83.5 million related to the acquisition of the remaining interest in BrandLoyalty negatively impacted earnings per diluted share by $1.42.
- Adjusted EBITDA, net increased 3% to $1,936.5 million in 2017 compared to $1,880.0 million in 2016.
- We repurchased approximately 2.3 million shares of our common stock for $553.7 million for the year ended December 31, 2017.
- In March 2017, we issued and sold €400.0 million aggregate principal amount of 4.500% senior notes due March 15, 2022.
- In June 2017, we entered into a new credit agreement with various agents and lenders, replacing our credit agreement dated July 10, 2013 in its entirety. The new credit agreement provides for a $3,052.6 million term loan and a $1,572.4 million revolving line of credit.
- We acquired credit card receivables and the associated accounts and assumed a portion of an existing customer care operation, including a facility sublease agreement and approximately 250 employees, from Signet Jewelers Limited, or Signet, for cash consideration of approximately $945.6 million.
- We sold two credit card and loan portfolios for preliminary cash consideration of approximately $797.7 million.
- We paid quarterly dividends of $0.52 per share for a total of $115.5 million for the year ended December 31, 2017.

2018 Outlook

Within our LoyaltyOne segment, we expect moderate growth for 2018 for our AIR MILES Reward Program. However, with the adoption of ASC 606, "Revenue from Contracts with Customers," we determined that for the fulfillment of certain rewards where the AIR MILES Reward Program does not control the goods or services before they are transferred to the customer, redemption revenue should be recorded on a net basis. We expect this to reduce redemption revenue and cost of operations each by approximately $350 million for the year ended December 31, 2018. This reclassification will not have an impact to net income or adjusted EBITDA. With respect to BrandLoyalty, in 2017, revenue decreased 12% primarily due to declines in Germany and Russia as well as delays in both the North American expansion and certain program offerings. For BrandLoyalty, timing of programs in market can impact our quarterly financial results, but for 2018 we expect double-digit growth in both revenue and adjusted EBITDA in part due to the increase of events such as the 2018 FIFA World Cup™, and the rollout of programs with certain product offerings delayed from 2017 into 2018.

Within our Epsilon segment, for the year 2018, we expect mid-single digit growth in revenue and adjusted EBITDA. In the fourth quarter of 2017, revenue in our Technology platform increased 7%, while our auto and digital CRM products both increased double digits. We expect these product lines to drive further growth in 2018.

Within our Card Services segment, for the year 2018, we expect double-digit growth for revenue and adjusted EBITDA, net. We expect credit card and loan receivables growth of 15% with stable gross yields. We expect delinquencies and net charge-offs to be flat for the year ended December 31, 2018. However, net charge-off rates may be elevated in the first quarter of 2018 due to the continuing impact of the hurricanes, and potentially lower recovery rates as we transition from third party sales of written-off accounts to in-house collections.

We expect to invest a portion of the tax savings resulting from the passage of Tax Cuts and Jobs Act into the business to accelerate existing critical efforts, such as entering the consumer deposit market for Comenity Capital Bank to diversify our funding sources, accelerating the scaling of promising products such as digital CRM and creating an innovation fund to focus on new technologies.

Consolidated Results of Operations

	Year Ended December 31,			% Change	
	2017	2016	2015	2017 to 2016	2016 to 2015
	(in millions, except percentages)				
Revenues					
Services	$ 2,612.2	$ 2,504.8	$ 2,540.1	4 %	(1)%
Redemption	935.3	993.6	1,028.4	(6)	(3)
Finance charges, net	4,171.9	3,639.7	2,871.2	15	27
Total revenue	7,719.4	7,138.1	6,439.7	8	11
Operating expenses					
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	4,269.9	4,276.8	3,814.4	—	12
Provision for loan loss	1,140.1	940.5	668.2	21	41
General and administrative	166.3	143.2	138.5	16	3
Regulatory settlement	—	—	64.6	—	(100)
Depreciation and other amortization	183.1	167.1	142.1	10	18
Amortization of purchased intangibles	314.5	345.0	350.1	(9)	(1)
Total operating expenses	6,073.9	5,872.6	5,177.9	3	13
Operating income	1,645.5	1,265.5	1,261.8	30	—
Interest expense					
Securitization funding costs	156.6	125.6	97.1	25	29
Interest expense on deposits	125.1	84.7	53.6	48	58
Interest expense on long-term and other debt, net	282.7	218.2	179.5	30	22
Total interest expense, net	564.4	428.5	330.2	32	30
Income before income tax	1,081.1	837.0	931.6	29	(10)
Provision for income taxes	292.4	319.4	326.2	(8)	(2)
Net income	$ 788.7	$ 517.6	$ 605.4	52 %	(15)%
Key Operating Metrics:					
Credit card statements generated	296.7	279.4	242.3	6 %	15 %
Credit sales	$ 31,001.6	$ 29,271.3	$ 24,736.1	6 %	18 %
Average credit card and loan receivables	$ 16,185.5	$ 14,085.8	$ 11,364.6	15 %	24 %
AIR MILES reward miles issued	5,524.2	5,772.3	5,743.1	(4)%	1 %
AIR MILES reward miles redeemed	4,552.1	7,071.6	4,406.3	(36)%	60 %

Year ended December 31, 2017 compared to the year ended December 31, 2016

Revenue. Total revenue increased $581.3 million, or 8%, to $7,719.4 million for the year ended December 31, 2017 from $7,138.1 million for the year ended December 31, 2016. The net increase was due to the following:

- *Services*. Revenue increased $107.4 million, or 4%, to $2,612.2 million for the year ended December 31, 2017 primarily due to an increase in services provided to our Epsilon clients, driven by double-digit growth in the automotive, agency and digital CRM offerings as a result of new client signings and strength in existing client relationships. This increase was offset in part by a $28.6 million decline in Card Services merchant fees as a result of increased royalty payments associated with higher volumes and new clients.

- *Redemption*. Revenue decreased $58.3 million, or 6%, to $935.3 million for the year ended December 31, 2017 as our short-term loyalty programs decreased $78.6 million as a result of softness due to the number and timing of campaigns in 2017 as compared to the prior year. Redemption revenue for our coalition loyalty program increased $20.3 million, as the prior year was negatively impacted $284.5 million due to our change in the breakage rate from 26% to 20% in December 2016, offset by a 36% decrease in AIR MILES reward miles redeemed in 2017 as compared to the prior year.

- *Finance charges, net*. Revenue increased $532.2 million, or 15%, to $4,171.9 million for the year ended December 31, 2017. This increase was driven by an increase in average credit card and loan receivables, which increased revenue $595.2 million through a combination of recent credit card portfolio acquisitions, including Signet in October 2017, and a 6% increase in credit sales. This increase was offset in part by an approximate 40 basis point decline in yield, primarily due to providing a two-month leniency period for cardholders in FEMA-designated "individual assistance" disaster areas impacted by recent hurricanes in the second half of 2017.

Cost of operations. Cost of operations decreased $6.9 million to $4,269.9 million for the year ended December 31, 2017 as compared to $4,276.8 million for the year ended December 31, 2016. The net decrease resulted from the following:

- Within the LoyaltyOne segment, cost of operations decreased $220.4 million due to a 24% decrease in cost of redemptions associated with the decrease in redemption revenue.

- Within the Epsilon segment, cost of operations increased $121.0 million due to a 9%, or $72.0 million, increase in direct processing expenses associated with the increase in revenue as well as a 5%, or $49.0 million, increase in payroll and benefit expenses, including an increase of $31.1 million associated with incentive compensation expense and commissions as compared to the prior year.

- Within the Card Services segment, cost of operations increased by $89.7 million. Payroll and benefit expenses increased $71.2 million due to an increase in the number of associates to support growth and operational initiatives, and other operating expenses increased $18.5 million as a result of higher credit card processing costs due to increases in volume associated with growth in credit card and loan receivables.

Provision for loan loss. Provision for loan loss increased $199.6 million, or 21%, to $1,140.1 million for the year ended December 31, 2017 as compared to $940.5 million for the year ended December 31, 2016. The increase in the provision for loan loss was driven by higher principal losses as well as an increase in credit card and loan receivables. The net charge-off rate was 6.0% for the year ended December 31, 2017 as compared to 5.1% for the year ended December 31, 2016. Delinquency rates were 5.1% of principal credit card and loan receivables at December 31, 2017 as compared to 4.8% at December 31, 2016.

General and administrative. General and administrative expenses increased $23.1 million, or 16%, to $166.3 million for the year ended December 31, 2017 as compared to $143.2 million for year ended December 31, 2016, due to an increase in net foreign currency exchange losses recognized of $7.8 million and a 16% increase in payroll and benefits expense, driven by a $12.0 million increase in bonuses to our non-executive associates resulting from tax reform benefits.

Depreciation and other amortization. Depreciation and other amortization increased $16.0 million, or 10%, to $183.1 million for the year ended December 31, 2017, as compared to $167.1 million for the year ended December 31, 2016, due to additional assets placed into service from capital expenditures.

Amortization of purchased intangibles. Amortization of purchased intangibles decreased $30.5 million, or 9%, to $314.5 million for the year ended December 31, 2017, as compared to $345.0 million for the year ended December 31, 2016, primarily due to certain fully amortized intangible assets at Epsilon and LoyaltyOne.

Interest expense, net. Total interest expense, net increased $135.9 million, or 32%, to $564.4 million for the year ended December 31, 2017 as compared to $428.5 million for the year ended December 31, 2016. The increase was due to the following:

- *Securitization funding costs*. Securitization funding costs increased $31.0 million due to higher average interest rates, which increased funding costs by approximately $18.1 million, and higher average borrowings, which increased funding costs by approximately $12.9 million.

- *Interest expense on deposits*. Interest expense on deposits increased $40.4 million due to higher average borrowings, which increased interest expense by approximately $25.9 million, and higher average interest rates, which increased interest expense by approximately $14.5 million.

- *Interest expense on long-term and other debt, net*. Interest expense on long-term and other debt, net increased $64.5 million primarily due to the issuance of new senior notes in October 2016 and March 2017, which increased interest expense by an aggregate of $38.8 million. Additionally, interest expense on term debt increased $19.0 million due to higher average borrowings and higher average interest rates due to increases in the LIBOR rate, and amortization of debt issuance costs increased $4.8 million.

Taxes. Income tax expense decreased $27.0 million, or 8%, to $292.4 million for the year ended December 31, 2017 from $319.4 million for the year ended December 31, 2016. The effective tax rate for the year ended December 31, 2017 decreased to 27.0% as compared to 38.2% for the year ended December 31, 2016. Our year-over-year effective tax rate decrease resulted primarily from the impact of the Tax Cuts and Jobs Act in December 2017, as the Company was required to write-down the value of our net U.S. deferred tax liability from 35% to 21% as a result of the change in the federal statutory tax rate. This benefit was partially offset by an increase in the valuation allowance for foreign tax credit carryforwards which are now no longer more likely than not to be utilized as a result of the tax reform legislation. Our 2016 effective tax rate was impacted by the mix of earnings between U.S. and foreign jurisdictions, particularly the decrease in lower taxed Canadian earnings related to the change in estimate of our breakage rate in December 2016.

Year ended December 31, 2016 compared to the year ended December 31, 2015

Revenue. Total revenue increased $698.4 million, or 11%, to $7.1 billion for the year ended December 31, 2016 from $6.4 billion for the year ended December 31, 2015. The net increase was due to the following:

- *Services*. Revenue decreased $35.3 million, or 1%, to $2.5 billion for the year ended December 31, 2016 primarily due to a reduction in other servicing fees charged to our credit cardholders, which decreased $54.5 million due to changes in program fee structures, as well as a $21.8 million reduction in merchant fees, which are transaction fees charged to the retailer, due to increased royalty payments associated with new clients. These decreases were offset in part by increases in services provided to our Epsilon clients, driven by growth in our digital CRM offerings, and an $8.8 million increase in AIR MILES reward miles issuance fees, for which we provide marketing and administrative services.

- *Redemption*. Revenue decreased $34.8 million, or 3%, to $993.6 million for the year ended December 31, 2016. Revenue from our coalition loyalty program decreased $77.7 million due to the impact of the change in breakage from 26% to 20%, which reduced revenue by $284.5 million. The decrease in redemption revenue was offset in part by a 60% increase in AIR MILES reward miles redeemed. Additionally, redemption revenue for our short-term loyalty programs increased $42.9 million with strong growth from existing and new markets, as North American expansion efforts continue to progress.

- *Finance charges, net*. Revenue increased $768.4 million, or 27%, to $3.6 billion for the year ended December 31, 2016. This increase was driven by an increase in average credit card and loan receivables, which increased revenue $771.3 million through a combination of recent credit card portfolio acquisitions and strong cardholder spending. Our net finance charge yield was comparable year-over-year.

Cost of operations. Cost of operations increased $462.4 million, or 12%, to $4.3 billion for the year ended December 31, 2016 as compared to $3.8 billion for the year ended December 31, 2015. The increase resulted from the following:

- Within the LoyaltyOne segment, cost of operations increased $213.3 million primarily due to an increase in cost of redemptions of $192.2 million associated with the 60% increase in AIR MILES reward miles redeemed and the increase in redemption revenue for our short-term loyalty programs.

- Within the Epsilon segment, cost of operations increased $28.1 million with a $26.5 million increase in payroll and benefit expenses due in part to duplicative cost of our India operations, and severance costs.

- Within the Card Services segment, cost of operations increased by $223.0 million. Payroll and benefit expenses increased $72.4 million due to an increase in the number of associates to support growth, and marketing expenses increased $19.8 million due to growth in credit sales. Other operating expenses increased $130.8

million as a result of higher data processing expenses and credit card processing costs due to increases in volume associated with growth in credit card and loan receivables.

Provision for loan loss. Provision for loan loss increased $272.3 million, or 41%, to $940.5 million for the year ended December 31, 2016 as compared to $668.2 million for the year ended December 31, 2015. The increase in the provision for loan loss was driven by higher credit card and loan receivables as well as an increase in net charge-offs. The net charge-off rate was 5.1% for the year ended December 31, 2016 as compared to 4.5% for the year ended December 31, 2015. Delinquency rates were 4.8% of principal credit card and loan receivables at December 31, 2016 as compared to 4.2% at December 31, 2015.

General and administrative. General and administrative expenses increased $4.7 million, or 3%, to $143.2 million for the year ended December 31, 2016 as compared to $138.5 million for year ended December 31, 2015. Lower discretionary benefits in 2016 were more than offset by an increase in charitable contributions in the current year period and net foreign currency exchange gains recognized in the prior year period.

Regulatory settlement. For the year ended December 31, 2015, we incurred approximately $64.6 million in expenses primarily associated with consent orders with the FDIC to provide restitution of approximately $61.5 million to eligible customers and $2.5 million in civil money penalties to the FDIC.

Depreciation and other amortization. Depreciation and other amortization increased $25.0 million, or 18%, to $167.1 million for the year ended December 31, 2016, as compared to $142.1 million for the year ended December 31, 2015, due to additional amortization on capitalized software projects as well as assets placed into service from recent capital expenditures.

Amortization of purchased intangibles. Amortization of purchased intangibles decreased $5.1 million, or 1%, to $345.0 million for the year ended December 31, 2016, as compared to $350.1 million for the year ended December 31, 2015, as the amortization associated with the intangibles for acquired portfolio premiums was offset by certain fully amortized intangible assets.

Interest expense, net. Total interest expense, net increased $98.3 million, or 30%, to $428.5 million for the year ended December 31, 2016 as compared to $330.2 million for the year ended December 31, 2015. The increase was due to the following:

- *Securitization funding costs*. Securitization funding costs increased $28.5 million due to an 18% increase in average borrowings with a 20 basis point increase in average interest rates as compared to the prior year.
- *Interest expense on deposits*. Interest expense on deposits increased $31.1 million due to higher average deposits and higher average interest rates.
- *Interest expense on long-term and other debt, net*. Interest expense on long-term and other debt, net increased $38.7 million as a result of the €300.0 million senior notes due in 2023 issued in November 2015, which increased interest expense by $15.3 million, the $500.0 million senior notes due in 2021 issued in October 2016, which increased interest expense by $5.2 million, and higher average balances related to the credit facility resulting from the incremental term loan borrowings as well as higher average interest rates due to the increase in the LIBOR rate, which increased interest expense by $18.4 million.

Taxes. Income tax expense decreased $6.8 million, or 2%, to $319.4 million for the year ended December 31, 2016 from $326.2 million for the year ended December 31, 2015 with an increase in the effective tax rate being more than offset by a decline in taxable income. The effective tax rate for the year ended December 31, 2016 increased to 38.2% as compared to 35.0% for the year ended December 31, 2015. Our year-over-year effective tax rate increase resulted primarily from the 2016 mix of earnings between U.S. and foreign jurisdictions, particularly the decrease in lower taxed Canadian earnings related to the change in estimate of our breakage rate.

Use of Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP financial measure equal to net income, the most directly comparable financial measure based on accounting principles generally accepted in the United States of America, or GAAP, plus stock compensation expense, provision for income taxes, interest expense, net, depreciation and other amortization, and amortization of purchased intangibles.

In 2016, adjusted EBITDA excluded the impact of the cancellation of the AIR MILES Reward Program's five-year expiry policy on December 1, 2016. In 2015, adjusted EBITDA excluded costs associated with the consent orders with the FDIC, and in 2014, adjusted EBITDA excluded business acquisition costs related to the acquisition of Conversant and the contingent consideration incurred as a result of the earn-out obligation associated with the BrandLoyalty acquisition. These costs, as well as stock compensation expense, were not included in the measurement of segment adjusted EBITDA as the chief operating decision maker did not factor these expenses for purposes of assessing segment performance and decision making with respect to resource allocations.

Adjusted EBITDA, net is also a non-GAAP financial measure equal to adjusted EBITDA less securitization funding costs, interest expense on deposits and adjusted EBITDA attributable to the non-controlling interest. Effective April 1, 2016, we acquired the remaining 20% interest in BrandLoyalty to bring our ownership percentage to 100%.

We use adjusted EBITDA and adjusted EBITDA, net as an integral part of our internal reporting to measure the performance of our reportable segments and to evaluate the performance of our senior management, and we believe it provides useful information to our investors regarding our performance and overall results of operations. Adjusted EBITDA and adjusted EBITDA, net are each considered an important indicator of the operational strength of our businesses. Adjusted EBITDA and adjusted EBITDA, net eliminate the uneven effect across all business segments of considerable amounts of non-cash depreciation of tangible assets and amortization of intangible assets, including certain intangible assets that were recognized in business combinations. A limitation of this measure, however, is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our businesses. Management evaluates the costs of such tangible and intangible assets, such as capital expenditures, investment spending and return on capital and therefore the effects are excluded from adjusted EBITDA and adjusted EBITDA, net. Adjusted EBITDA and adjusted EBITDA, net also eliminate the non-cash effect of stock compensation expense.

Adjusted EBITDA and adjusted EBITDA, net are not intended to be performance measures that should be regarded as an alternative to, or more meaningful than, either operating income or net income as indicators of operating performance or to cash flows from operating activities as a measure of liquidity. In addition, adjusted EBITDA and adjusted EBITDA, net are 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 GAAP.

The adjusted EBITDA and adjusted EBITDA, net measures presented in this Annual Report on Form 10-K may not be comparable to similarly titled measures presented by other companies, and may not be identical to corresponding measures used in our various agreements.

	Years Ended December 31,				
	2017	2016	2015	2014	2013
	(In millions)				
Net income	$ 788.7	$ 517.6	$ 605.4	$ 516.1	$ 496.2
Stock compensation expense	75.1	76.5	91.3	72.5	59.2
Provision for income taxes	292.4	319.4	326.2	321.8	297.2
Interest expense, net	564.4	428.5	330.2	260.5	305.5
Depreciation and other amortization	183.1	167.1	142.1	109.7	84.3
Amortization of purchased intangibles	314.5	345.0	350.1	203.4	131.8
Impact of expiry [1]	—	241.7	—	—	—
Regulatory settlement [2]	—	—	64.6	—	—
Earn-out obligation [3]	—	—	—	105.9	—
Business acquisition costs [4]	—	—	—	7.3	—
Adjusted EBITDA	$ 2,218.2	$ 2,095.8	$ 1,909.9	$ 1,597.2	$ 1,374.2
Less: Securitization funding costs	156.6	125.6	97.1	91.1	95.3
Less: Interest expense on deposits	125.1	84.7	53.6	37.5	29.1
Less: Adjusted EBITDA attributable to non-controlling interest	—	5.5	30.9	43.1	—
Adjusted EBITDA, net	$ 1,936.5	$ 1,880.0	$ 1,728.3	$ 1,425.5	$ 1,249.8

(1) Represents the impact of the cancellation of the AIR MILES Reward Program's five-year expiry policy on December 1, 2016.

(2) Represents costs associated with the consent orders with the FDIC to provide restitution to eligible customers and $2.5 million in civil penalties.

(3) Represents additional contingent consideration as a result of the earn-out obligation associated with the acquisition of our 60 percent ownership interest in BrandLoyalty in 2014.

(4) Represents expenditures directly associated with the acquisition of Conversant in 2014.

Segment Revenue and Adjusted EBITDA, net

	Year Ended December 31,			% Change	
	2017	2016	2015	2017 to 2016	2016 to 2015
	(in millions, except percentages)				
Revenue:					
LoyaltyOne	$ 1,303.5	$ 1,337.9	$ 1,352.6	(3)%	(1)%
Epsilon	2,272.1	2,155.2	2,140.7	5	1
Card Services	4,170.6	3,675.0	2,974.4	13	24
Corporate/Other	0.6	0.3	0.3	nm *	nm *
Eliminations	(27.4)	(30.3)	(28.3)	nm *	nm *
Total	$ 7,719.4	$ 7,138.1	$ 6,439.7	8 %	11 %
Adjusted EBITDA, net [1]:					
LoyaltyOne	$ 256.7	$ 308.9	$ 270.6	(17)%	14 %
Epsilon	475.7	480.2	508.4	(1)	(6)
Card Services	1,344.9	1,213.3	1,068.7	11	14
Corporate/Other	(140.8)	(122.4)	(119.4)	15	3
Total	$ 1,936.5	$ 1,880.0	$ 1,728.3	3 %	9 %

(1) See "Use of Non-GAAP Financial Measures" above for a discussion of our use of adjusted EBITDA, net and a reconciliation to net income, the most directly comparable GAAP financial measure.

* not meaningful

Year ended December 31, 2017 compared to the year ended December 31, 2016

Revenue. Total revenue increased $581.3 million, or 8%, to $7,719.4 million for the year ended December 31, 2017 from $7,138.1 million for the year ended December 31, 2016. The net increase was due to the following:

- *LoyaltyOne*. Revenue decreased $34.4 million, or 3%, to $1,303.5 million for the year ended December 31, 2017 as revenue from our short-term loyalty programs decreased $78.6 million as a result of softness due to the number and timing of campaigns in 2017 as compared to the prior year. This decrease was offset in part by a $44.2 million increase in revenue from our coalition loyalty program, as the prior year was negatively impacted $284.5 million due to our change in the breakage rate from 26% to 20% in December 2016 but offset by a 36% decrease in AIR MILES reward miles redeemed in 2017.
- *Epsilon*. Revenue increased $116.9 million, or 5%, to $2,272.1 million for the year ended December 31, 2017 driven by double-digit growth in the automotive, agency and digital CRM offerings from a combination of new clients and strength in existing client relationships.
- *Card Services*. Revenue increased $495.6 million, or 13%, to $4,170.6 million for the year ended December 31, 2017, driven by a $532.2 million increase in finance charges, net as a result of an increase in average credit card and loan receivables due to recent portfolio acquisitions and strong cardholder spending. Servicing fees decreased $36.6 million, as merchant fees declined $28.6 million due to increased royalty payments associated with higher volumes and new clients, and other servicing fees declined $8.0 million.

Adjusted EBITDA, net. Adjusted EBITDA, net increased $56.5 million, or 3%, to $1,936.5 million for the year ended December 31, 2017 from $1,880.0 million for the year ended December 31, 2016. The net increase was due to the following:

- *LoyaltyOne*. Adjusted EBITDA, net decreased $52.2 million, or 17%, to $256.7 million for the year ended December 31, 2017 primarily due to underperformance of our short-term loyalty programs in the current year as well as a decline in our coalition loyalty program driven by a decrease in AIR MILES reward miles redeemed and our change in the breakage rate. In the prior year, adjusted EBITDA, net was reduced by $5.5 million of adjusted EBITDA attributable to the non-controlling interest. Effective April 1, 2016, we acquired the remaining 20% interest in BrandLoyalty to bring our ownership percentage to 100%.
- *Epsilon*. Adjusted EBITDA, net decreased $4.5 million, or 1%, to $475.7 million for the year ended December 31, 2017 due to the restoration of incentive compensation expense in 2017.
- *Card Services*. Adjusted EBITDA, net increased $131.6 million, or 11%, to $1,344.9 million for the year ended December 31, 2017. Adjusted EBITDA, net was positively impacted by an increase in finance charges, net, which was primarily offset in part by an increase in the provision for loan loss resulting from higher principal loss rates and an increase in credit card and loan receivables.
- *Corporate/Other*. Adjusted EBITDA, net decreased $18.4 million to a loss of $140.8 million for the year ended December 31, 2017, due to higher payroll and benefit costs, which included a $12.0 million increase in bonuses to our non-executive associates resulting from tax reform benefits, as well as an increase in charitable contributions and higher net foreign currency exchange losses recognized in the current year.

Year ended December 31, 2016 compared to the year ended December 31, 2015

Revenue. Total revenue increased $698.4 million, or 11%, to $7.1 billion for the year ended December 31, 2016 from $6.4 billion for the year ended December 31, 2015. The net increase was due to the following:

- *LoyaltyOne*. Revenue decreased $14.7 million, or 1%, to $1.3 billion for the year ended December 31, 2016 as revenue was negatively impacted $284.5 million due to our change in the breakage rate from 26% to 20% in December 2016, offset in part by an increase in redemption revenue due to the 60% increase in AIR MILES reward miles redeemed, and an 8% increase in revenue from our short-term loyalty programs in part due to expansion into new markets.
- *Epsilon*. Revenue increased $14.5 million, or 1%, to $2.2 billion for the year ended December 31, 2016 due to strength in digital CRM services as well as strength in our automotive platforms. This increase was offset in part by a decrease in our agency offerings, specifically in the telecommunications, consumer packaged goods and retail verticals.

- *Card Services*. Revenue increased $700.6 million, or 24%, to $3.7 billion for the year ended December 31, 2016, driven by a $768.4 million increase in finance charges, net as a result of an increase in average credit card and loan receivables due to recent portfolio acquisitions and strong cardholder spending. Other servicing fees decreased $54.5 million primarily due to changes in program fee structures.

Adjusted EBITDA, net. Adjusted EBITDA, net increased $151.7 million, or 9%, to $1.9 billion for the year ended December 31, 2016 from $1.7 billion for the year ended December 31, 2015. The net increase was due to the following:

- *LoyaltyOne*. Adjusted EBITDA, net increased $38.3 million, or 14%, to $308.9 million for the year ended December 31, 2016 and adjusted EBITDA margins remained relatively consistent between periods. Adjusted EBITDA, net was positively impacted by the increase of our ownership of BrandLoyalty, which increased to 80% effective January 1, 2016 and to 100% effective April 1, 2016. The portion of adjusted EBITDA attributable to the non-controlling interest decreased to $5.5 million for the year ended December 31, 2016, as compared to $30.9 million for the year ended December 31, 2015, resulting in a $25.4 million increase to adjusted EBITDA, net.
- *Epsilon*. Adjusted EBITDA, net decreased $28.2 million, or 6%, to $480.2 million for the year ended December 31, 2016, primarily due to an increase in payroll costs of $41.2 million in the current year, offset in part by the increase in revenue discussed above.
- *Card Services*. Adjusted EBITDA, net increased $144.6 million, or 14%, to $1.2 billion for the year ended December 31, 2016. Adjusted EBITDA, net was positively impacted by an increase in finance charges, net, but offset in part by both an increase in operating expenses due to increased volumes and an increase in the provision for loan loss resulting from an increase in both credit card and loan receivables and net charge-offs.
- *Corporate/Other*. Adjusted EBITDA, net decreased $3.0 million to a loss of $122.4 million for the year ended December 31, 2016, due in part to net foreign currency exchange gains recognized in the prior year related to the settlement of the contingent liability associated with the BrandLoyalty acquisition, offset by lower payroll costs in the current year.

Asset Quality

Our delinquency and net charge-off rates reflect, among other factors, the credit risk of our credit card and loan receivables, the success of our collection and recovery efforts, and general economic conditions.

Delinquencies. A credit card account is contractually delinquent when we do not receive the minimum payment by the specified due date on the cardholder's statement. Our policy is to continue to accrue interest and fee income on all credit card accounts beyond 90 days, except in limited circumstances, until the credit card account balance and all related interest and other fees are paid or charged-off, typically at 180 days delinquent. When an account becomes delinquent, a message is printed on the credit cardholder's billing statement requesting payment. After an account becomes 30 days past due, a proprietary collection scoring algorithm automatically scores the risk of the account becoming further delinquent. The collection system then recommends a collection strategy for the past due account based on the collection score and account balance and dictates the contact schedule and collections priority for the account. If we are unable to make a collection after exhausting all in-house collection efforts, we may engage collection agencies and outside attorneys to continue those efforts.

The following table presents the delinquency trends of our credit card and loan receivables portfolio:

	December 31, 2017	% of Total	December 31, 2016	% of Total
	(In millions, except percentages)			
Receivables outstanding - principal	$ 17,705.1	100.0 %	$ 15,754.0	100.0 %
Principal receivables balances contractually delinquent:				
31 to 60 days	301.5	1.7 %	249.8	1.6 %
61 to 90 days	191.3	1.1	169.3	1.1
91 or more days	409.6	2.3	337.8	2.1
Total	$ 902.4	5.1 %	$ 756.9	4.8 %

Net Charge-Offs. Our net charge-offs include the principal amount of losses from cardholders unwilling or unable to pay their account balances, as well as bankrupt and deceased credit cardholders, less recoveries and exclude charged-off interest, fees and fraud losses. Charged-off interest and fees reduce finance charges, net while fraud losses are recorded as an expense. Credit card and loan receivables, including unpaid interest and fees, are charged-off in the month during which an account becomes 180 days contractually past due, except in the case of customer bankruptcies or death. Credit card and loan receivables, including unpaid interest and fees, associated with customer bankruptcies or death are charged-off in each month subsequent to 60 days after the receipt of notification of the bankruptcy or death, but in any case, not later than the 180-day contractual time frame.

The net charge-off rate is calculated by dividing net charge-offs of principal receivables for the period by the average credit card and loan receivables for the period. Average credit card and loan receivables represent the average balance of the cardholder receivables at the beginning of each month in the periods indicated. The following table presents our net charge-offs for the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
	(In millions, except percentages)		
Average credit card and loan receivables	$ 16,185.5	$ 14,085.8	$ 11,364.6
Net charge-offs of principal receivables	970.9	723.0	512.3
Net charge-offs as a percentage of average credit card and loan receivables	6.0 %	5.1 %	4.5 %

Liquidity and Capital Resources

Our primary sources of liquidity include cash generated from operating activities, our credit agreements and issuances of debt or equity securities, our credit card securitization program and deposits issued by Comenity Bank and Comenity Capital Bank. In addition to our efforts to renew and expand our current liquidity sources, we continue to seek new funding sources.

Our primary uses of cash are for ongoing business operations, repayments of our debt, capital expenditures, investments or acquisitions, stock repurchases and dividends.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases or exchanges for other securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

We believe that internally generated funds and other sources of liquidity discussed below will be sufficient to meet working capital needs, capital expenditures, and other business requirements for at least the next 12 months.

Cash Flow Activity

Operating Activities. We generated cash flow from operating activities of $2,609.6 million and $2,114.4 million for the years ended December 31, 2017 and 2016, respectively. The increase in operating cash flows of $495.2 million during the year ended December 31, 2017 was due to an increase in profitability and an increase in cash provided by working capital.

Investing Activities. Cash used in investing activities was $4,288.5 million and $4,063.0 million for the years ended December 31, 2017 and 2016, respectively. Significant components of investing activities are as follows:

- *Redemption settlement assets.* Cash decreased $243.1 million for the year ended December 31, 2017 due to the increase in funding requirements resulting from the change in breakage rate estimate in December 2016. Cash increased $148.7 million for the year ended December 31, 2016 due to the increased redemptions in the second half of the year, which decreased the balance of the redemption settlement assets.
- *Credit card and loan receivables funding.* Cash decreased $3,600.2 million and $3,505.4 million for the years ended December 31, 2017 and 2016, respectively, due to growth in our credit card and loan receivables in both years.

- *Purchase of credit card portfolios.* During the year ended December 31, 2016, we paid $1,008.1 million to acquire five credit card portfolios.
- *Proceeds from sale of credit card and loan portfolios.* During the year ended December 31, 2017, we received preliminary cash consideration of $797.7 million from the sale of two credit card and loan portfolios. During the year ended December 31, 2016, we received $486.0 million from the sale of three credit card portfolios.
- *Payments for acquired businesses, net of cash.* During the year ended December 31, 2017, we acquired credit card receivables and the associated accounts and assumed a portion of an existing customer care operation, including a facility sublease agreement and approximately 250 employees, from Signet for cash consideration of approximately $945.6 million.
- *Capital expenditures.* Cash paid for capital expenditures was $225.4 million and $207.0 million for the years ended December 31, 2017 and 2016, respectively. We anticipate capital expenditures to continue to be approximately 3% of annual revenue.

Financing Activities. Cash provided by financing activities was $4,004.9 million and $2,637.4 million for the years ended December 31, 2017 and 2016, respectively. Significant components of financing activities are as follows:

- *Debt.* Cash increased $355.3 million in net borrowings for the year ended December 31, 2017, primarily due to the issuance of €400.0 million senior notes due in 2022 and additional term loan and revolving line of credit net borrowings, offset in part by the repayment of $400.0 million senior notes due in 2017. Cash increased $600.9 million in net borrowings for the year ended December 31, 2016, primarily driven by the $500.0 million issuance of senior notes due in 2021 and €190.0 million in term loan borrowings under the 2016 BrandLoyalty Credit Agreement.
- *Non-recourse borrowings of consolidated securitization entities.* Cash increased $1,852.2 million in net borrowings for the year ended December 31, 2017, due to $1.4 billion in net borrowings on conduit facilities and the issuance of $1.4 billion in asset-backed term notes, offset in part by the repayment of $950.0 million asset-backed term notes. Cash increased $474.4 million in net borrowings for the year ended December 31, 2016, due to the issuance of $1.4 billion in asset-backed term notes and $120.0 million in net borrowings on conduit facilities, offset in part by the repayment of $1.1 billion asset-backed term notes.
- *Deposits.* Cash increased $2,543.2 million and $2,789.9 million for the years ended December 31, 2017 and 2016, respectively, due to net issuances of deposits to support the growth of credit card receivables.
- *BrandLoyalty non-controlling interest.* For the year ended December 31, 2016, we paid $360.7 million to acquire the remaining 30% ownership interest in BrandLoyalty.
- *Dividends.* For the year ended December 31, 2017, we paid an aggregate of $115.5 million for four quarterly dividends on our common stock. For the year ended December 31, 2016, we paid $30.0 million for one quarterly dividend.
- *Treasury shares.* Cash paid for treasury shares was $553.7 million and $798.8 million for the years ended December 31, 2017 and 2016, respectively.

Debt

Long-term and Other Debt

In March 2017, we issued and sold €400.0 million aggregate principal amount of 4.500% senior notes due March 15, 2022. Interest is payable semiannually in arrears, on March 15 and September 15 of each year, beginning on September 15, 2017.

On June 14, 2017, we entered in a credit agreement with various agents and lenders, or the 2017 Credit Agreement. On June 16, 2017, we entered into a first amendment to the 2017 Credit Agreement to increase borrowings. The 2017 Credit Agreement replaced in its entirety our credit agreement dated July 10, 2013, or the 2013 Credit Agreement. The 2017 Credit Agreement includes an uncommitted accordion feature of up to $750.0 million in the aggregate allowing for future incremental borrowings, subject to certain conditions. These borrowings bear interest at the same rates as, and are generally subject to the same terms, as the 2013 Credit Agreement. The loans under the 2017 Credit Agreement are

scheduled to mature on June 14, 2022. At December 31, 2017, the 2017 Credit Agreement, as amended, provided for a $3,052.6 million term loan, subject to certain repayments, and a $1,572.4 million revolving line of credit.

As of December 31, 2017, we had $475.0 million outstanding under our revolving line of credit and total availability of $1.1 billion. Our total leverage ratio, as defined in our credit agreement, was 2.7 to 1 at December 31, 2017, as compared to the maximum covenant ratio of 3.5 to 1.

As of December 31, 2017, we were in compliance with our debt covenants.

See Note 11, “Debt,” of the Notes to Consolidated Financial Statements for additional information regarding our debt.

Deposits

We utilize money market deposits and certificates of deposit to finance the operating activities, including funding for our non-securitized credit card receivables, and fund securitization enhancement requirements of our bank subsidiaries, Comenity Bank and Comenity Capital Bank.

Comenity Bank and Comenity Capital Bank offer demand deposit programs through contractual arrangements with various financial counterparties. As of December 31, 2017, Comenity Bank and Comenity Capital Bank had $3.4 billion in money market deposits outstanding with interest rates ranging from 1.26% to 2.37%. Money market deposits are redeemable on demand by the customer and, as such, have no scheduled maturity date.

Comenity Bank and Comenity Capital Bank issue certificates of deposit in denominations of at least $100,000 and $1,000, respectively, in various maturities ranging between January 2018 and December 2022 and with effective annual interest rates ranging from 1.00% to 2.80%. As of December 31, 2017, we had $7.5 billion of certificates of deposit outstanding. Certificate of deposit borrowings are subject to regulatory capital requirements.

Securitization Program

We sell a majority of the credit card receivables originated by Comenity Bank to WFN Credit Company, LLC, which in turn sells them to World Financial Network Credit Card Master Trust, World Financial Network Credit Card Master Note Trust, or Master Trust I, and World Financial Network Credit Card Master Trust III, or Master Trust III, or collectively, the WFN Trusts, as part of our credit card securitization program, which has been in existence since January 1996. We also sell our credit card receivables originated by Comenity Capital Bank to World Financial Capital Credit Company, LLC, which in turn sells them to World Financial Capital Master Note Trust, or the WFC Trust. These securitization programs are a principal vehicle through which we finance Comenity Bank’s and Comenity Capital Bank’s credit card receivables. Historically, we have used both public and private term asset-backed securitization transactions as well as private conduit facilities as sources of funding for our securitized credit card receivables. Private conduit facilities have been used to accommodate seasonality needs and to bridge to completion of asset-backed securitization transactions.

During the year ended December 31, 2017, Master Trust I issued $1.5 billion of asset-backed term notes with various maturities ranging between August 2019 and October 2020, of which $122.9 million were retained by us and eliminated from the consolidated balance sheets. Additionally, $1.3 billion of asset-backed term notes matured and were repaid, of which $300.5 million were retained by us and eliminated from the consolidated balance sheets.

As of December 31, 2017, the WFN Trusts and the WFC Trust had approximately $14.3 billion of securitized credit card receivables. Securitizations require credit enhancements in the form of cash, spread deposits, additional receivables and subordinated classes. The credit enhancement is principally based on the outstanding balances of the series issued by the WFN Trusts and the WFC Trust and by the performance of the credit card receivables in these credit card securitization trusts. We have secured and continue to secure the necessary commitments to fund our portfolio of securitized credit card receivables originated by Comenity Bank and Comenity Capital Bank. However, certain of these commitments are short-term in nature and subject to renewal. There is not a guarantee that these funding sources, when they mature, will be renewed on similar terms or at all as they are dependent on the asset-backed securitization markets at the time.

We have access to committed undrawn capacity through three conduit facilities to support the funding of our credit card receivables through Master Trust I, Master Trust III and the WFC Trust. As of December 31, 2017, total capacity under the conduit facilities was $4.5 billion, of which $3.8 billion had been drawn and was included in non-recourse borrowings of consolidated securitization entities in the consolidated balance sheets. Borrowings outstanding under each facility bear interest at a margin above LIBOR or the asset-backed commercial paper costs of each individual conduit provider. The conduits have varying maturities from January 2019 to December 2019 with variable interest rates ranging from 2.55% to 2.57% as of December 31, 2017.

In April 2017, Master Trust III amended its 2009-VFC1 conduit facility, increasing the capacity from $900.0 million to $925.0 million and extending the maturity to April 2018. In October 2017, Master Trust III again amended its 2009-VFC1 conduit facility, increasing the capacity from $925.0 million to $1,680.0 million and extending the maturity to January 2019.

In November 2017, the WFC Trust amended its 2009-VFN conduit facility, increasing the capacity from $1,400.0 million to $1,975.0 million and extending the maturity to November 2019.

In December 2017, Master Trust I amended its 2009-VFN conduit facility, increasing the capacity from $560.0 million to $800.0 million and extending the maturity to December 2019.

The following table shows the maturities of borrowing commitments as of December 31, 2017 for the WFN Trusts and the WFC Trust by year:

	2018	2019	2020	2021	Thereafter	Total
	(In millions)					
Term notes	$ 1,341.0	$ 1,574.0	$ 1,467.2	$ 682.5	$ —	$ 5,064.7
Conduit facilities [1]	—	4,455.0	—	—	—	4,455.0
Total [2]	$ 1,341.0	$ 6,029.0	$ 1,467.2	$ 682.5	$ —	$ 9,519.7

(1) Amount represents borrowing capacity, not outstanding borrowings.

(2) Total amounts do not include $2.8 billion of debt issued by the credit card securitization trusts, which was retained by us and has been eliminated in the consolidated financial statements.

Early amortization events as defined within each asset-backed securitization transaction are generally driven by asset performance. We do not believe it is reasonably likely that an early amortization event will occur due to asset performance. However, if an early amortization event were declared, the trustee of the particular credit card securitization trust would retain the interest in the receivables along with the excess interest income that would otherwise be paid to our bank subsidiary until the credit card securitization investors were fully repaid. The occurrence of an early amortization event would significantly limit or negate our ability to securitize additional credit card receivables.

See Note 11, “Debt,” of the Notes to Consolidated Financial Statements for additional information regarding our securitized debt.

Stock Repurchase Programs

On January 1, 2017, our Board of Directors authorized a stock repurchase program to acquire up to $500.0 million of our outstanding common stock through December 31, 2017.

On January 30, 2017, under the authorization of the existing 2017 repurchase program, we entered into a $350.0 million fixed dollar accelerated share repurchase program agreement, or the ASR Agreement, with an investment bank counterparty. Pursuant to the ASR Agreement, we received an initial delivery of 1.4 million shares of our common stock on February 6, 2017. The final settlement was based upon the volume weighted average price of our common stock, purchased by the counterparty during the period, less a specified discount, subject to a collar with a specified forward cap price and forward cap floor. The final settlement was on April 17, 2017 and resulted in the delivery of an additional 0.1 million shares. As a result of this transaction, we purchased a total of 1.5 million shares of our common stock at a settlement price per share of $238.34.

On July 25, 2017, our Board of Directors authorized an increase to the stock repurchase program originally approved on January 1, 2017 to acquire an additional $500.0 million of our outstanding common stock through July 31, 2018, for a total stock repurchase authorization of up to $1.0 billion.

During the year ended December 31, 2017, we repurchased approximately 2.3 million shares of our common stock for an aggregate amount of $553.7 million, including those amounts under the ASR Agreement. As of December 31, 2017, we had $446.3 million remaining under the stock repurchase program.

Dividends

On January 26, 2017, our Board of Directors declared a quarterly cash dividend of $0.52 per share on our common stock to stockholders of record at the close of business on February 15, 2017, resulting in a dividend payment of $29.0 million on March 17, 2017.

On April 20, 2017, our Board of Directors declared a quarterly cash dividend of $0.52 per share on our common stock to stockholders of record at the close of business on May 15, 2017, resulting in a dividend payment of $29.0 million on June 19, 2017.

On July 20, 2017, our Board of Directors declared a quarterly cash dividend of $0.52 per share on our common stock to stockholders of record at the close of business on August 14, 2017, resulting in a dividend payment of $28.8 million on September 19, 2017.

On October 19, 2017, our Board of Directors declared a quarterly cash dividend of $0.52 per share on our common stock to stockholders of record at the close of business on November 14, 2017, resulting in a dividend payment of $28.7 million on December 19, 2017.

On January 25, 2018, our Board of Directors declared a quarterly cash dividend of $0.57 per share on our common stock, payable on March 20, 2018 to stockholders of record at the close of business on February 14, 2018.

Contractual Obligations

In the normal course of business, we enter into various contractual obligations that may require future cash payments. Our future cash payments associated with our contractual obligations and commitments to make future payments by type and period as of December 31, 2017 are summarized below:

	2018	2019	2020	2021	2022	Thereafter	Total
				(In millions)			
Deposits [1]	$ 6,535.2	$ 1,965.7	1,255.9	$ 899.8	$ 609.5	$ —	$ 11,266.1
Non-recourse borrowings of consolidated securitization entities [1]	1,532.7	5,445.9	1,502.9	688.8	—	—	9,170.3
Long-term and other debt [1]	389.7	391.5	1,010.5	861.7	4,164.4	376.5	7,194.3
Operating leases	96.9	91.5	85.1	69.6	60.4	332.6	736.1
Capital leases	4.3	3.5	1.0	0.3	—	—	9.1
Software licenses	8.5	3.7	1.5	0.5	—	—	14.2
ASC 740 obligations [2]	—	—	—	—	—	—	—
Purchase obligations [3]	439.2	84.2	68.5	60.6	8.7	1.1	662.3
Total	$ 9,006.5	$ 7,986.0	$ 3,925.4	$ 2,581.3	$ 4,843.0	$ 710.2	$ 29,052.4

(1) The deposits, non-recourse borrowings of consolidated securitization entities and long-term and other debt represent our estimated debt service obligations, including both principal and interest. Interest was based on the interest rates in effect as of December 31, 2017, applied to the contractual repayment period.

(2) ASC 740 obligations do not reflect unrecognized tax benefits of $247.5 million, of which the timing remains uncertain.

(3) Purchase obligations are defined as an agreement to purchase goods or services that is enforceable and legally binding and specifying all significant terms, including the following: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and approximate timing of the transaction. The purchase obligation amounts disclosed above represent estimates of the minimum for which we are obligated and the time period in which cash outflows will occur. Purchase orders and authorizations to purchase that involve no firm commitment from either party are excluded from the above table. Purchase obligations include sponsor commitments under our AIR MILES Reward Program, minimum payments under support and maintenance contracts and agreements to purchase other goods and services.

We believe that we will have access to sufficient resources to meet these commitments.

Inflation and Seasonality

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 relied on operating efficiencies from scale, technology and expansion in lower cost jurisdictions in select circumstances, as well as decreases in technology and communication costs, to offset increased costs of employee compensation and other operating expenses. With respect to seasonality, our revenues, earnings and cash flows are affected by increased consumer spending patterns leading up to and including the holiday shopping period in the third and fourth quarter and, to a lesser extent, during the first quarter as credit card and note receivable balances are paid down.

Legislative and Regulatory Matters

Comenity Bank is subject to various regulatory capital requirements administered by the State of Delaware and the FDIC. Comenity Capital Bank is subject to regulatory capital requirements administered by both the FDIC and the State of Utah. Failure to meet minimum capital requirements can trigger certain mandatory and possibly additional discretionary actions by regulators. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, both Comenity Bank and Comenity Capital Bank must meet specific capital guidelines that involve quantitative measures of its assets and liabilities as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by these regulators about components, risk weightings and other factors. Both Comenity Bank and Comenity Capital Bank are limited in the amounts that they can pay as dividends to us.

Quantitative measures established by regulations to ensure capital adequacy require Comenity Bank and Comenity Capital Bank to maintain minimum amounts and ratios of Common Equity Tier 1, Tier 1 and total capital to risk weighted assets and of Tier 1 capital to average assets. Under the regulations, a “well capitalized” institution must have a Common Equity Tier 1 capital ratio of at least 6.5%, a Tier 1 capital ratio of at least 8%, a total capital ratio of at least 10% and a leverage ratio of at least 5% and not be subject to a capital directive order. An “adequately capitalized” institution must have a Common Equity Tier 1 capital ratio of at least 4.5%, a Tier 1 capital ratio of at least 6%, a total capital ratio of at least 8% and a leverage ratio of at least 4%. As of December 31, 2017, Comenity Bank’s Common Equity Tier 1 capital ratio was 13.5%, Tier 1 capital ratio was 13.5%, total capital ratio was 14.8% and leverage ratio was 12.3%, and Comenity Bank was not subject to a capital directive order. As of December 31, 2017, Comenity Capital Bank’s Common Equity Tier 1 capital ratio was 14.0%, Tier 1 capital ratio was 14.0%, total capital ratio was 15.3% and leverage ratio was 12.4%, and Comenity Capital Bank was not subject to a capital directive order. Comenity Bank and Comenity Capital Bank are considered well capitalized.

On September 8, 2015, Comenity Bank and Comenity Capital Bank each entered into a consent order with the FDIC in settlement of the FDIC’s review of Comenity Bank and Comenity Capital Bank’s practices regarding the marketing, promotion and sale of certain add-on products. Comenity Bank and Comenity Capital Bank entered into the consent orders for the purpose of resolving these matters without admitting or denying any violations of law or regulation set forth in the orders. As of December 31, 2016, we had satisfied our restitution obligations to the eligible customers under these consent orders.

In August 2014, the SEC adopted a number of rules that will change the disclosure, reporting and offering process for publicly registered offerings of asset-backed securities, including those offered under our credit card securitization program. The adopted rules finalize rules that were originally proposed on April 7, 2010 and re-proposed on July 26, 2011. A number of rules proposed by the SEC in 2010 and 2011, such as requiring group-level data for the underlying assets in credit card securitizations, were not adopted in the final rulemaking but may be implemented by the SEC in the future with or without modifications. The SEC has also issued an advance notice of proposed rulemaking relating to the exemptions that our credit card securitization trusts rely on in our credit card securitization program to avoid registration as investment companies.

The FDIC, the SEC, the Federal Reserve and certain other federal regulators have adopted regulations that would mandate a minimum five percent risk retention requirement for securitizations that are issued on and after December 24, 2016, known as Regulation RR. Such risk retention requirements may limit our liquidity by restricting the amount of

asset-backed securities we are able to issue or affecting the timing of future issuances of asset-backed securities; we intend to satisfy such risk retention requirements by maintaining a seller's interest calculated in accordance with Regulation RR.

Discussion of Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting policies that are described in the Notes to Consolidated Financial Statements. The preparation of the consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We continually evaluate our judgments and estimates in determination of our financial condition and operating results. Estimates are based on information available as of the date of the financial statements and, accordingly, actual results could differ from these estimates, sometimes materially. Critical accounting estimates are defined as those that are both most important to the portrayal of our financial condition and operating results and require management's most subjective judgments. The primary critical accounting estimates are described below.

Allowance for Loan Loss.

We maintain an allowance for loan loss at a level that is appropriate to absorb probable losses inherent in credit card and loan receivables. The estimate of our allowance for loan loss considers uncollectible principal, interest and fees reflected in the credit card and loan receivables. While our estimation process includes historical data and analysis, there is a significant amount of judgment applied in selecting inputs and analyzing the results to determine the allowance for loan loss. We use a migration analysis to estimate the likelihood that a loan will progress through the various stages of delinquency. The considerations in these analyses include past and current credit card and loan performance, seasoning and growth, account collection strategies, economic conditions, bankruptcy filings, policy changes, payment rates and forecasting uncertainties. Given the same information, others may reach different reasonable estimates.

If we used different assumptions in estimating net charge-offs that could be incurred, the impact to the allowance for loan loss could have a material effect on our consolidated financial condition and results of operations. For example, a 100 basis point change in our estimate of incurred net loan losses could have resulted in a change of approximately $177 million in the allowance for loan loss at December 31, 2017, with a corresponding change in the provision for loan loss.

Revenue Recognition.

We recognize revenue when all of the following criteria are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) the service has been performed or the product has been delivered.

We also enter into contracts that contain multiple deliverables. Judgment is required to properly identify the accounting units of the multiple deliverable transactions and to determine the manner in which revenue should be allocated among the accounting units. Estimates may be utilized in determining the fair value of each element using the selling price hierarchy, as applicable. Moreover, judgment is used to interpret the terms and determine when all the criteria of revenue recognition have been met in order for revenue recognition to occur in the appropriate accounting period. While changes in the allocation of the estimated sales price between the units of accounting will not affect the amount of total revenue recognized for a particular sales arrangement, any material changes in these allocations could impact the timing of revenue recognition.

AIR MILES Reward Program. The AIR MILES Reward Program collects fees from its sponsors based on the number of AIR MILES reward miles issued and, in limited circumstances, the number of AIR MILES reward miles redeemed. Because management has determined that the earnings process is not complete at the time an AIR MILES reward mile is issued, the recognition of redemption and service revenue is deferred. Under certain of our contracts, a portion of the consideration is paid to us upon the issuance of AIR MILES reward miles and a portion is paid at the time of redemption and therefore, we do not have a redemption obligation related to these contracts.

Total consideration from the issuance of AIR MILES reward miles is allocated to three elements, the redemption element, the service element, and the brand element, based on the relative selling price method.

The fair value of each element was determined using the selling price hierarchy, which reflects management's estimated selling price for that respective element. The objective of using the estimated selling price methodology is to determine the price at which we would transact a sale if the product or service were sold on a stand-alone basis. The best estimate of selling price for the redemption element and the service element are based on cost plus a reasonable margin. The estimated selling price of the brand element is determined using a relief from royalty approach. Accordingly, we determine our best estimate of selling price by considering multiple inputs and methods, including discounted cash flows and available market data in consideration of applicable margins and royalty rates to utilize. In addition, the number of AIR MILES reward miles issued and redeemed are factored into our estimates, as we estimate the selling prices and volumes over the term of the respective agreements in order to determine the allocation of consideration to each of the elements delivered. The redemption element incorporates the expected number of AIR MILES reward miles to be redeemed, and therefore, the amount of redemption revenue recognized is subject to our estimate of breakage, or those AIR MILES reward miles that we estimate will remain unredeemed by the collector base. Additionally, the estimated life of an AIR MILES reward mile impacts the timing of revenue recognition.

Breakage and the life of an AIR MILES reward mile are based on management's estimate after viewing and analyzing various historical trends including vintage analysis, current run rates and other pertinent factors, such as the impact of macroeconomic factors and changes in the program structure.

With the cancellation of the Company's five-year expiry policy, coupled with heightened redemptions in the third and fourth quarter of 2016, on December 1, 2016, we changed our estimate of breakage from 26% to 20%. As a result of this change in estimate, we increased the deferred redemption liability by $284.5 million with a corresponding reduction of redemption revenue in December 2016. Throughout 2017, the Company's estimated breakage rate remained 20%.

Our cumulative redemption rate, which represents program to date redemptions divided by program to date issuance, is 69% as of December 31, 2017. We expect the ultimate redemption rate will approximate 80% based on our historical redemption patterns, statistical regression models, and consideration of enacted program changes, as applicable.

During 2017, we changed our estimated life of a mile from 42 months to 38 months, which had an impact to revenue of approximately $20 million. We estimate that a change to the estimated life of an AIR MILES reward mile of one month would impact revenue by approximately $5 million.

Any future changes in collector behavior could result in further changes in our estimates of breakage or life of an AIR MILES reward mile.

As of December 31, 2017, we had $966.9 million in deferred revenue related to the AIR MILES Reward Program that will be recognized in the future. Further information is provided in Note 13, "Deferred Revenue," of the Notes to Consolidated Financial Statements.

Effective January 1, 2018, the Company adopted ASC 606, "Revenue from Contracts with Customers." For additional information regarding the impact of the new revenue standard, see "Recently Issued Accounting Standards" under Note 2, "Summary of Significant Accounting Policies," of the Notes to Consolidated Financial Statements.

Goodwill.

We test goodwill for impairment annually, as of July 31, or when events and circumstances change that would indicate the carrying amount may not be recoverable. In evaluating goodwill for impairment, we must estimate the fair value of the reporting units to which the goodwill relates. As of December 31, 2017, we had goodwill of approximately $3.9 billion. The following table presents the December 31, 2017 goodwill by reporting unit as well as the percentage by which fair value of the reporting units exceeded carrying value as of the 2017 annual impairment test:

Reporting Unit	Goodwill	Approximate Excess Fair Value %
	(In millions, except percentages)	
Card Services	$ 261.7	350 - 410%
LoyaltyOne excluding BrandLoyalty	198.1	250 - 270%
BrandLoyalty	533.0	40 - 60%
Epsilon excluding Conversant	1,237.0	20 - 30%
Conversant	1,650.3	10 - 20%
Total	$ 3,880.1	

We estimated the fair value of the reporting units using both an income- and market-based approach. Our income-based approach utilizes a discounted cash flow analysis based on management's estimates of forecasted cash flows, with those cash flows discounted to present value using rates commensurate with the risks associated with those cash flows. The valuation includes assumptions related to revenue growth and profit performance, capital expenditures, the discount rate and other assumptions that are judgmental in nature. Changes in these estimates and assumptions could materially affect the results of our tests for goodwill impairment. The market-based approach involves an analysis of market multiples of revenues and earnings to a group of comparable public companies and recent transactions, if any, involving comparable companies. While the guideline companies in the market-based valuation method have comparability to the reporting units, they may not fully reflect the market share, product portfolio and operations of the reporting units. In addition, we also consult independent valuation experts in applying these valuation techniques.

We generally base our measurement of the fair value of a reporting unit on a blended analysis of the present value of future discounted cash flows and the market-based valuation approach.

As with all assumptions, there is an inherent level of uncertainty and actual results, to the extent they differ from those assumptions, could have a material impact on fair value. For example, a reduction in customer demand would impact our assumed growth rate resulting in a reduced fair value, or multiples for similar type reporting units could deteriorate due to changes in technology or a downturn in economic conditions. Potential events or circumstances could have a negative effect on the estimated fair value. The loss of a major customer or program could have a significant impact on the future cash flows of the reporting unit(s).

We do not currently believe there is a reasonable likelihood that there will be a material change in estimates or assumptions used to test goodwill and other intangible assets for impairment. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to an impairment charge that could be material.

Income Taxes.

We account for uncertain tax positions in accordance with Accounting Standards Codification, or ASC, 740, “Income Taxes.” The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of, and guidance surrounding, income tax laws and regulations change over time. Changes in our subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of income. See Note 18, “Income Taxes,” of the Notes to Consolidated Financial Statements for additional detail on our uncertain tax positions and further information regarding ASC 740, as well as the impact of the 2017 Tax Reform.

Recent Accounting Pronouncements

See “Recently Issued Accounting Standards” under Note 2, “Summary of Significant Accounting Policies,” of the Notes to Consolidated Financial Statements for a discussion of certain accounting standards that we have recently

adopted and certain accounting standards that we have not yet been required to adopt and may be applicable to our future financial condition, results of operations or cash flow.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

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.

Interest Rate Risk. Interest rate risk affects us directly in our borrowing activities. Our interest expense, net was $564.4 million for 2017. To manage our risk from market interest rates, we actively monitor interest rates and other interest sensitive components 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 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 instruments such as interest rate swaps and interest rate caps to mitigate our interest rate risk on related financial instruments or to 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.

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 pre-tax income from an instantaneous and sustained increase or decrease in interest rates of 1%. In 2017, a 1% increase or decrease in interest rates would have resulted in a change to our interest expense of approximately $112 million. 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 appropriateness of the related assumptions.

Credit Risk. We are exposed to credit risk relating to the credit card loans we make to our clients' customers. Our credit risk relates to the risk that consumers using the private label or co-brand credit cards that we issue will not repay their revolving credit card loan balances. To minimize our risk of credit card loan charge-offs, we have developed automated proprietary scoring technology and verification procedures to make risk-based origination decisions when approving new accountholders, establishing or adjusting their credit limits and applying our risk-based pricing. We also utilize a proprietary collection scoring algorithm to assess accounts for collections efforts if they become delinquent; after exhausting all in-house collection efforts, we may engage collection agencies and outside attorneys to continue those efforts.

Foreign Currency Exchange Rate Risk. We are exposed to fluctuations in the exchange rate between the U.S. and the Canadian dollar and between the U.S. dollar and the Euro. For the year ended December 31, 2017, an additional 10% decrease in the strength of the Canadian dollar versus the U.S. dollar and the Euro versus the U.S. dollar would have resulted in an additional decrease in pre-tax income of approximately $15 million and $2 million, respectively. Conversely, a corresponding increase in the strength of the Canadian dollar or the Euro versus the U.S. dollar would result in a comparable increase to pre-tax income in these periods.

Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements begin on page F-1 of this Form 10-K.

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

None.

Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2017, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934.

Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2017, our disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree or compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of internal control over financial reporting. In conducting this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (2013)*. Based on this evaluation, management, with the participation of the Chief Executive Officer and Chief Financial Officer, concluded that our internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of internal control over financial reporting as of December 31, 2017, has been audited by Deloitte & Touche LLP, the independent registered public accounting firm who also audited our consolidated financial statements. Deloitte & Touche's attestation report on the effectiveness of our internal control over financial reporting appears on page F-3.

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

On February 23, 2018, we provided notice to the holders of our $500.0 million aggregate principal amount of 6.375% senior notes due April 1, 2020 (the "Senior Notes due 2020") that we intend to redeem such notes at par with accrued interest to April 2, 2018. The redemption notice is conditioned on our ability to borrow any funds necessary to complete the redemption of the Senior Notes due 2020 under our revolving line of credit pursuant to the 2017 Credit Agreement on the same date.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Incorporated by reference to the Proxy Statement for the 2018 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2017.

Item 11. Executive Compensation.

Incorporated by reference to the Proxy Statement for the 2018 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2017.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Incorporated by reference to the Proxy Statement for the 2018 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2017.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Incorporated by reference to the Proxy Statement for the 2018 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2017.

Item 14. Principal Accounting Fees and Services.

Incorporated by reference to the Proxy Statement for the 2018 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2017.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

(1) Financial Statements
(2) Financial Statement Schedule
(3) The following exhibits are filed as part of this Annual Report on Form 10-K or, where indicated, were previously filed and are hereby incorporated by reference.

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
3.1	(a)	Third Amended and Restated Certificate of Incorporation of the Registrant.	8-K	3.2	6/10/16
3.2	(a)	Fifth Amended and Restated Bylaws of the Registrant.	8-K	3.1	2/1/16
4	(a)	Specimen Certificate for shares of Common Stock of the Registrant.	10-Q	4	8/8/03
+10.1	(a)	Alliance Data Systems Corporation Executive Deferred Compensation Plan, amended and restated effective January 1, 2018.	8-K	10.1	11/24/17
+10.2	(a)	Alliance Data Systems Corporation 2005 Long-Term Incentive Plan.	DEF 14A	A	4/29/05
+10.3	(a)	Amendment Number One to the Alliance Data Systems Corporation 2005 Long Term Incentive Plan, dated as of September 24, 2009.	10-Q	10.8	11/9/09
+10.4	(a)	Alliance Data Systems Corporation 2010 Omnibus Incentive Plan.	DEF 14A	A	4/20/10
+10.5	(a)	Alliance Data Systems Corporation 2015 Omnibus Incentive Plan.	DEF 14A	B	4/20/15
+10.6	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan (2016 grant).	8-K	10.2	2/17/16
+10.7	(a)	Form of Time-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan.	8-K	10.1	2/20/18
+10.8	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan (2017 grant EBT).	8-K	10.2	2/17/17
+10.9	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan (2017 grant rTSR).	8-K	10.3	2/17/17
+10.10	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan (2017 grant EPS).	8-K	10.4	2/17/17
+10.11	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan (2018 grant EBT).	8-K	10.2	2/20/18

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
+10.12	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan (2018 grant rTSR).	8-K	10.3	2/20/18
+10.13	(a)	Form of Non-Employee Director Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan.	10-Q	10.10	8/8/08
+10.14	(a)	Form of Non-employee Director Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2010 Omnibus Incentive Plan.	10-K	10.52	2/28/13
+10.15	(a)	Form of Non-employee Director Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2015 Omnibus Incentive Plan.	10-Q	10.6	8/7/17
+10.16	(a)	Alliance Data Systems Corporation Non-Employee Director Deferred Compensation Plan.	8-K	10.1	6/9/06
+10.17	(a)	Form of Alliance Data Systems Associate Confidentiality Agreement.	10-K	10.18	2/27/17
+10.18	(a)	Form of Alliance Data Systems Corporation Indemnification Agreement for Officers and Directors.	8-K	10.1	6/5/15
+10.19	(a)	Alliance Data Systems Corporation 2015 Employee Stock Purchase Plan, effective July 1, 2015.	DEF 14A	C	4/20/15
+10.20	(a)	LoyaltyOne, Inc. Registered Retirement Savings Plan, as amended.	10-Q	10.1	5/7/10
+10.21	(a)	LoyaltyOne, Inc. Deferred Profit Sharing Plan, as amended.	10-Q	10.2	5/7/10
+10.22	(a)	LoyaltyOne, Inc. Canadian Supplemental Executive Retirement Plan, effective as of January 1, 2009.	10-Q	10.3	5/7/10
+10.23	(a)	Change in Control Severance Protection Agreement, dated as of December 13, 2016, between Edward Heffernan and ADS Alliance Data Systems, Inc.	8-K	10.1	12/16/16
10.24	(a)	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. (assigned by Air Miles International Holdings N.V. to Air Miles International Trading B.V. by a novation agreement dated as of July 18, 2001 and further assigned to AM Royalties Limited Partnership, a wholly owned subsidiary of Diversified Royalty Corp., in connection with an asset purchase agreement dated August 25, 2017).	S-1	10.43	1/13/00
10.25	(a)	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. as assigned by Air Miles International Trading B.V. to AM Royalties Limited Partnership, a wholly owned subsidiary of Diversified Royalty Corp., in connection with an asset purchase agreement dated August 25, 2017.	S-1	10.44	1/13/00

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.26	(b) (c)	Second Amended and Restated Pooling and Servicing Agreement, dated as of January 17, 1996 as amended and restated as of September 17, 1999 and August 1, 2001, by and among WFN Credit Company, LLC, World Financial Network National Bank, and BNY Midwest Trust Company.	8-K	4.6	8/31/01
10.27	(b) (c) (d)	Second Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of May 19, 2004, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	8/4/04
10.28	(b) (c) (d)	Third Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of March 30, 2005, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	4/5/05
10.29	(b) (d)	Fourth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of June 13, 2007, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	6/15/07
10.30	(b) (c) (d)	Fifth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of October 26, 2007, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	10/31/07
10.31	(b) (d)	Sixth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of May 27, 2008, among World Financial Network National Bank, WFN Credit Company, LLC, and The Bank of New York Trust Company, N.A.	8-K	4.1	5/29/08
10.32	(b) (d)	Seventh Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of June 28, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and The Bank of New York Mellon Trust Company, N.A.	8-K	4.2	6/30/10
10.33	(b) (d)	Supplemental Agreement to Second Amended and Restated Pooling and Servicing Agreement, dated as of August 9, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and The Bank of New York Mellon Trust Company, N.A.	8-K	4.1	8/12/10
10.34	(b) (c) (d)	Eighth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of November 9, 2011, among World Financial Network Bank, WFN Credit Company, LLC, and The Bank of New York Mellon Trust Company, N.A.	8-K	4.1	11/14/11
10.35	(b) (c) (d)	Ninth Amendment to Second Amended and Restated Pooling and Servicing Agreement, dated as of December 1, 2016, among Comenity Bank, WFN Credit Company, LLC, and MUFG Union Bank, N.A.	8-K	4.1	12/2/16

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.36	(b) (c)	Collateral Series Supplement to Second Amended and Restated Pooling and Servicing Agreement, dated as of August 21, 2001, among WFN Credit Company, LLC, World Financial Network National Bank and BNY Midwest Trust Company.	8-K	4.7	8/31/01
10.37	(b) (c)	First Amendment to Collateral Series Supplement, dated as of November 7, 2002, among WFN Credit Company, LLC, World Financial Network National Bank and BNY Midwest Trust Company.	8-K	4.3	11/20/02
10.38	(b) (c) (d)	Second Amendment to Collateral Series Supplement, dated as of July 6, 2016, among WFN Credit Company, LLC, Comenity Bank and MUFG Union Bank, N.A.	8-K	4.1	7/8/16
10.39	(b) (c)	Transfer and Servicing Agreement, dated as of August 1, 2001, between WFN Credit Company, LLC, World Financial Network National Bank, and World Financial Network Credit Card Master Note Trust.	8-K	4.3	8/31/01
10.40	(b) (c)	First Amendment to the Transfer and Servicing Agreement, dated as of November 7, 2002, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	11/20/02
10.41	(b) (c) (d)	Third Amendment to the Transfer and Servicing Agreement, dated as of May 19, 2004, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	8/4/04
10.42	(b) (c) (d)	Fourth Amendment to the Transfer and Servicing Agreement, dated as of March 30, 2005, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	4/5/05
10.43	(b) (d)	Fifth Amendment to the Transfer and Servicing Agreement, dated as of June 13, 2007, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	6/15/07
10.44	(b) (c) (d)	Sixth Amendment to the Transfer and Servicing Agreement, dated as of October 26, 2007, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	10/31/07
10.45	(b) (d)	Seventh Amendment to Transfer and Servicing Agreement, dated as of June 28, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.4	6/30/10
10.46	(b) (d)	Supplemental Agreement to Transfer and Servicing Agreement, dated as of August 9, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.3	8/12/10
10.47	(b) (c) (d)	Eighth Amendment to Transfer and Servicing Agreement, dated as of June 15, 2011, among World Financial Network National Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.1	6/15/11

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.48	(b) (c) (d)	Ninth Amendment to Transfer and Servicing Agreement, dated as of November 9, 2011, among World Financial Network Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.3	11/14/11
10.49	(b) (c) (d)	Tenth Amendment to the Transfer and Servicing Agreement, dated as of July 6, 2016, among Comenity Bank, WFN Credit Company, LLC and World Financial Network Credit Card Master Note Trust.	8-K	4.4	7/8/16
10.50	(b) (c)	Receivables Purchase Agreement, dated as of August 1, 2001, between World Financial Network National Bank and WFN Credit Company, LLC.	8-K	4.8	8/31/01
10.51	(b) (d)	First Amendment to Receivables Purchase Agreement, dated as of June 28, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	8-K	4.3	6/30/10
10.52	(b) (d)	Supplemental Agreement to Receivables Purchase Agreement, dated as of August 9, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	8-K	4.2	8/12/10
10.53	(b) (c) (d)	Second Amendment to Receivables Purchase Agreement, dated as of November 9, 2011, between World Financial Network Bank and WFN Credit Company, LLC.	8-K	4.2	11/14/11
10.54	(b) (c) (d)	Third Amendment to Receivables Purchase Agreement, dated as of July 6, 2016, between Comenity Bank and WFN Credit Company, LLC.	8-K	4.2	7/8/16
10.55	(b) (c)	Master Indenture, dated as of August 1, 2001, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company.	8-K	4.1	8/31/01
10.56	(b) (c)	Omnibus Amendment, dated as of March 31, 2003, among WFN Credit Company, LLC, World Financial Network Credit Card Master Trust, World Financial Network National Bank and BNY Midwest Trust Company.	8-K	4	4/22/03
10.57	(b) (c)	Supplemental Indenture No. 1, dated as of August 13, 2003, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company.	8-K	4.2	8/28/03
10.58	(b) (d)	Supplemental Indenture No. 2, dated as of June 13, 2007, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company.	8-K	4.3	6/15/07
10.59	(b) (d)	Supplemental Indenture No. 3, dated as of May 27, 2008, between World Financial Network Credit Card Master Note Trust and The Bank of New York Trust Company, N.A.	8-K	4.2	5/29/08
10.60	(b) (d)	Supplemental Indenture No. 4, dated as of June 28, 2010, between World Financial Network Credit Card Master Note Trust and The Bank of New York Mellon Trust Company, N.A..	8-K	4.1	6/30/10

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.61	(b) (c) (d)	Supplemental Indenture No. 5, dated as of February 20, 2013, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.2	2/22/13
10.62	(b) (c) (d)	Supplemental Indenture No. 6 to Master Indenture, dated as of July 6, 2016, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.3	7/8/16
10.63	(b) (c) (d)	Omnibus Amendment, dated as of July 10, 2017, among World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	7/11/17
10.64	(b) (c) (d)	Agreement of Resignation, Appointment and Acceptance, dated as of June 26, 2012, by and among World Financial Network Bank, World Financial Network Credit Card Master Note Trust, The Bank of New York Mellon Trust Company, N.A., and Union Bank, N.A.	8-K	4.1	6/26/12
10.65	(b) (c) (d)	Agreement of Resignation, Appointment and Acceptance, dated as of June 26, 2012, by and among WFN Credit Company, LLC, The Bank of New York Mellon Trust Company, N.A., and Union Bank, N.A.	8-K	4.2	6/26/12
10.66	(b) (c) (d)	Series 2012-A Indenture Supplement, dated as of April 12, 2012, between World Financial Network Credit Card Master Note Trust and The Bank of New York Mellon Trust Company, N.A.	8-K	4.1	4/16/12
10.67	(b) (c) (d)	Series 2012-C Indenture Supplement, dated as of July 19, 2012, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.2	7/23/12
10.68	(b) (c) (d)	Series 2012-D Indenture Supplement, dated as of October 5, 2012, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.1	10/10/12
10.69	(b) (c) (d)	Series 2013-A Indenture Supplement, dated as of February 20, 2013, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.1	2/22/13
10.70	(b) (c) (d)	Series 2015-A Indenture Supplement, dated as of April 17, 2015, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	4/21/15
10.71	(b) (c) (d)	Series 2015-B Indenture Supplement, dated as of August 21, 2015, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	8/25/15
10.72	(b) (c) (d)	Series 2016-A Indenture Supplement, dated as of July 27, 2016, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	7/28/16
10.73	(b) (c) (d)	Series 2016-B Indenture Supplement, dated as of September 22, 2016, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	9/23/16

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.74	(b) (c) (d)	Series 2016-C Indenture Supplement, dated as of November 3, 2016, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	11/4/16
10.75	(b) (c) (d)	Series 2017-A Indenture Supplement, dated as of May 22, 2017, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	5/24/17
10.76	(b) (c) (d)	Series 2017-B Indenture Supplement, dated as of August 16, 2017, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	8/22/17
10.77	(b) (c) (d)	Series 2017-C Indenture Supplement, dated as of November 15, 2017, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	11/17/17
10.78	(b) (c)	Amended and Restated Trust Agreement, dated as of August 1, 2001, between WFN Credit Company, LLC and Chase Manhattan Bank USA, National Association.	8-K	4.4	8/31/01
10.79	(b) (c)	Administration Agreement, dated as of August 1, 2001, between World Financial Network Credit Card Master Note Trust and World Financial Network National Bank.	8-K	4.5	8/31/01
10.80	(b) (d)	First Amendment to Administration Agreement, dated as of July 31, 2009, between World Financial Network Credit Card Master Note Trust and World Financial Network National Bank.	8-K	4.1	7/31/09
10.81	(b) (c) (d)	Second Amended and Restated Service Agreement, dated as of May 10, 2016, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	5/16/16
10.82	(b) (c) (d)	Amendment to Second Amended and Restated Service Agreement, dated April 10, 2017, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	4/13/17
10.83	(b) (c) (d)	Asset Representations Review Agreement, dated as of July 6, 2016, among Comenity Bank, WFN Credit Company, LLC, World Financial Network Credit Card Master Note Trust and FTI Consulting, Inc.	8-K	10.1	7/8/16
10.84	(a)	Receivables Purchase Agreement, dated as of September 28, 2001, between World Financial Network National Bank and WFN Credit Company, LLC.	10-Q	10.5	11/7/08
10.85	(a)	First Amendment to Receivables Purchase Agreement, dated as of June 24, 2008, between World Financial Network National Bank and WFN Credit Company, LLC.	10-K	10.94	3/2/09
10.86	(a)	Second Amendment to Receivables Purchase Agreement, dated as of March 30, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	10-K	10.127	2/28/11

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.87	(a)	Supplemental Agreement to Receivables Purchase Agreement, dated as of August 9, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	10-K	10.128	2/28/11
10.88	(a)	Third Amendment to Receivables Purchase Agreement, dated as of September 30, 2011, between World Financial Network Bank and WFN Credit Company, LLC.	10-Q	10.4	11/7/11
10.89	(a)	World Financial Network Credit Card Master Trust III Amended and Restated Pooling and Servicing Agreement, dated as of September 28, 2001, among WFN Credit Company, LLC, World Financial Network National Bank, and The Chase Manhattan Bank, USA, National Association.	10-Q	10.6	11/7/08
10.90	(a)	First Amendment to the Amended and Restated Pooling and Servicing Agreement, dated as of April 7, 2004, among WFN Credit Company, LLC, World Financial Network National Bank, and The Chase Manhattan Bank, USA, National Association.	10-Q	10.7	11/7/08
10.91	(a)	Second Amendment to the Amended and Restated Pooling and Servicing Agreement, dated as of March 23, 2005, among WFN Credit Company, LLC, World Financial Network National Bank, and The Chase Manhattan Bank, USA, National Association.	10-Q	10.8	11/7/08
10.92	(a)	Third Amendment to the Amended and Restated Pooling and Servicing Agreement, dated as of October 26, 2007, among WFN Credit Company, LLC, World Financial Network National Bank, and Union Bank of California, N.A. (successor to JPMorgan Chase Bank, N.A.).	10-Q	10.9	11/7/08
10.93	(a)	Fourth Amendment to Amended and Restated Pooling and Servicing Agreement, dated as of March 30, 2010, among WFN Credit Company, LLC, World Financial Network National Bank, and Union Bank, N.A.	10-Q	10.9	5/7/10
10.94	(a)	Fifth Amendment to Amended and Restated Pooling and Servicing Agreement, dated as of September 30, 2011, among WFN Credit Company, LLC, World Financial Network Bank, and Union Bank, N.A.	10-Q	10.3	11/7/11
10.95	(a)	Sixth Amendment to Amended and Restated Pooling and Servicing Agreement, dated as of December 1, 2016, among WFN Credit Company, LLC, Comenity Bank, and Deutsche Bank Trust Company Americas.	10-K	10.94	2/27/17
*10.96	(a)	Seventh Amendment to Amended and Restated Pooling and Servicing Agreement, dated as of September 1, 2017, among WFN Credit Company, LLC, Comenity Bank, and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas).			
10.97	(a)	Supplemental Agreement to Amended and Restated Pooling and Servicing Agreement, dated as of August 9, 2010, among WFN Credit Company, LLC, World Financial Network National Bank, and Union Bank, N.A.	10-K	10.134	2/28/11
10.98	(a)	Receivables Purchase Agreement, dated as of September 29, 2008, between World Financial Capital Bank and World Financial Capital Credit Company, LLC.	10-Q	10.3	11/7/08

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.99	(a)	Amendment No. 1 to Receivables Purchase Agreement, dated as of June 4, 2010, between World Financial Capital Bank and World Financial Capital Credit Company, LLC.	10-Q	10.11	8/9/10
10.100	(a)	Transfer and Servicing Agreement, dated as of September 29, 2008, among World Financial Capital Credit Company, LLC, World Financial Capital Bank and World Financial Capital Master Note Trust.	10-Q	10.4	11/7/08
10.101	(a)	Amendment No. 1 to Transfer and Servicing Agreement, dated as of June 4, 2010, among World Financial Capital Credit Company, LLC, World Financial Capital Bank and World Financial Capital Master Note Trust.	10-Q	10.12	8/9/10
10.102	(a)	Third Amended and Restated Series 2009-VFC1 Supplement, dated as of April 28, 2017, among WFN Credit Company, LLC, Comenity Bank and Deutsche Bank Trust Company Americas.	10-Q	10.7	8/7/17
10.103	(a)	First Amendment to Third Amended and Restated Series 2009-VFC1 Supplement, dated as of October 19, 2017, among WFN Credit Company, LLC, Comenity Bank and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas).	10-Q	10.4	11/8/17
*10.104	(a)	Master Indenture, dated as of September 29, 2008, between World Financial Capital Master Note Trust and U.S. Bank National Association, together with Supplemental Indenture Nos. 1 - 3.			
10.105	(a)	Fifth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of November 1, 2016, between World Financial Capital Master Note Trust and Deutsche Bank Trust Company Americas.	10-K	10.102	2/27/17
10.106	(a)	First Amendment to Fifth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of November 1, 2017, between World Financial Capital Master Note Trust and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas).	10-Q	10.5	11/8/17
10.107	(a)	Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of February 28, 2014, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	10-K	10.129	2/27/15
10.108	(a)	First Amendment to Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of July 10, 2017, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A., formerly known as Union Bank, N.A.	10-Q	10.8	8/7/17
*10.109	(a)	Second Amendment to Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of December 1, 2017, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A., formerly known as Union Bank, N.A.			

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.110	(a)	Amendment and Restatement Agreement, dated as of June 9, 2016, including Amended and Restated Facilities Agreement, by and among Brand Loyalty Group B.V. and certain subsidiaries parties thereto, as borrowers and guarantors, Deutsche Bank AG, Amsterdam Branch (as Arranger), ING Bank N.V. (as Arranger, Agent and Security Agent), Coöperatieve Rabobank U.A. (as Arranger) and NIBC Bank N.V. (as Arranger).	8-K	10.1	6/15/16
10.111	(a)	Amended and Restated Credit Agreement, dated as of June 14, 2017, by and among Alliance Data Systems Corporation, certain subsidiaries parties thereto, as guarantors, Wells Fargo Bank, National Association, as Administrative Agent, and various other agents and lenders.	8-K	10.1	6/19/17
10.112	(a)	First Amendment to Amended and Restated Credit Agreement and Incremental Amendment, dated as of June 16, 2017, by and among Alliance Data Systems Corporation, and certain subsidiaries parties thereto, as guarantors, Wells Fargo Bank, National Association, as Administrative Agent, and various other lenders.	8-K	10.2	6/19/17
10.113	(a)	Indenture, dated March 29, 2012, by and among Alliance Data Systems Corporation, as issuer, and certain subsidiaries parties thereto, as guarantors, and Wells Fargo Bank, N.A., as Trustee (including the form of the Company's 6.375% Senior Note due April 1, 2020).	8-K	4.1	4/2/12
10.114	(a)	Indenture, dated July 29, 2014, by and among Alliance Data Systems Corporation, as issuer, and certain subsidiaries parties thereto, as guarantors, and Wells Fargo Bank, N.A., as trustee (including the form of the Company's 5.375% Senior Note due August 1, 2022).	8-K	4.1	7/30/14
10.115	(a)	Indenture, dated November 19, 2015, among Alliance Data Systems Corporation, certain of its subsidiaries as guarantor, U.S. Bank National Association, as trustee, Elavon Financial Services Limited, UK Branch, as paying agent, and Elavon Financial Services Limited, as registrar and transfer agent (including the form of the Company's 5.25% Senior Note due November 15, 2023).	8-K	4.1	11/20/15
10.116	(a)	Indenture, dated October 27, 2016, by and among Alliance Data Systems Corporation, as issuer, and certain subsidiaries parties thereto, as guarantors, and Regions Bank, as trustee (including the form of the Company's 5.875% Senior Note due November 1, 2021).	8-K	4.1	10/28/16
10.117	(a)	Indenture, dated March 14, 2017, among Alliance Data Systems Corporation, certain of its subsidiaries as guarantors and U.S. Bank National Association, as trustee, Elavon Financial Services DAC, UK Branch, as paying agent, and Elavon Financial Services DAC, as registrar and transfer agent (including the form of the Company's 4.500% Senior Note due March 15, 2022).	8-K	4.1	3/14/17
*12.1	(a)	Statement re Computation of Ratios			
*21	(a)	Subsidiaries of the Registrant			
*23.1	(a)	Consent of Deloitte & Touche LLP			

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
*31.1	(a)	Certification of Chief Executive Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.			
*31.2	(a)	Certification of Chief Financial Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.			
*32.1	(a)	Certification of Chief Executive Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.			
*32.2	(a)	Certification of Chief Financial Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.			
*101.INS	(a)	XBRL Instance Document			
*101.SCH	(a)	XBRL Taxonomy Extension Schema Document			
*101.CAL	(a)	XBRL Taxonomy Extension Calculation Linkbase Document			
*101.DEF	(a)	XBRL Taxonomy Extension Definition Linkbase Document			
*101.LAB	(a)	XBRL Taxonomy Extension Label Linkbase Document			
*101.PRE	(a)	XBRL Taxonomy Extension Presentation Linkbase Document			

* Filed herewith
\+ Management contract, compensatory plan or arrangement
(a) Alliance Data Systems Corporation
(b) WFN Credit Company
(c) World Financial Network Credit Card Master Trust
(d) World Financial Network Credit Card Master Note Trust

Item 16. Form 10-K Summary.

None.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

ALLIANCE DATA SYSTEMS CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Alliance Data Systems Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Alliance Data Systems Corporation and subsidiaries (the "Company") as of December 31, 2017 and 2016, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, and the related notes and the schedule listed in the index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2018, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 27, 2018

We have served as the Company's auditor since 1998.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Alliance Data Systems Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Alliance Data Corporation and subsidiaries (the "Company") as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2017, of the Company and our report dated February 27, 2018, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 27, 2018

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31, 2017	December 31, 2016
	(In millions, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 4,190.0	$ 1,859.2
Accounts receivable, net, less allowance for doubtful accounts ($6.7 and $4.5 at December 31, 2017 and December 31, 2016 respectively)	822.3	797.2
Credit card and loan receivables:		
Credit card receivables – restricted for securitization investors	14,293.9	11,437.1
Other credit card and loan receivables	4,319.9	5,106.8
Total credit card and loan receivables	18,613.8	16,543.9
Allowance for loan loss	(1,119.3)	(948.0)
Credit card and loan receivables, net	17,494.5	15,595.9
Credit card and loan receivables held for sale	1,026.3	417.3
Inventories, net	234.1	271.3
Other current assets	348.9	324.0
Redemption settlement assets, restricted	589.5	324.4
Total current assets	24,705.6	19,589.3
Property and equipment, net	613.9	586.0
Deferred tax asset, net	28.1	20.1
Intangible assets, net	800.6	1,003.3
Goodwill	3,880.1	3,800.7
Other non-current assets	656.5	514.7
Total assets	$ 30,684.8	$ 25,514.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 651.2	$ 568.3
Accrued expenses	442.8	346.8
Current portion of deposits	6,366.2	4,673.0
Current portion of non-recourse borrowings of consolidated securitization entities	1,339.9	1,639.0
Current portion of long-term and other debt	131.3	814.5
Other current liabilities	368.7	399.8
Deferred revenue	846.6	788.1
Total current liabilities	10,146.7	9,229.5
Deferred revenue	120.3	143.4
Deferred tax liability, net	211.2	334.8
Deposits	4,564.7	3,718.9
Non-recourse borrowings of consolidated securitization entities	7,467.4	5,316.4
Long-term and other debt	5,948.3	4,786.9
Other liabilities	370.9	326.0
Total liabilities	28,829.5	23,855.9
Commitments and contingencies		
Stockholders’ equity:		
Common stock, $0.01 par value; authorized, 200.0 shares; issued, 112.8 shares and 112.5 shares at December 31, 2017 and December 31, 2016, respectively	1.1	1.1
Additional paid-in capital	3,099.8	3,046.1
Treasury stock, at cost, 57.4 shares and 55.1 shares at December 31, 2017 and December 31, 2016, respectively	(5,272.5)	(4,733.1)
Retained earnings	4,167.1	3,494.8
Accumulated other comprehensive loss	(140.2)	(150.7)
Total stockholders’ equity	1,855.3	1,658.2
Total liabilities and stockholders' equity	$ 30,684.8	$ 25,514.1

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2017	2016	2015
	(In millions, except per share amounts)		
Revenues			
Services	$ 2,612.2	$ 2,504.8	$ 2,540.1
Redemption	935.3	993.6	1,028.4
Finance charges, net	4,171.9	3,639.7	2,871.2
Total revenue	7,719.4	7,138.1	6,439.7
Operating expenses			
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	4,269.9	4,276.8	3,814.4
Provision for loan loss	1,140.1	940.5	668.2
General and administrative	166.3	143.2	138.5
Regulatory settlement	—	—	64.6
Depreciation and other amortization	183.1	167.1	142.1
Amortization of purchased intangibles	314.5	345.0	350.1
Total operating expenses	6,073.9	5,872.6	5,177.9
Operating income	1,645.5	1,265.5	1,261.8
Interest expense			
Securitization funding costs	156.6	125.6	97.1
Interest expense on deposits	125.1	84.7	53.6
Interest expense on long-term and other debt, net	282.7	218.2	179.5
Total interest expense, net	564.4	428.5	330.2
Income before income taxes	1,081.1	837.0	931.6
Provision for income taxes	292.4	319.4	326.2
Net income	$ 788.7	$ 517.6	$ 605.4
Less: Net income attributable to non-controlling interest	—	1.8	8.9
Net income attributable to common stockholders	$ 788.7	$ 515.8	$ 596.5
Net income attributable to common stockholders per share:			
Basic (Note 2)	$ 14.17	$ 7.37	$ 8.91
Diluted (Note 2)	$ 14.10	$ 7.34	$ 8.85
Weighted average shares:			
Basic (Note 2)	55.7	58.6	61.9
Diluted (Note 2)	55.9	58.9	62.3
Dividends declared per share:	$ 2.08	$ 0.52	$ —

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Net income	$ 788.7	$ 517.6	$ 605.4
Other comprehensive income (loss):			
Unrealized gain (loss) on securities available-for-sale	(7.3)	(1.7)	(2.9)
Tax benefit (expense)	0.2	0.2	0.1
Unrealized gain (loss) on securities available-for-sale, net of tax	(7.1)	(1.5)	(2.8)
Unrealized gain (loss) on cash flow hedges	(0.7)	(1.3)	(1.4)
Tax benefit (expense)	0.2	0.4	0.4
Unrealized gain (loss) on cash flow hedges, net of tax	(0.5)	(0.9)	(1.0)
Unrealized gain (loss) on net investment hedges	(72.3)	10.3	(3.8)
Tax benefit (expense)	26.2	(2.4)	—
Unrealized gain (loss) on net investment hedges, net of tax	(46.1)	7.9	(3.8)
Foreign currency translation adjustments	64.2	(18.9)	(54.2)
Other comprehensive income (loss), net of tax	10.5	(13.4)	(61.8)
Total comprehensive income, net of tax	$ 799.2	$ 504.2	$ 543.6
Less: Comprehensive income attributable to non-controlling interest	—	1.2	9.6
Comprehensive income attributable to common stockholders	$ 799.2	$ 503.0	$ 534.0

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
				(In millions)			
January 1, 2015	111.7	$ 1.1	$ 2,905.6	$(2,975.8)	$2,541.0	$ (75.5)	$ 2,396.4
Net income attributable to common stockholders	—	—	—	—	596.5	—	596.5
Accretion of non-controlling interest	—	—	—	—	(45.0)	—	(45.0)
Other comprehensive loss	—	—	—	—	—	(61.8)	(61.8)
Stock-based compensation	—	—	91.3	—	—	—	91.3
Repurchases of common stock	—	—	—	(951.6)	—	—	(951.6)
Other	0.4	—	(15.8)	—	—	—	(15.8)
December 31, 2015	112.1	$ 1.1	$ 2,981.1	$(3,927.4)	$3,092.5	$ (137.3)	$ 2,010.0
Net income attributable to common stockholders	—	—	—	—	515.8	—	515.8
Accretion of non-controlling interest	—	—	—	—	(83.5)	—	(83.5)
Other comprehensive loss	—	—	—	—	—	(13.4)	(13.4)
Stock-based compensation	—	—	76.5	—	—	—	76.5
Repurchases of common stock	—	—	—	(805.7)	—	—	(805.7)
Dividends on shares issued and outstanding	—	—	—	—	(30.0)	—	(30.0)
Other	0.4	—	(11.5)	—	—	—	(11.5)
December 31, 2016	112.5	$ 1.1	$ 3,046.1	$(4,733.1)	$3,494.8	$ (150.7)	$ 1,658.2
Net income attributable to common stockholders	—	—	—	—	788.7	—	788.7
Other comprehensive income	—	—	—	—	—	10.5	10.5
Stock-based compensation	—	—	75.1	—	—	—	75.1
Repurchases of common stock	—	—	(14.3)	(539.4)	—	—	(553.7)
Dividends on shares issued and outstanding	—	—	—	—	(115.5)	—	(115.5)
Dividend equivalent rights	—	—	—	—	(0.9)	—	(0.9)
Other	0.3	—	(7.1)	—	—	—	(7.1)
December 31, 2017	112.8	$ 1.1	$ 3,099.8	$(5,272.5)	$4,167.1	$ (140.2)	$ 1,855.3

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 788.7	$ 517.6	$ 605.4
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	497.6	512.1	492.2
Deferred income taxes	(113.8)	(30.8)	(121.3)
Provision for loan loss	1,140.1	940.5	668.2
Non-cash stock compensation	75.1	76.5	91.3
Amortization of deferred financing costs	44.0	34.7	31.5
Change in breakage rate estimate	—	284.5	—
Change in other operating assets and liabilities, net of acquisitions:			
Change in deferred revenue	(27.0)	(222.7)	(6.3)
Change in accounts receivable	(10.3)	(95.6)	8.3
Change in accounts payable and accrued expenses	167.4	(9.6)	121.2
Change in other assets	(10.4)	(171.0)	(113.0)
Change in other liabilities	(24.9)	138.5	37.1
Change in contingent liability	—	—	(99.6)
Originations of credit card and loan receivables held for sale	(8,709.4)	(7,366.3)	(6,579.9)
Sales of credit card and loan receivables held for sale	8,651.9	7,362.8	6,567.1
Other	140.6	143.2	57.6
Net cash provided by operating activities	2,609.6	2,114.4	1,759.8
CASH FLOWS FROM INVESTING ACTIVITIES:			
Change in redemption settlement assets	(243.1)	148.7	(22.4)
Change in restricted cash	(8.6)	7.3	(2.1)
Change in credit card and loan receivables	(3,600.2)	(3,505.4)	(2,872.0)
Purchase of credit card portfolios	—	(1,008.1)	(243.2)
Proceeds from sale of credit card and loan portfolios	797.7	486.0	26.9
Payments for acquired businesses, net of cash	(945.6)	—	(45.4)
Capital expenditures	(225.4)	(207.0)	(191.7)
Purchases of other investments	(101.4)	(18.4)	(38.8)
Maturities/sales of other investments	42.5	39.2	11.8
Other	(4.4)	(5.3)	14.3
Net cash used in investing activities	(4,288.5)	(4,063.0)	(3,362.6)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under debt agreements	7,696.7	3,823.7	3,087.4
Repayments of borrowings	(7,341.4)	(3,222.8)	(2,228.3)
Non-recourse borrowings of consolidated securitization entities	5,172.5	4,404.4	4,675.0
Repayments/maturities of non-recourse borrowings of consolidated securitization entities	(3,320.3)	(3,930.0)	(3,373.8)
Net increase in deposits	2,543.2	2,789.9	848.8
Payment of acquisition-related contingent consideration	—	—	(205.9)
Acquisition of non-controlling interest	—	(360.7)	(87.4)
Payment of deferred financing costs	(65.7)	(33.9)	(29.5)
Proceeds from issuance of common stock	18.4	18.4	18.0
Dividends paid	(115.5)	(30.0)	—
Purchase of treasury shares	(553.7)	(798.8)	(951.6)
Other	(29.3)	(22.8)	(33.8)
Net cash provided by financing activities	4,004.9	2,637.4	1,718.9
Effect of exchange rate changes on cash and cash equivalents	4.8	2.4	(25.3)
Change in cash and cash equivalents	2,330.8	691.2	90.8
Cash and cash equivalents at beginning of year	1,859.2	1,168.0	1,077.2
Cash and cash equivalents at end of year	$ 4,190.0	$ 1,859.2	$ 1,168.0
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	$ 551.4	$ 405.1	$ 311.4
Income taxes paid, net	$ 344.1	$ 466.6	$ 304.2

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of the Business—Alliance Data Systems Corporation ("ADSC" or, including its consolidated subsidiaries and variable interest entities, the "Company") is a leading global provider of data-driven marketing and loyalty solutions serving large, consumer-based businesses in a variety of industries. The Company offers a comprehensive portfolio of integrated outsourced marketing solutions, including customer loyalty programs, database marketing services, end-to-end marketing services, analytics and creative services, direct marketing services and private label and co-brand retail credit card programs. The Company focuses on facilitating and managing interactions between its clients and their customers through all consumer marketing channels, including in-store, online, email, social media, mobile, direct mail and telephone. The Company captures and analyzes data created during each customer interaction, leveraging the insight derived from that data to enable clients to identify and acquire new customers and enhance customer loyalty.

The Company operates in the following reportable segments: LoyaltyOne®, Epsilon®, and Card Services. LoyaltyOne provides coalition and short-term loyalty programs through the Canadian AIR MILES® Reward Program and BrandLoyalty Group B.V. ("BrandLoyalty"). Epsilon provides end-to-end, integrated direct marketing solutions that leverage transactional data to help clients more effectively acquire and build stronger relationships with their customers. Card Services encompasses credit card processing, billing and payment processing, customer care and collections services for private label retailers as well as private label and co-brand retail credit card and loan receivables financing, including securitization of certain credit card receivables that it underwrites from its private label and co-brand retail credit card programs.

Basis of Presentation—For purposes of comparability, certain prior period amounts have been reclassified to conform to the current year presentation in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Specifically, beginning in the first quarter of 2017, the Company combined its transaction, marketing services and other revenue to the financial statement line item caption "Services," as all of these items represent revenue from services. These reclassifications had no effect on previously reported total revenue or net income. Additionally, certain statement of cash flow reclassifications were made for the adoption of Accounting Standards Update ("ASU") 2016-09, "Improvements to Employee Share-Based Payment Accounting," and are disclosed in Note 2, "Summary of Significant Accounting Policies."

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation—The accompanying consolidated financial statements include the accounts of ADSC and all subsidiaries in which the Company has a controlling financial interest. Controlling financial interest is determined by a majority ownership interest and the absence of substantive third party participating rights. All intercompany transactions have been eliminated.

In accordance with Accounting Standards Codification ("ASC") 860, "Transfers and Servicing," and ASC 810, "Consolidation," the Company is the primary beneficiary of World Financial Network Credit Card Master Trust ("Master Trust"), World Financial Network Credit Card Master Note Trust ("Master Trust I") and World Financial Network Credit Card Master Trust III ("Master Trust III") (collectively, the "WFN Trusts"), and World Financial Capital Master Note Trust (the "WFC Trust"). The Company is deemed to be the primary beneficiary for the WFN Trusts and the WFC Trust, as it is the servicer for each of the trusts and is a holder of the residual interest. The Company, through its involvement in the activities of these trusts, has the power to direct the activities that most significantly impact the economic performance of such trusts, and the obligation (or right) to absorb losses (or receive benefits) of the trusts that could potentially be significant. As such, the Company consolidates these trusts in its consolidated financial statements.

For investments in any entities in which the Company owns 50% or less of the outstanding voting stock but in which the Company has significant influence over operating and financial decisions, the Company applies the equity method of accounting. In cases where the Company's equity investment is less than 20% and significant influence does not exist, such investments are carried at cost.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Cash and Cash Equivalents—The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Credit Card and Loan Receivables—The Company sells a majority of the credit card receivables originated by Comenity Bank to WFN Credit Company, LLC, which in turn sells them to the WFN Trusts as part of a securitization program. The Company also sells certain of its credit card receivables originated by Comenity Capital Bank to World Financial Capital Credit Company, LLC which in turn sells them to the WFC Trust. The credit card receivables sold to each of the trusts are restricted for securitization investors. Credit card and loan receivables consist of credit card and loan receivables held for investment. All new originations of credit card and loan receivables are deemed to be held for investment at origination because management has the intent and ability to hold them for the foreseeable future. Management makes judgments about the Company's ability to fund these credit card and loan receivables through means other than securitization, such as money market deposits, certificates of deposit and other borrowings. In determining what constitutes the foreseeable future, management considers the short average life and homogenous nature of the Company's credit card and loan receivables. In assessing whether these credit card and loan receivables continue to be held for investment, management also considers capital levels and scheduled maturities of funding instruments used. Management believes that the assertion regarding its intent and ability to hold credit card and loan receivables for the foreseeable future can be made with a high degree of certainty given the maturity distribution of the Company's money market deposits, certificates of deposit and other funding instruments; the historic ability to replace maturing certificates of deposits and other borrowings with new deposits or borrowings; and historic credit card payment activity. Due to the homogenous nature of the Company's credit card and loan receivables, amounts are classified as held for investment on an individual client portfolio basis.

Credit Card and Loan Receivables Held for Sale—Credit card and loan receivables held for sale are determined on an individual client portfolio basis. The Company carries these assets at the lower of aggregate cost or fair value. The fair value of the credit card and loan receivables held for sale is determined on an aggregate homogeneous portfolio basis. The Company continues to recognize finance fees on these credit card and loan receivables on the accrual basis. Cash flows associated with credit card portfolios that are purchased with the intent to sell are included in cash flows from operating activities. Cash flows associated with credit card and loan receivables originated or purchased for investment are classified as investing cash flows, regardless of a subsequent change in intent.

Transfers of Financial Assets—The Company accounts for transfers of financial assets under ASC 860, "Transfers and Servicing," as either sales or financings. Transfers of financial assets that result in sales accounting are those in which (1) the transfer legally isolates the transferred assets from the transferor, (2) the transferee has the right to pledge or exchange the transferred assets and no condition both constrains the transferee's right to pledge or exchange the assets and provides more than a trivial benefit to the transferor and (3) the transferor does not maintain effective control over the transferred assets. If the transfer of financial assets does not meet these criteria, the transfer is accounted for as a financing. Transfers of financial assets that are treated as sales are removed from the Company's accounts with any realized gain or loss reflected in earnings during the period of sale.

Allowance for Loan Loss—The Company maintains an allowance for loan loss at a level that is appropriate to absorb probable losses inherent in credit card and loan receivables. The allowance for loan loss covers forecasted uncollectible principal as well as unpaid interest and fees. The allowance for loan loss is evaluated monthly for appropriateness.

In estimating the allowance for principal loan losses, management utilizes a migration analysis of delinquent and current credit card and loan receivables. Migration analysis is a technique used to estimate the likelihood that a credit card or loan receivable will progress through the various stages of delinquency and to charge-off. The allowance is maintained through an adjustment to the provision for loan loss. Charge-offs of principal amounts, net of recoveries are deducted from the allowance.

In estimating the allowance for uncollectible unpaid interest and fees, the Company utilizes historical charge-off trends, analyzing actual charge-offs for the prior three months. The allowance is maintained through an adjustment to finance charges, net.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

In evaluating the allowance for loan loss for both principal and unpaid interest and fees, management also considers factors that may impact loan loss experience, including seasoning and growth, account collection strategies, economic conditions, bankruptcy filings, policy changes, payment rates and forecasting uncertainties.

Allowance for Doubtful Accounts—The Company analyzes the appropriateness of its allowance for doubtful accounts based on the Company's assessment of various factors, including historical experience, the age of the accounts receivable balance, customer creditworthiness, current economic trends, and changes in its customer payment terms and collection trends. Account balances are charged-off against the allowance after all reasonable means of collection have been exhausted and the potential for recovery is considered remote.

Redemption Settlement Assets, Restricted—The cash and investments related to the redemption fund for the AIR MILES Reward Program are subject to a security interest which is held in trust for the benefit of funding redemptions by collectors. These assets are restricted to funding rewards for the collectors by certain of the Company's sponsor contracts. The investments are stated at fair value, with the unrealized gains and losses, net of tax, reported as a component of accumulated other comprehensive loss as the investments are classified as available-for-sale.

Property and Equipment—Furniture, equipment, computer software and development, buildings and leasehold improvements are carried at cost, less accumulated depreciation and amortization. Land is carried at cost and is not depreciated. Depreciation and amortization for furniture, equipment and buildings, including capital leases, are computed on a straight-line basis, using estimated lives ranging from two to twenty-one years. Software development is capitalized in accordance with ASC 350-40, "Intangibles – Goodwill and Other – Internal–Use Software," and is amortized on a straight-line basis over the expected benefit period, which ranges from two to seven years. Leasehold improvements are amortized over the remaining lives of the respective leases or the remaining useful lives of the improvements, whichever is shorter. Long-lived assets are tested for impairment when events or conditions indicate that the carrying value of an asset may not be fully recoverable from future cash flows.

Goodwill and Other Intangible Assets—Goodwill and indefinite lived intangible assets are not amortized, but are reviewed at least annually for impairment or more frequently if circumstances indicate that an impairment is probable, using the market comparable and discounted cash flow methods.

Separable intangible assets that have finite useful lives are amortized over those useful lives. The Company also defers costs related to the acquisition or licensing of data for the Company's proprietary databases that are used in providing data products and services to customers. These costs are amortized over the useful life of the data, which ranges from one to five years.

Derivative Instruments—The Company uses derivatives to manage its exposure to various financial risks. The Company does not enter into derivatives for trading or other speculative purposes. Certain derivatives used to manage the Company's exposure to foreign currency exchange rate movements are not designated as hedges and do not qualify for hedge accounting.

Derivatives Designated as Hedging Instruments—The Company assesses both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in the hedging transaction, including net investment hedges, have been highly effective in offsetting changes in the cash flows or remeasurement of the hedged items and whether the derivatives may be expected to remain highly effective in future periods.

The Company discontinues hedge accounting prospectively when (1) it determines that the derivative is no longer highly effective in offsetting changes in cash flow of the hedged item; (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) it determines that designating the derivative as a hedging instrument is no longer appropriate.

Changes in the fair value of derivative instruments designated as hedging instruments, excluding any ineffective portion, are recorded in other comprehensive income (loss) until the hedged transactions affect net income. The ineffective portion of this hedging instrument is recognized through net income when the ineffectiveness occurs.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Derivatives not Designated as Hedging Instruments—Certain foreign currency exchange forward contracts are not designated as hedges as they do not meet the specific hedge accounting requirements of ASC 815, “Derivatives and Hedging.” Changes in the fair value of the derivative instruments not designated as hedging instruments are recorded in the consolidated statements of income as they occur.

Revenue Recognition—The Company’s policy follows the guidance from ASC 605, “Revenue Recognition,” and ASU 2009-13, “Multiple-Deliverable Revenue Arrangements,” which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements. The Company recognizes revenues when all of the following criteria are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) the service has been performed or the product has been delivered. Reimbursements related to travel and out-of-pocket expenses are also included in revenues. Taxes assessed on revenue-producing transactions described above are presented on a net basis, and are excluded from revenues.

Effective January 1, 2018, the Company adopted ASC 606, “Revenue from Contracts with Customers.” For additional information regarding the impact of the new revenue standard, see "Recently Issued Accounting Standards” below.

Services—For maintenance and service programs, revenue is recognized as services are provided. Revenue associated with a new database build is deferred until client acceptance. Upon acceptance, it is then recognized over the term of the related agreement as the services are provided. Revenues from the licensing of data are recognized upon delivery of the data to the customer in circumstances where no update or other obligations exist. Revenue from the licensing of data for which the Company is obligated to provide future updates is recognized on a straight-line basis over the license term.

Revenue from agency and creative services are typically billed based on time and materials or at a fixed price. If billed at a fixed price, revenue is recognized either on a proportional performance or completed contract basis as the services specified in the arrangement are performed or completed, respectively. The determination of proportional performance versus completed contract revenue recognition is dependent on the nature of the services specified in the arrangement.

The Company generates revenue from commission fees for transactions occurring on the Company’s affiliate marketing networks. Commission fee revenue is recognized on a net basis as the Company acts as an agent.

The Company earns transaction fees, which are principally based on the number of transactions processed and includes fee arrangements between either the Company and its clients, or the Company and its cardholders, which are recognized as such services are performed.

AIR MILES Reward Program—The AIR MILES Reward Program collects fees from its sponsors based on the number of AIR MILES reward miles issued and, in limited circumstances, the number of AIR MILES reward miles redeemed. Because management has determined that the earnings process is not complete at the time an AIR MILES reward mile is issued, the recognition of redemption and service revenue is deferred.

The fair value of each element is determined using the selling price hierarchy, which reflects management’s estimated selling price for that respective element. The Company determines its best estimate of selling price by considering multiple inputs and methods, including discounted cash flows, and the number of AIR MILES reward miles issued and expected to be redeemed. The Company estimates the selling prices and volumes over the term of the respective agreements in order to determine the allocation of proceeds to each of the multiple elements delivered.

Proceeds from the issuance of AIR MILES reward miles are allocated to three elements, the redemption element, the service element and the brand element, based on the relative selling price method.

Redemption revenue is recognized as the AIR MILES reward miles are redeemed; service revenue is recognized over the estimated life of an AIR MILES reward mile. The brand element is recognized as AIR MILES reward miles are

issued. Revenue associated with both the service and brand element is included in services revenue in the Company's consolidated statements of income.

The amount of revenue recognized in a period is subject to the estimate of breakage and the estimated life of an AIR MILES reward mile. Breakage and the life of an AIR MILES reward mile are based on management's estimate after viewing and analyzing various historical trends including vintage analysis, current run rates and other pertinent factors, such as the impact of macroeconomic factors and changes in the program structure. Throughout 2015, the Company's estimated breakage rate was 26%. In December 2016, the Company changed its estimate of breakage from 26% to 20%. Throughout 2017, the Company's estimated breakage rate was 20%. For additional information on the Company's change in estimate with respect to the breakage rate, see Note 13, "Deferred Revenue."

Throughout 2015 and 2016, the Company's estimated life of an AIR MILES reward mile was 42 months. During 2017, the Company changed its estimated life of a mile from 42 months to 38 months.

Redemption – short-term loyalty programs—Generally, for short-term loyalty programs, revenue is deferred until the consumer has redeemed the product from the retailer.

Finance charges, net—Finance charges, net represents revenue earned on customer accounts serviced by the Company, and is recognized in the period in which it is earned. The Company recognizes earned finance charges, interest income and fees on credit card and loan receivables in accordance with the contractual provisions of the credit arrangements. As discussed in Note 4, "Credit Card and Loan Receivables," interest and fees continue to accrue on all credit card accounts beyond 90 days, except in limited circumstances, until the credit card account balance and all related interest and other fees are paid or charged-off, typically at 180 days delinquent. Charge-offs for unpaid interest and fees as well as any adjustments to the allowance associated with unpaid interest and fees are recorded as a reduction to finance charges, net. Pursuant to ASC 310-20, "Receivables - Nonrefundable Fees and Other Costs," direct loan origination costs on credit card and loan receivables are deferred and amortized on a straight-line basis over a one-year period and recorded as a reduction to finance charges, net. As of December 31, 2017 and 2016, the remaining unamortized deferred costs related to loan origination were $45.5 million and $47.0 million, respectively.

Taxes assessed on revenue-producing transactions described above are presented on a net basis, and are excluded from revenues.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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 are based on the weighted average number of common and potentially dilutive common shares (dilutive stock options, unvested restricted stock and other dilutive securities outstanding during the year).

The following table sets forth the computation of basic and diluted net income per share for the periods indicated:

	Years Ended December 31,		
	2017	2016	2015
	(In millions, except per share amounts)		
Numerator:			
Net income attributable to common stockholders	$ 788.7	$ 515.8	$ 596.5
Less: Accretion of redeemable non-controlling interest	—	83.5	45.0
Net income attributable to common stockholders after accretion of redeemable non-controlling interest	$ 788.7	$ 432.3	$ 551.5
Denominator:			
Weighted average shares, basic	55.7	58.6	61.9
Weighted average effect of dilutive securities:			
Net effect of dilutive stock options and unvested restricted stock	0.2	0.3	0.4
Denominator for diluted calculation	55.9	58.9	62.3
Net income attributable to common stockholders per share:			
Basic	$ 14.17	$ 7.37	$ 8.91
Diluted	$ 14.10	$ 7.34	$ 8.85

For the years ended December 2016 and 2015, the Company adjusted the carrying amount of the redeemable non-controlling interest by $83.5 million and $45.0 million, respectively. Effective April 1, 2016, the Company acquired the remaining 20% interest in BrandLoyalty to bring its ownership percentage to 100%.

For the years ended December 31, 2017, 2016 and 2015, a de minimis amount of restricted stock units was excluded from each calculation of weighted average dilutive common shares as the effect would have been anti-dilutive.

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, primarily from Canadian dollars and Euros. 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 included in accumulated other comprehensive loss. The Company recognized $9.7 million in net foreign currency transaction losses for the year ended December 31, 2017. Additionally, the Company recognized $1.9 million and $6.3 million in net foreign currency transaction gains for the years ended December 31, 2016 and 2015, respectively.

Leases —Rent expense on operating leases is recorded on a straight-line basis over the term of the lease agreement and includes executory costs.

Marketing and Advertising Costs—The Company participates in various marketing and advertising programs, including collaborative arrangements with certain clients. The cost of marketing and advertising programs is expensed in the period incurred. The Company has recognized marketing and advertising expenses, including on behalf of its clients, of $263.2 million, $277.0 million and $251.0 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Stock Compensation Expense—The Company accounts for stock-based compensation in accordance with ASC 718, "Compensation – Stock Compensation." Under the fair value recognition provisions, stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized ratably over the requisite service period.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Management Estimates—The preparation of financial statements in conformity with GAAP 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.

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, "Revenue from Contracts with Customers (ASC 606)," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. Companies may adopt ASC 606 using a full retrospective or modified retrospective method. On July 9, 2015, the FASB voted to defer the effective date by one year to December 15, 2017 for interim and annual reporting periods beginning after that date and to permit early adoption of the standard, but not before the original effective date of December 15, 2016. The Company adopted the standard on January 1, 2018 using a modified retrospective method.

ASC 606 does not apply to financial instruments and other contractual rights or obligations (for example, interest income and late fees from credit card and loan receivables), and therefore, the Company's finance charges, net were not affected by the adoption of the standard.

During 2017, the Company completed its evaluation of ASC 606, including the impact on its processes and controls, and differences in the timing and/or method of revenue recognition. As a result, the Company identified changes to and modified certain of its accounting policies and practices. Although there were no significant changes to the Company's accounting systems or controls upon adoption of ASC 606, the Company modified certain of its existing controls to incorporate the revisions made to its accounting policies and practices. Based on the evaluation of ASC 606, the Company does not expect it to have a material impact on its results of operations or cash flows in the periods after adoption. Most revenue streams will be recorded consistently under both the current and new standard; however, the Company noted the following impacts:

Under ASC 605, "Revenue Recognition," revenue associated with a new database build was deferred until client acceptance. Upon acceptance, it was then recognized over the term of the related agreement as the services are provided. Upon the adoption of ASC 606, because the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date; revenue will be recognized over the period in which the database is completed. The cumulative effect of the changes made to the consolidated January 1, 2018 balance sheet for the adoption of the ASC 606 resulted in an increase in unbilled accounts receivable and accrued expenses, a reduction in deferred costs and deferred revenue and a net increase in retained earnings as follows:

Consolidated Balance Sheet	**Balance at December 31, 2017**	**Adjustments due to ASC 606**	**Balance at January 1, 2018**
		(In millions)	
Accounts receivable, net	$ 822.3	$ 22.4	$ 844.7
Other current assets	348.9	(16.6)	332.3
Other non-current assets	656.5	(20.9)	635.6
Total Assets:	1,827.7	(15.1)	1,812.6
Accrued expenses	442.8	3.2	446.0
Other current liabilities	368.7	(14.3)	354.4
Other liabilities	370.9	(13.6)	357.3
Total Liabilities:	1,182.4	(24.7)	1,157.7
Retained earnings	4,167.1	9.6	4,176.7

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

In addition, ASC 606 will impact the presentation of revenue within the Company's coalition loyalty program. Upon the adoption of ASC 606, for the fulfillment of certain rewards where the AIR MILES Reward Program does not control the goods or services before they are transferred to the collector, revenue will be recorded on a net basis.

ASC 606 also requires expanded disclosure regarding the nature, timing, and uncertainty of revenue transactions. The Company has evaluated these disclosure requirements and incorporated the collection of relevant data into its reporting process. These disclosures will be reflected beginning in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities." ASU 2016-01 requires that equity investments be measured at fair value with changes in fair value recognized in net income. For equity investments without readily determinable fair values, entities have the option to either measure these investments at fair value or at cost adjusted for changes in observable prices minus impairment. Additionally, ASU 2016-01 requires entities that elect the fair value option for financial liabilities to recognize changes in fair value related to instrument-specific credit risk in other comprehensive income. Finally, entities must assess valuation allowances for deferred tax assets related to available-for-sale debt securities in combination with their other deferred tax assets. ASU 2016-01 is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. The adoption of ASU 2016-01 resulted in a cumulative-effect adjustment of $1.5 million that was reclassified from accumulated other comprehensive loss to retained earnings on the consolidated January 1, 2018 balance sheet.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," that replaces existing lease guidance. The new standard is intended to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet. The new guidance will continue to classify leases as either finance or operating, with classification affecting the pattern of expense recognition in the statements of income. ASU 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. The new standard is required to be applied with a modified retrospective approach to each prior reporting period presented with various optional practical expedients. The Company is evaluating the impact that adoption of ASU 2016-02 will have on its consolidated financial statements and expects there will be an increase in assets and liabilities on its consolidated balance sheets at adoption due to the recording of right-of-use assets and corresponding lease liabilities.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU 2016-13 requires entities to utilize a financial instrument impairment model that is based on expected losses over the life of the exposure rather than a model based on an incurred loss approach to establish an allowance. ASU 2016-13 also expands the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance. In addition, ASU 2016-13 modifies the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted beginning after December 15, 2018. The Company is evaluating the impact that adoption of ASU 2016-13 will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 will make eight targeted changes to how certain cash receipts and cash payments are presented and classified in the statements of cash flows. ASU 2016-15 is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. The Company does not expect the adoption of ASU 2016-15 to have a material impact on its consolidated statements of cash flows.

In November 2016, the FASB issued ASU 2016-18, "Restricted Cash." ASU 2016-18 requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statements of cash flows. ASU 2016-18 is effective for interim and annual reporting periods beginning after December 15, 2017, with early adoption permitted. The adoption of ASU 2016-18 will result in changes to the Company's consolidated statements of cash flows such that restricted cash amounts will be included in the beginning-of-period and end-of-period cash and cash equivalents totals.

In August 2017, the FASB issued ASU 2017-12, “Targeted Improvements to Accounting for Hedging Activities.” ASU 2017-12 expands and refines the hedge accounting model for both financial and non-financial risk components, aligns the recognition and presentation of the effects of hedging instruments and hedged items in the financial statements, and makes certain targeted improvements to simplify the application of hedge accounting guidance related to the assessment of hedge effectiveness. ASU 2017-12 is effective for interim and annual reporting periods beginning after December 15, 2018, with early adoption permitted. The Company is evaluating the impact that adoption of ASU 2017-12 will have on its consolidated financial statements.

Recently Adopted Accounting Standards

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory." ASU 2015-11 changes the measurement principle for inventory from the lower of cost or market to the lower of cost and net realizable value. Net realizable value is defined as the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company prospectively adopted this standard as of January 1, 2017. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting.” ASU 2016-09 simplifies certain aspects of share-based transactions, including income tax consequences, forfeitures, classification of awards as either equity or liabilities and classification in the statement of cash flows. ASU 2016-09 is effective for interim and annual reporting periods beginning after December 15, 2016, with early adoption permitted. The Company adopted this standard as of January 1, 2017. The adoption of this standard did not have a material impact on the Company’s provision for income taxes or diluted earnings per share for the year ending December 31, 2017. The Company’s retrospective adoption of the presentation requirements for cash flows related to employee taxes paid for withheld shares resulted in an increase in cash flows from operating activities and a decrease in cash flows from financing activities of $26.0 million and $54.0 million for the years ended December 31, 2016 and 2015, respectively. The Company prospectively adopted the presentation requirements for cash flows related to excess tax benefits, and prior period amounts were not adjusted. Further, the Company elected to continue to estimate forfeitures at each grant date.

3. ACQUISITIONS

2017 Acquisitions:

On October 20, 2017, the Company acquired credit card receivables and the associated accounts and assumed a portion of an existing customer care operation, including a facility sublease agreement and approximately 250 employees, from Signet Jewelers Limited (“Signet”) for cash consideration of approximately $945.6 million. This acquisition increases the Company’s presence in the jewelry vertical. The Company determined these acquired activities and assets constituted a business under ASC 805, “Business Combinations,” based on the nature of the inputs, processes and outputs acquired from the transaction. In addition, the parties entered into a long-term agreement under which the Company became the primary issuer of private-label credit cards and related marketing services for Signet. The Company obtained control of the assets and assumed the liabilities on October 20, 2017, and the results of operations have been included since the date of acquisition in the Company’s Card Services segment.

The Company engaged a third party specialist to assist it in the measurement of the fair value of the assets acquired. The fair value of the assets acquired exceeded the cost of the acquisition. Consequently, the Company reassessed the recognition and measurement of the identifiable assets acquired and liabilities assumed and concluded that the valuation procedures and resulting measures were appropriate. The excess value of the net assets acquired over the purchase price of $7.9 million has been recorded as a bargain purchase gain, which is included in cost of operations in the Company’s consolidated statements of income.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The following table summarizes the fair values of the assets acquired and the liabilities assumed in the Signet acquisition as of October 20, 2017:

	As of October 20, 2017
	(In millions)
Credit card receivables	$ 906.3
Intangible assets	52.3
Total assets acquired	958.6
Other liabilities	0.2
Deferred tax liability	4.9
Total liabilities assumed	5.1
Net assets acquired	$ 953.5
Total consideration paid	945.6
Gain on business combination	$ 7.9

4. CREDIT CARD AND LOAN RECEIVABLES

The Company's credit card and loan receivables are the only portfolio segment or class of financing receivables. Quantitative information about the components of credit card and loan receivables is presented in the table below:

	December 31, 2017	December 31, 2016
	(In millions)	
Principal receivables	$ 17,705.1	$ 15,754.0
Billed and accrued finance charges	887.0	708.6
Other	21.7	81.3
Total credit card and loan receivables	18,613.8	16,543.9
Less: Credit card receivables – restricted for securitization investors	14,293.9	11,437.1
Other credit card and loan receivables	$ 4,319.9	$ 5,106.8

Allowance for Loan Loss

The Company maintains an allowance for loan loss at a level that is appropriate to absorb probable losses inherent in credit card and loan receivables. The allowance for loan loss covers forecasted uncollectible principal as well as unpaid interest and fees. The allowance for loan loss is evaluated monthly for appropriateness.

The following table presents the Company's allowance for loan loss for the years indicated:

	Years Ended December 31,		
	2017	2016	2015
		(In millions)	
Balance at beginning of year	$ 948.0	$ 741.6	$ 570.2
Provision for loan loss	1,140.1	940.5	668.2
Allowance associated with credit card and loan receivables transferred to held for sale	(27.9)	(31.1)	—
Change in estimate for uncollectible unpaid interest and fees	30.0	20.0	15.5
Recoveries	196.6	255.5	198.3
Principal charge-offs	(1,167.5)	(978.5)	(710.6)
Balance at end of year	$ 1,119.3	$ 948.0	$ 741.6

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Net charge-offs include the principal amount of losses from credit cardholders unwilling or unable to pay their account balances, as well as bankrupt and deceased credit cardholders, less recoveries and exclude charged-off interest, fees and fraud losses. Charged-off interest and fees reduce finance charges, net while fraud losses are recorded as an expense. Credit card and loan receivables, including unpaid interest and fees, are charged-off in the month during which an account becomes 180 days contractually past due, except in the case of customer bankruptcies or death. Credit card and loan receivables, including unpaid interest and fees, associated with customer bankruptcies or death are charged-off in each month subsequent to 60 days after the receipt of notification of the bankruptcy or death, but in any case, not later than the 180-day contractual time frame.

The Company records the actual charge-offs for unpaid interest and fees as a reduction to finance charges, net. For the years ended December 31, 2017, 2016 and 2015, actual charge-offs for unpaid interest and fees were $653.2 million, $511.7 million and $374.3 million, respectively.

Delinquencies

A credit card account is contractually delinquent if the Company does not receive the minimum payment by the specified due date on the cardholder's statement. It is the Company's policy to continue to accrue interest and fee income on all credit card accounts beyond 90 days, except in limited circumstances, until the credit card account balance and all related interest and other fees are paid or charged-off, typically at 180 days delinquent. When an account becomes delinquent, a message is printed on the credit cardholder's billing statement requesting payment. After an account becomes 30 days past due, a proprietary collection scoring algorithm automatically scores the risk of the account becoming further delinquent. The collection system then recommends a collection strategy for the past due account based on the collection score and account balance and dictates the contact schedule and collections priority for the account. If the Company is unable to make a collection after exhausting all in-house collection efforts, the Company may engage collection agencies and outside attorneys to continue those efforts.

The following table presents the delinquency trends of the Company's credit card and loan receivables portfolio:

	December 31, 2017	% of Total	December 31, 2016	% of Total
	(In millions, except percentages)			
Receivables outstanding - principal	$ 17,705.1	100.0 %	$ 15,754.0	100.0 %
Principal receivables balances contractually delinquent:				
31 to 60 days	301.5	1.7 %	249.8	1.6 %
61 to 90 days	191.3	1.1	169.3	1.1
91 or more days	409.6	2.3	337.8	2.1
Total	$ 902.4	5.1 %	$ 756.9	4.8 %

The practice of re-aging an account may affect credit card loan delinquencies and charge-offs. A re-age of an account is intended to assist delinquent cardholders who have experienced financial difficulties but who demonstrate both an ability and willingness to repay the amounts due. Accounts meeting specific defined criteria are re-aged when the cardholder makes one or more consecutive payments aggregating a certain pre-defined amount of their account balance. With re-aging, the outstanding balance of a delinquent account is returned to a current status. For the years ended December 31, 2017, 2016 and 2015, the Company's re-aged accounts represented 1.4%, 1.4% and 1.3%, respectively, of total credit card and loan receivables for each period and thus do not have a significant impact on the Company's delinquencies or net charge-offs. The Company's re-aging practices comply with regulatory guidelines.

Modified Credit Card Receivables

The Company holds certain credit card receivables for which the terms have been modified. The Company's modified credit card receivables include credit card receivables for which temporary hardship concessions have been granted and credit card receivables in permanent workout programs. These modified credit card receivables include concessions consisting primarily of a reduced minimum payment and an interest rate reduction. The temporary programs' concessions remain in place for a period no longer than twelve months, while the permanent programs remain in place through the payoff of the credit card receivables if the credit cardholder complies with the terms of the program.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

These concessions do not include the forgiveness of unpaid principal, but may involve the reversal of certain unpaid interest or fee assessments. In the case of the temporary programs, at the end of the concession period, credit card receivable terms revert to standard rates. These arrangements are automatically terminated if the customer fails to make payments in accordance with the terms of the program, at which time their account reverts back to its original terms.

Credit card receivables for which temporary hardship and permanent concessions were granted are each considered troubled debt restructurings and are collectively evaluated for impairment. Modified credit card receivables are evaluated at their present value with impairment measured as the difference between the credit card receivable balance and the discounted present value of cash flows expected to be collected. Consistent with the Company's measurement of impairment of modified credit card receivables on a pooled basis, the discount rate used for credit card receivables is the average current annual percentage rate the Company applies to non-impaired credit card receivables, which approximates what would have been applied to the pool of modified credit card receivables prior to impairment. In assessing the appropriate allowance for loan loss, these modified credit card receivables are included in the general pool of credit card receivables with the allowance determined under the contingent loss model of ASC 450-20, "Loss Contingencies." If the Company applied accounting under ASC 310-40, "Troubled Debt Restructurings by Creditors," to the modified credit card receivables in these programs, there would not be a material difference in the allowance for loan loss.

The Company had $260.2 million and $216.5 million, respectively, as a recorded investment in impaired credit card receivables with an associated allowance for loan loss of $56.1 million and $46.4 million, respectively, as of December 31, 2017 and 2016. These modified credit card receivables represented less than 2% of the Company's total credit card receivables as of both December 31, 2017 and 2016. The average recorded investment in the impaired credit card receivables was $230.4 million and $192.3 million for the years ended December 31, 2017 and 2016, respectively.

Interest income on these modified credit card receivables is accounted for in the same manner as other accruing credit card receivables. Cash collections on these modified credit card receivables are allocated according to the same payment hierarchy methodology applied to credit card receivables that are not in such programs. The Company recognized $19.7 million, $18.9 million and $14.8 million for the years ended December 31, 2017, 2016 and 2015, respectively, in interest income associated with modified credit card receivables during the period that such credit card receivables were impaired.

The following tables provide information on credit card receivables that are considered troubled debt restructurings as described above, which entered into a modification program during the specified periods:

	Year Ended December 31, 2017			Year Ended December 31, 2016		
	Number of Restructurings	Pre-modification Outstanding Balance	Post-modification Outstanding Balance	Number of Restructurings	Pre-modification Outstanding Balance	Post-modification Outstanding Balance
		(Dollars in millions)			(Dollars in millions)	
Troubled debt restructurings – credit card receivables	201,772	$ 261.1	$ 260.7	204,002	$ 246.0	$ 245.7

The tables below summarize troubled debt restructurings that have defaulted in the specified periods where the default occurred within 12 months of their modification date:

	Year Ended December 31, 2017		Year Ended December 31, 2016	
	Number of Restructurings	Outstanding Balance	Number of Restructurings	Outstanding Balance
		(Dollars in millions)		
Troubled debt restructurings that subsequently defaulted – credit card receivables	98,863	$ 120.0	102,598	$ 114.7

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Age of Credit Card and Loan Receivable Accounts

The following tables set forth, as of December 31, 2017 and 2016, the number of active credit card and loan receivable accounts with balances and the related principal balances outstanding, based upon the age of the active credit card and loan receivable accounts from origination:

	December 31, 2017			
Age of Accounts Since Origination	Number of Active Accounts with Balances	Percentage of Active Accounts with Balances	Principal Receivables Outstanding	Percentage of Principal Receivables Outstanding
	(In millions, except percentages)			
0-12 Months	7.4	27.3 %	$ 4,110.0	23.2 %
13-24 Months	4.5	16.4	3,011.3	17.0
25-36 Months	3.2	11.7	2,357.1	13.3
37-48 Months	2.4	8.8	1,837.0	10.4
49-60 Months	1.7	6.3	1,280.8	7.2
Over 60 Months	8.1	29.5	5,108.9	28.9
Total	27.3	100.0 %	$ 17,705.1	100.0 %

	December 31, 2016			
Age of Accounts Since Origination	Number of Active Accounts with Balances	Percentage of Active Accounts with Balances	Principal Receivables Outstanding	Percentage of Principal Receivables Outstanding
	(In millions, except percentages)			
0-12 Months	7.3	28.5 %	$ 3,896.9	24.8 %
13-24 Months	4.1	15.8	2,618.2	16.6
25-36 Months	3.0	11.6	2,050.8	13.0
37-48 Months	2.0	8.0	1,436.8	9.1
49-60 Months	1.5	5.9	1,021.7	6.5
Over 60 Months	7.7	30.2	4,729.6	30.0
Total	25.6	100.0 %	$ 15,754.0	100.0 %

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Credit Quality

The Company uses proprietary scoring models developed specifically for the purpose of monitoring the Company's obligor credit quality. The proprietary scoring models are used as a tool in the underwriting process and for making credit decisions. The proprietary scoring models are based on historical data and require various assumptions about future performance, which the Company updates periodically. Information regarding customer performance is factored into these proprietary scoring models to determine the probability of an account becoming 91 or more days past due at any time within the next 12 months. Obligor credit quality is monitored at least monthly during the life of an account. The following table reflects the composition of the Company's credit card and loan receivables by obligor credit quality as of December 31, 2017 and 2016:

Probability of an Account Becoming 91 or More Days Past Due or Becoming Charged-off (within the next 12 months)	December 31, 2017		December 31, 2016	
	Total Principal Receivables Outstanding	Percentage of Principal Receivables Outstanding	Total Principal Receivables Outstanding	Percentage of Principal Receivables Outstanding
	(In millions, except percentages)			
No Score	$ 210.6	1.2 %	$ 183.8	1.2 %
27.1% and higher	1,330.5	7.5	1,168.0	7.4
17.1% - 27.0%	850.5	4.8	761.1	4.8
12.6% - 17.0%	1,137.7	6.4	820.9	5.2
3.7% - 12.5%	7,449.7	42.1	5,770.8	36.6
1.9% - 3.6%	3,286.9	18.6	3,444.9	21.9
Lower than 1.9%	3,439.2	19.4	3,604.5	22.9
Total	$ 17,705.1	100.0 %	$ 15,754.0	100.0 %

Transfer of Financial Assets

The Company originates loans under an agreement with one of its clients, and after origination, these loan receivables are sold to the client at par value plus accrued interest. These transfers qualify for sale treatment as they meet the conditions established in ASC 860-10, "Transfers and Servicing." Following the sale, the client owns the loan receivables, bears the risk of loss in the event of loan defaults and is responsible for all servicing functions related to the loan receivables. The loan receivables originated by the Company that have not yet been sold to the client were $126.9 million and $67.6 million at December 31, 2017 and 2016, respectively, and are included in credit card and loan receivables held for sale in the Company's consolidated balance sheets and carried at the lower of cost or fair value. The carrying value of these loan receivables approximates fair value due to the short duration between the date of origination and sale. Originations and sales of these loan receivables held for sale are reflected as operating activities in the Company's consolidated statements of cash flows.

Upon the client's purchase of the originated loan receivables, the Company was obligated to purchase a participating interest in a pool of loan receivables that included the loan receivables originated by the Company. Such interest participated on a pro rata basis in the cash flows of the underlying pool of loan receivables, including principal repayments, finance charges, losses and recoveries. The Company assumed the risk of loss related to its participation interest in this pool.

During the years ended December 31, 2017 and 2016, the Company purchased $415.9 and $368.0 million of loan receivables under these agreements, respectively. In December 2017, the Company sold its participating interest loan receivables for approximately $353.6 million and recognized a de minimis gain on sale. The outstanding balance of these loan receivables was $282.6 million as of December 31, 2016 and was included in other credit card and loan receivables in the Company's consolidated balance sheets.

Portfolios Held for Sale

The Company has certain credit card portfolios held for sale, which are carried at the lower of cost or fair value, and were $899.4 million and $349.7 million as of December 31, 2017 and December 31, 2016, respectively.

During the year ended December 31, 2017, the Company transferred seven credit card portfolios and one loan portfolio totaling approximately $1.4 billion into credit card and loan receivables held for sale. The portfolios were transferred at the net carrying amount, inclusive of the related reserves for losses of $27.9 million, which approximates the lower of cost or fair value and which is the measurement basis until the sale of the portfolios. The Company received preliminary cash consideration of approximately $797.7 million from the sale of two credit card and loan portfolios, and the Company recognized total gains of $23.3 million for the year ended December 31, 2017.

During the year ended December 31, 2016, the Company transferred four credit card portfolios totaling approximately $748.1 million into credit card and loan receivables held for sale. The portfolios were transferred at the net carrying amount, inclusive of the related reserves for losses of $31.1 million, which approximates the lower of cost or fair value and which is the measurement basis until the sale of the portfolios. The Company received proceeds of approximately $486.0 million from the sale of three credit card portfolios, and the Company recognized total gains of $9.2 million for the year ended December 31, 2016.

Portfolio Acquisitions

During the year ended December 31, 2017, the Company acquired approximately $906.3 million of credit card receivables in connection with the Signet acquisition. For more information, see Note 3, “Acquisitions.”

During the year ended December 31, 2016, the Company acquired five credit card portfolios for cash consideration of approximately $1.0 billion, which consisted of approximately $913.2 million of credit card receivables, $102.3 million of intangible assets and a rewards liability of $7.4 million.

Securitized Credit Card Receivables

The Company regularly securitizes its credit card receivables through its credit card securitization trusts, consisting of the WFN Trusts and the WFC Trust. The Company continues to own and service the accounts that generate credit card receivables held by the WFN Trusts and the WFC Trust. In its capacity as a servicer, each of the respective banks earns a fee from the WFN Trusts and the WFC Trust to service and administer the credit card receivables, collect payments and charge-off uncollectible receivables. These fees are eliminated and therefore are not reflected in the consolidated statements of income for the years ended December 31, 2017, 2016 and 2015.

The WFN Trusts and the WFC Trust are VIEs and the assets of these consolidated VIEs include certain credit card receivables that are restricted to settle the obligations of those entities and are not expected to be available to the Company or its creditors. The liabilities of the consolidated VIEs include non-recourse secured borrowings and other liabilities for which creditors or beneficial interest holders do not have recourse to the general credit of the Company.

During the initial phase 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 to the investors or held in an account until it accumulates to the total amount due, at which time it is paid to the investors in a lump sum.

The Company is required to maintain minimum interests ranging from 4% to 10% of the securitized credit card receivables. This requirement is met through seller’s interest and is supplemented through excess funding deposits. Excess funding deposits represent cash amounts deposited with the trustee of the securitizations.

Cash collateral, restricted deposits are generally released proportionately as investors are repaid, although some cash collateral, restricted deposits are released only when investors have been paid in full. None of the cash collateral, restricted deposits were required to be used to cover losses on securitized credit card receivables in the years ended December 31, 2017, 2016 and 2015, respectively.

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The tables below present quantitative information about the components of total securitized credit card receivables, delinquencies and net charge-offs:

	December 31, 2017	December 31, 2016
	(In millions)	
Total credit card receivables – restricted for securitization investors	$ 14,293.9	$ 11,437.1
Principal amount of credit card receivables – restricted for securitization investors, 91 days or more past due	$ 295.0	$ 236.5

	Years Ended December 31,		
	2017	2016	2015
Net charge-offs of securitized principal	$ 741.1	$ 583.8	$ 407.4

5. INVENTORIES, NET

Inventories, net of $234.1 million and $271.3 million at December 31, 2017 and 2016, respectively, primarily consist of finished goods to be utilized as rewards in the Company's loyalty programs.

Inventories, net are stated at the lower of cost and net realizable value and valued primarily on a first-in-first-out basis. The Company records valuation adjustments to its inventories if the cost of inventory exceeds the amount it expects to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future market conditions and an analysis of historical experience.

6. OTHER INVESTMENTS

Other investments consist of marketable securities and U.S. Treasury bonds and are included in other current assets and other non-current assets in the Company's consolidated balance sheets. The principal components of other investments, which are carried at fair value, are as follows:

	December 31, 2017				December 31, 2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)							
Marketable securities	$ 207.3	$ 0.2	$ (2.5)	$ 205.0	$ 124.5	$ 0.2	$ (2.4)	$ 122.3
U.S. Treasury bonds	50.0	—	(0.1)	49.9	75.0	0.3	—	75.3
Total	$ 257.3	$ 0.2	$ (2.6)	$ 254.9	$ 199.5	$ 0.5	$ (2.4)	$ 197.6

The following tables show the unrealized losses and fair value for those investments that were in an unrealized loss position as of December 31, 2017 and 2016, aggregated by investment category and the length of time that individual securities have been in a continuous loss position:

	December 31, 2017					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In millions)					
Marketable securities	$ 104.5	$ (0.9)	$ 67.3	$ (1.6)	$ 171.8	$ (2.5)
U.S. Treasury bonds	49.9	(0.1)	—	—	49.9	(0.1)
Total	$ 154.4	$ (1.0)	$ 67.3	$ (1.6)	$ 221.7	$ (2.6)

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

	December 31, 2016					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In millions)					
Marketable securities	$ 75.3	$ (2.0)	$ 12.4	$ (0.4)	$ 87.7	$ (2.4)
Total	$ 75.3	$ (2.0)	$ 12.4	$ (0.4)	$ 87.7	$ (2.4)

The amortized cost and estimated fair value of the marketable securities and U.S. Treasury bonds at December 31, 2017 by contractual maturity are as follows:

	Amortized Cost	Fair Value
	(In millions)	
Due in one year or less	$ 39.3	$ 39.0
Due after one year through five years	27.8	27.8
Due after five years through ten years	—	—
Due after ten years	190.2	188.1
Total	$ 257.3	$ 254.9

Market values were determined for each individual security in the investment portfolio. When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the security's issuer, and the Company's intent to sell the security and whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. The Company typically invests in highly-rated securities with low probabilities of default and has the intent and ability to hold the investments until maturity. As of December 31, 2017, the Company does not consider the investments to be other-than-temporarily impaired.

There were no realized gains or losses from the sale of investment securities for the years ended December 31, 2017, 2016 and 2015.

7. REDEMPTION SETTLEMENT ASSETS

Redemption settlement assets consist of restricted cash and securities available-for-sale and are designated for settling redemptions by collectors of the AIR MILES Reward Program in Canada under certain contractual relationships with sponsors of the AIR MILES Reward Program. The principal components of redemption settlement assets, which are carried at fair value, are as follows:

	December 31, 2017				December 31, 2016			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In millions)							
Restricted cash	$ 74.3	$ —	$ —	$ 74.3	$ 58.1	$ —	$ —	$ 58.1
Mutual funds	27.3	—	(1.3)	26.0	25.7	—	(0.2)	25.5
Corporate bonds	495.0	—	(5.8)	489.2	241.0	0.4	(0.6)	240.8
Total	$ 596.6	$ —	$ (7.1)	$ 589.5	$ 324.8	$ 0.4	$ (0.8)	$ 324.4

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The following tables show the unrealized losses and fair value for those investments that were in an unrealized loss position as of December 31, 2017 and 2016, respectively, aggregated by investment category and the length of time that individual securities have been in a continuous loss position:

	December 31, 2017					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In millions)					
Mutual funds	$ 26.0	$ (1.3)	$ —	$ —	$ 26.0	$ (1.3)
Corporate bonds	328.0	(3.7)	161.2	(2.1)	489.2	(5.8)
Total	$ 354.0	$ (5.0)	$ 161.2	$ (2.1)	$ 515.2	$ (7.1)

	December 31, 2016					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In millions)					
Mutual funds	$ 25.5	$ (0.2)	$ —	$ —	$ 25.5	$ (0.2)
Corporate bonds	111.2	(0.6)	—	—	111.2	(0.6)
Total	$ 136.7	$ (0.8)	$ —	$ —	$ 136.7	$ (0.8)

The amortized cost and estimated fair value of the securities at December 31, 2017 by contractual maturity are as follows:

	Amortized Cost	Estimated Fair Value
	(In millions)	
Due in one year or less	$ 119.3	$ 117.9
Due after one year through five years	403.0	397.3
Total	$ 522.3	$ 515.2

Market values were determined for each individual security in the investment portfolio. When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the security's issuer, and the Company's intent to sell the security and whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. The Company typically invests in highly-rated securities with low probabilities of default and has the intent and ability to hold the investments until maturity. As of December 31, 2017, the Company does not consider the investments to be other-than-temporarily impaired.

For the year ended December 31, 2017, realized gains and losses from the sale of investment securities were de minimis. There were no realized gains or losses from the sale of investment securities for the years ended December 31, 2016 and 2015.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2017	December 31, 2016
	(In millions)	
Computer software and development	$ 823.0	$ 739.8
Furniture and equipment	387.3	342.5
Land, buildings and leasehold improvements	177.7	140.7
Capital leases	13.1	6.8
Construction in progress	76.5	74.6
Total	1,477.6	1,304.4
Accumulated depreciation	(863.7)	(718.4)
Property and equipment, net	$ 613.9	$ 586.0

Depreciation expense totaled $101.2 million, $97.7 million and $86.1 million for the years ended December 31, 2017, 2016 and 2015, respectively, and includes purchased software and amortization of capital leases. Amortization expense on capitalized software totaled $115.5 million, $104.9 million and $94.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

As of December 31, 2017 and 2016, the net amount of unamortized capitalized software costs included in the consolidated balance sheets was $229.5 million and $243.5 million, respectively.

9. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

Intangible assets consist of the following:

	December 31, 2017			
	Gross Assets	Accumulated Amortization	Net	Amortization Life and Method
	(In millions)			
Finite Lived Assets				
Customer contracts and lists	$ 1,143.5	$ (625.5)	$ 518.0	3-12 years—straight line
Premium on purchased credit card portfolios	321.6	(147.8)	173.8	3-13 years—straight line
Customer database	63.6	(63.6)	—	3 years—straight line
Collector database	55.6	(53.5)	2.1	5 years—straight line
Publisher networks	140.2	(84.4)	55.8	5-7 years—straight line
Tradenames	77.3	(46.8)	30.5	8-15 years—straight line
Purchased data lists	11.3	(6.2)	5.1	1-5 years—straight line, accelerated
Favorable lease	6.0	(3.1)	2.9	6-10 years—straight line
	$ 1,819.1	$ (1,030.9)	$ 788.2	
Indefinite Lived Assets				
Tradenames	12.4	—	12.4	Indefinite life
Total intangible assets	$ 1,831.5	$ (1,030.9)	$ 800.6	

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

	December 31, 2016			
	Gross Assets	Accumulated Amortization	Net	Amortization Life and Method
	(In millions)			
Finite Lived Assets				
Customer contracts and lists	$ 1,108.6	$ (451.8)	$ 656.8	3-12 years—straight line
Premium on purchased credit card portfolios	357.3	(172.3)	185.0	3-13 years—straight line
Customer databases	63.6	(43.7)	19.9	3 years—straight line
Collector database	52.1	(49.7)	2.4	30 years—15% declining balance
Publisher networks	140.2	(56.8)	83.4	5-7 years—straight line
Tradenames	83.5	(49.4)	34.1	3-15 years—straight line
Purchased data lists	11.6	(6.2)	5.4	1-5 years—straight line, accelerated
Favorable lease	6.9	(3.0)	3.9	3-10 years—straight line
	$ 1,823.8	$ (832.9)	$ 990.9	
Indefinite Lived Assets				
Tradenames	12.4	—	12.4	Indefinite life
Total intangible assets	$ 1,836.2	$ (832.9)	$ 1,003.3	

As part of the Signet acquisition in October 2017, the Company acquired $52.3 million of intangible assets, consisting of $35.9 million of customer relationships being amortized over a life of 3.0 years and $16.4 million of marketing relationships being amortized over a life of 7.0 years. For more information on this acquisition, see Note 3, “Acquisitions.”

In June 2016, BrandLoyalty acquired a tradename for €8.0 million ($9.6 million on December 31, 2017), with an estimated life of 8.0 years. With the credit card portfolio acquisitions made during the year ended December 31, 2016, the Company acquired $102.3 million of intangible assets, consisting of $31.3 million of customer relationships being amortized over a weighted average life of 3.0 years and $71.0 million of marketing relationships being amortized over a weighted average life of 9.3 years. For more information on these portfolio acquisitions, see Note 4, “Credit Card and Loan Receivables.”

Amortization expense related to the intangible assets was approximately $280.9 million, $309.5 million and $311.4 million for the years ended December 31, 2017, 2016 and 2015, respectively.

The estimated amortization expense related to intangible assets for the next five years and thereafter is as follows:

	For the Years Ending December 31, (In millions)
2018	$ 253.8
2019	206.2
2020	144.6
2021	79.4
2022	71.2
Thereafter	33.0

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2017 and 2016, respectively, are as follows:

	LoyaltyOne®	Epsilon®	Card Services	Corporate/ Other	Total
			(In millions)		
Balance at January 1, 2016	$ 663.5	$ 2,888.9	$ 261.7	$ —	$ 3,814.1
Effects of foreign currency translation	(10.2)	(3.2)	—	—	(13.4)
Balance at December 31, 2016	$ 653.3	$ 2,885.7	$ 261.7	$ —	$ 3,800.7
Effects of foreign currency translation	77.8	1.6	—	—	79.4
Balance at December 31, 2017	$ 731.1	$ 2,887.3	$ 261.7	$ —	$ 3,880.1

The Company completed annual impairment tests for goodwill on July 31, 2017, 2016 and 2015 and determined at each date that no impairment exists. No further testing of goodwill impairments will be performed until July 31, 2018, unless events occur or circumstances indicate an impairment is probable.

10. ACCRUED EXPENSES

Accrued expenses consist of the following:

	December 31,	
	2017	2016
	(In millions)	
Accrued payroll and benefits	$ 247.2	$ 193.6
Accrued taxes	64.6	25.3
Accrued other liabilities	131.0	127.9
Accrued expenses	$ 442.8	$ 346.8

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

11. DEBT

Debt consists of the following:

Description	December 31, 2017	December 31, 2016	Maturity	Interest Rate
	(Dollars in millions)			
Long-term and other debt:				
2017 revolving line of credit	$ 475.0	$ —	June 2022	(1)
2017 term loans	3,014.4	—	June 2022	(1)
2013 revolving line of credit	—	235.0	—	—
2013 term loans	—	2,837.3	—	—
BrandLoyalty credit agreement	198.0	254.3	June 2020	(2)
Senior notes due 2017	—	400.0	—	—
Senior notes due 2020	500.0	500.0	April 2020	6.375%
Senior notes due 2021	500.0	500.0	November 2021	5.875%
Senior notes due 2022	600.0	600.0	August 2022	5.375%
Senior notes due 2022 (€400.0 million)	479.9	—	March 2022	4.500%
Senior notes due 2023 (€300.0 million)	359.9	315.5	November 2023	5.250%
Capital lease obligations and other debt	8.8	6.0	Various – January 2019 – June 2021	2.24% to 3.72%
Total long-term and other debt	6,136.0	5,648.1		
Less: Unamortized discount and debt issuance costs	56.4	46.7		
Less: Current portion	131.3	814.5		
Long-term portion	$ 5,948.3	$ 4,786.9		
Deposits:				
Certificates of deposit	$ 7,526.0	$ 5,937.9	Various – Jan 2018 – Dec 2022	1.00% to 2.80%
Money market deposits	3,429.4	2,474.3	On demand	(3)
Total deposits	10,955.4	8,412.2		
Less: Unamortized discount and debt issuance costs	24.5	20.3		
Less: Current portion	6,366.2	4,673.0		
Long-term portion	$ 4,564.7	$ 3,718.9		
Non-recourse borrowings of consolidated securitization entities:				
Fixed rate asset-backed term note securities	$ 4,704.7	$ 4,262.5	Various – Feb 2018 – June 2021	1.44% to 4.55%
Floating rate asset-backed term note securities	360.0	360.0	April 2018	(4)
Conduit asset-backed securities	3,755.0	2,345.0	Various – Jan 2019 – Dec 2019	(5)
Total non-recourse borrowings of consolidated securitization entities	8,819.7	6,967.5		
Less: Unamortized discount and debt issuance costs	12.4	12.1		
Less: Current portion	1,339.9	1,639.0		
Long-term portion	$ 7,467.4	$ 5,316.4		

(1) The interest rate is based upon the London Interbank Offered Rate ("LIBOR") plus an applicable margin. At December 31, 2017, the weighted average interest rate was 3.63% and 3.57% for the revolving line of credit and term loans, respectively.

(2) The interest rate is based upon the Euro Interbank Offered Rate plus an applicable margin. At December 31, 2017, the weighted average interest rate was 1.10% and 1.65% for the BrandLoyalty revolving line of credit and term loans, respectively.

(3) The interest rates are based on the Federal Funds rate plus an applicable margin. At December 31, 2017, the interest rates ranged from 1.26% to 2.37%.

(4) The interest rate is based upon LIBOR plus an applicable margin. At December 31, 2017, the interest rate was 1.96%.

(5) The interest rate is based upon LIBOR or the asset-backed commercial paper costs of each individual conduit provider plus an applicable margin. At December 31, 2017, the interest rates ranged from 2.55% to 2.57%.

At December 31, 2017, the Company was in compliance with its financial covenants.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Long-term and Other Debt

Credit Agreement

In June 2017, the Company, as borrower, and ADS Alliance Data Systems, Inc., ADS Foreign Holdings, Inc., Alliance Data Foreign Holdings, Inc., Aspen Marketing Services, LLC, Commission Junction LLC, Conversant LLC, Epsilon Data Management, LLC, Comenity LLC and Comenity Servicing LLC, as guarantors, entered into a credit agreement with various agents and lenders dated June 14, 2017 (the "2017 Credit Agreement"), replacing in its entirety the Company's credit agreement dated July 10, 2013 (the "2013 Credit Agreement"), which was concurrently terminated, and amended the 2017 Credit Agreement on June 16, 2017 to increase the total amount of the borrowings.

At December 31, 2017, the 2017 Credit Agreement, as amended, provided for a $3,052.6 million term loan (the "2017 Term Loan"), subject to certain principal repayments, and a $1,572.4 million revolving credit facility (the "2017 Credit Facility") with a U.S. $65.0 million sublimit for Canadian dollar borrowings and a $65.0 million sublimit for swing line loans. The 2017 Credit Agreement includes an uncommitted accordion feature of up to $750.0 million in the aggregate allowing for future incremental borrowings, subject to certain conditions.

Total availability under the 2017 Credit Facility at December 31, 2017 was $1,097.4 million.

The loans under the 2017 Credit Agreement are scheduled to mature on June 14, 2022. The 2017 Term Loan provides for aggregate principal payments of 2.5% of the initial term loan amount in each of the first and second year and 5% of the initial term loan amount in each of the third, fourth, and fifth year, payable in equal quarterly installments beginning on September 30, 2017. The 2017 Credit Agreement is unsecured.

The 2017 Credit Agreement contains the usual and customary negative covenants for transactions of this type, including, but not limited to, restrictions on the Company's ability and in certain instances, its subsidiaries' ability to consolidate or merge; substantially change the nature of its business; sell, lease, or otherwise transfer any substantial part of its assets; create or incur indebtedness; create liens; and make acquisitions. The negative covenants are subject to certain exceptions as specified in the 2017 Credit Agreement. The 2017 Credit Agreement also requires the Company to satisfy certain financial covenants, including a maximum total leverage ratio and a minimum ratio of consolidated operating EBITDA to consolidated interest expense, each as determined in accordance with the 2017 Credit Agreement. The 2017 Credit Agreement also includes customary events of default.

BrandLoyalty Credit Agreement

BrandLoyalty and certain of its subsidiaries, as borrower and guarantors, are parties to a credit agreement that provides for an A-1 term loan facility of €90.0 million and an A-2 term loan facility of €100.0 million, subject to certain principal repayments, and a committed revolving line of credit of €62.5 million and an uncommitted revolving line of credit of €62.5 million, all of which mature in June 2020. The credit agreement provides for a reduction in commitment on each of the uncommitted and committed revolving lines of credit of €25.0 million in August 2018.

As of December 31, 2017, amounts outstanding under the revolving lines of credit and the term loans under the BrandLoyalty credit agreement were €20.0 million and €145.0 million ($24.0 million and $174.0 million), respectively. The entire amount outstanding under the revolving lines of credit was uncommitted.

Senior Notes

The senior notes set forth below are each governed by their respective indenture that includes usual and customary negative covenants and events of default for transactions of these types. These senior notes are unsecured and are guaranteed on a senior unsecured basis by certain of the Company's existing and future domestic subsidiaries that guarantee its Credit Agreement, as amended, as described above.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Due 2017

In November 2012, the Company issued and sold $400.0 million aggregate principal amount of 5.250% senior notes due December 1, 2017 (the "Senior Notes due 2017") at an issue price of 98.912% of the aggregate principal amount. The Senior Notes due 2017 accrue interest on the principal amount at the rate of 5.250% per annum from November 20, 2012, payable semiannually in arrears, on June 1 and December 1 of each year, beginning on June 1, 2013. The Company repaid the Senior Notes due 2017 at their scheduled maturity of December 1, 2017.

Due 2020

In March 2012, the Company issued and sold $500.0 million aggregate principal amount of 6.375% senior notes due April 1, 2020 (the "Senior Notes due 2020"). The Senior Notes due 2020 accrue interest on the principal amount at the rate of 6.375% per annum from March 29, 2012, payable semiannually in arrears, on April 1 and October 1 of each year, beginning on October 1, 2012. See "Part II, Item 9B. Other Information" regarding issuance of a notice to redeem the Senior Notes due 2020 at par on April 2, 2018.

Due 2021

In October 2016, the Company issued and sold $500.0 million aggregate principal amount of 5.875% senior notes due November 1, 2021 (the "Senior Notes due 2021"). The Senior Notes due 2021 accrue interest on the principal amount at the rate of 5.875% per annum from October 27, 2016, payable semiannually in arrears, on May 1 and November 1 of each year, beginning on May 1, 2017.

Due 2022

In July 2014, the Company issued and sold $600.0 million aggregate principal amount of 5.375% senior notes due August 1, 2022 (the "Senior Notes due 2022"). The Senior Notes due 2022 accrue interest on the principal amount at the rate of 5.375% per annum from July 29, 2014, payable semi-annually in arrears, on February 1 and August 1 of each year, beginning on February 1, 2015.

In March 2017, the Company issued and sold €400.0 million aggregate principal amount of 4.500% senior notes due March 15, 2022 (the "Senior Notes due 2022 (€400.0 million)"). Interest is payable semiannually in arrears, on March 15 and September 15 of each year, beginning on September 15, 2017. The Senior Notes due 2022 (€400.0 million) were admitted for listing on the Official List of the Irish Stock Exchange and are trading on the Global Exchange Market. The amount outstanding under the Senior Notes due 2022 (€400.0 million) was €400.0 million ($479.9 million) as of December 31, 2017.

Due 2023

In November 2015, the Company issued and sold €300.0 million aggregate principal amount of 5.2500% senior notes due November 15, 2023 (the "Senior Notes due 2023"). The Senior Notes due 2023 accrue interest on the principal amount at the rate of 5.25% per annum from November 19, 2015, payable semiannually in arrears, on May 15 and November 15 of each year, beginning on May 15, 2016. The Senior Notes due 2023 were admitted for listing on the Official List of the Irish Stock Exchange and are trading on the Global Exchange Market. The amount outstanding under the Senior Notes due 2023 was €300.0 million ($359.9 million) as of December 31, 2017.

Deposits

Comenity Bank and Comenity Capital Bank issue certificates of deposit in denominations of at least $100,000 and $1,000, respectively, in various maturities ranging between January 2018 and December 2022 and with effective annual interest rates ranging from 1.00% to 2.80%, with a weighted average interest rate of 1.86%, at December 31, 2017. At December 31, 2016, interest rates ranged from 0.60% to 2.80%, with a weighted average interest rate of 1.54%. Interest is paid monthly and at maturity.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Comenity Bank and Comenity Capital Bank offer demand deposit programs through contractual arrangements with various financial counterparties. Money market deposits are redeemable on demand by the customer and, as such, have no scheduled maturity date. As of December 31, 2017, Comenity Bank and Comenity Capital Bank had $3.4 billion in money market deposits outstanding with annual interest rates ranging from 1.26% to 2.37%, with a weighted average interest rate of 1.82%. As of December 31, 2016, Comenity Bank and Comenity Capital Bank had $2.5 billion in money market deposits outstanding with annual interest rates ranging from 0.51% to 2.37%, with a weighted average interest rate of 1.05%.

Non-Recourse Borrowings of Consolidated Securitization Entities

An asset-backed security is a security whose value and income payments are derived from and collateralized (or "backed") by a specified pool of underlying assets. The sale of the pool of underlying assets to general investors is accomplished through a securitization process. The Company regularly sells its credit card receivables to its credit card securitization trusts, the WFN Trusts and the WFC Trust, which are consolidated on the balance sheets of the Company under ASC 860 and ASC 810. The liabilities of the consolidated VIEs include asset-backed securities for which creditors or beneficial interest holders do not have recourse to the general credit of the Company.

Asset-Backed Term Notes

For the year ended December 31, 2017, the following asset-backed term notes were issued by Master Trust I:

- May 2017 - Series 2017-A asset-backed term notes, which mature in May 2020. The offering consisted of $400.0 million of Class A notes with a fixed interest rate of 2.12% per year and $50.7 million of notes which were retained by the Company and eliminated from the Company's consolidated balance sheets.
- August 2017 - Series 2017-B asset-backed term notes, which mature in August 2019. The offering consisted of $400.0 million of Class A notes with a fixed interest rate of 1.98% per year and $44.7 million of notes which were retained by the Company and eliminated from the Company's consolidated balance sheets.
- November 2017 - Series 2017-C asset-backed term notes, which mature in October 2020. The offering consisted of $550.0 million of Class A notes with a fixed interest rate of 2.31% per year, $42.2 million of Class M notes with a fixed interest rate of 2.66% per year and $27.5 million of notes which were retained by the Company and eliminated from the Company's consolidated balance sheets.

For the year ended December 31, 2017, the following asset-backed term notes matured and were repaid:

- May 2017 - $389.6 million of Series 2015-C asset-backed term notes, $89.6 million of which were retained by the Company and eliminated from the Company's consolidated balance sheets.
- July 2017 - $433.3 million of Series 2012-B asset-backed term notes, $108.3 million of which were retained by the Company and eliminated from the Company's consolidated balance sheets.
- October 2017 - $427.6 million of Series 2014-C asset-backed term notes, $102.6 million of which were retained by the Company and eliminated from the Company's consolidated balance sheets.

Conduit Facilities

The Company has access to committed undrawn capacity through three conduit facilities to support the funding of its credit card receivables through Master Trust I, Master Trust III and the WFC Trust.

In April 2017, Master Trust III amended its 2009-VFC1 conduit facility, increasing the capacity from $900.0 million to $925.0 million and extending the maturity to April 2018. In October 2017, Master Trust III again amended its 2009-VFC1 conduit facility, increasing the capacity from $925.0 million to $1,680.0 million and extending the maturity to January 2019.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

In November 2017, the WFC Trust amended its 2009-VFN conduit facility, increasing the capacity from $1,400.0 million to $1,975.0 million and extending the maturity to November 2019.

In December 2017, Master Trust I amended its 2009-VFN conduit facility, increasing the capacity from $560.0 million to $800.0 million and extending the maturity to December 2019.

As of December 31, 2017, total capacity under the conduit facilities was $4.5 billion, of which $3.8 billion had been drawn and was included in non-recourse borrowings of consolidated securitization entities in the consolidated balance sheets. Borrowings outstanding under each facility bear interest at a margin above LIBOR or the asset-backed commercial paper costs of each individual conduit provider. The conduits have varying maturities from January 2019 to December 2019 with variable interest rates ranging from 2.55% to 2.57% as of December 31, 2017.

Maturities

The future principal payments for the Company's debt as of December 31, 2017 are as follows:

Year	Long-Term and Other Debt	Deposits	Non-Recourse Borrowings of Consolidated Securitization Entities
		(In millions)	
2018	$ 131.4	$ 6,368.5	$ 1,341.0
2019	135.9	1,895.5	5,329.0
2020	782.6	1,211.9	1,467.2
2021	652.9	877.7	682.5
2022	4,073.3	601.8	—
Thereafter	359.9	—	—
Total maturities	6,136.0	10,955.4	8,819.7
Unamortized discount and debt issuance costs	(56.4)	(24.5)	(12.4)
	$ 6,079.6	$ 10,930.9	$ 8,807.3

12. DERIVATIVE INSTRUMENTS

The Company uses derivatives to manage risks associated with certain assets and liabilities arising from the potential adverse impact of fluctuations in interest rates and foreign currency exchange rates.

The Company limits its exposure on derivatives by entering into contracts with institutions that are established dealers who maintain certain minimum credit criteria established by the Company. At December 31, 2017, the Company does not maintain any derivative instruments subject to master agreements that would require the Company to post collateral or that contain any credit-risk related contingent features.

The Company enters into foreign currency derivatives to reduce the volatility of the Company's cash flows resulting from changes in foreign currency exchange rates associated with certain inventory transactions, some of which are designated as cash flow hedges. The Company generally hedges foreign currency exchange rate risks for periods of 12 months or less. As of December 31, 2017, the maximum term over which the Company is hedging its exposure to the variability of future cash flows associated with certain inventory transactions is 10 months.

Certain foreign currency exchange forward contracts are not designated as hedges as they do not meet the specific hedge accounting requirements of ASC 815, "Derivatives and Hedging." Changes in the fair value of the derivative instruments not designated as hedging instruments are recorded in the consolidated statements of income as they occur. Gains and losses on derivatives not designated as hedging instruments are included in other operating activities in the consolidated statements of cash flows for all periods presented.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

The following tables present the fair values of the derivative instruments included within the Company's consolidated balance sheets as of December 31, 2017 and 2016:

	December 31, 2017			
	Notional Amount	Fair Value	Balance Sheet Location	Maturity
	(In millions)			
Designated as hedging instruments:				
Foreign currency exchange hedges	$ 2.9	$ 0.1	Other current assets	August 2018 to October 2018
Foreign currency exchange hedges	$ 19.3	$ 0.3	Other current liabilities	January 2018 to October 2018
Not designated as hedging instruments:				
Foreign currency exchange forward contracts	$ 168.0	$ 15.9	Other current assets	February 2018
Foreign currency exchange forward contract	$ 65.8	$ 3.5	Other current liabilities	March 2018

	December 31, 2016			
	Notional Amount	Fair Value	Balance Sheet Location	Maturity
	(In millions)			
Designated as hedging instruments:				
Foreign currency exchange hedges	$ 34.4	$ 1.2	Other current assets	January 2017 to August 2017
Foreign currency exchange hedges	$ 27.6	$ 0.9	Other current liabilities	January 2017 to August 2017

Derivatives Designated as Hedging Instruments

For the year ended December 31, 2017, losses of $(0.5) million, net of tax, were recognized in other comprehensive income related to foreign currency exchange hedges designated as effective. Changes in the fair value of these hedges, excluding any ineffective portion are recorded in other comprehensive income (loss) until the hedged transactions affect net income. The ineffective portion of these cash flow hedges impacts net income when the ineffectiveness occurs. For the year ended December 31, 2017, gains of $0.2 million, net of tax, were reclassified from accumulated other comprehensive income into net income (cost of operations), and $0.1 million of ineffectiveness was recorded. At December 31, 2017, $0.1 million is expected to be reclassified from accumulated other comprehensive income into net income in the coming 12 months.

For the year ended December 31, 2016, losses of $(0.9) million, net of tax, were recognized in other comprehensive income related to foreign currency exchange hedges designated as effective, losses of $(0.6) million, net of tax, were reclassified from accumulated other comprehensive income into net income (cost of operations), and $0.1 million of ineffectiveness was recorded.

For the year ended December 31, 2015, losses of $(1.0) million, net of tax, were recognized in other comprehensive income related to foreign currency exchange hedges designated as effective, losses of $(0.2) million, net of tax, were reclassified from accumulated other comprehensive income into net income (cost of operations), and $0.1 million of ineffectiveness was recorded.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Derivatives Not Designated as Hedging Instruments

The following table summarizes activity related to and identifies the location of the Company's derivatives not designated as hedging instruments for the years ended December 31, 2017, 2016 and 2015 recognized in the Company's consolidated statements of income:

		Years Ended December 31,		
		2017	2016	2015
	Income Statement Location	Gain (Loss) on Derivative Instruments	Gain (Loss) on Derivative Instruments	Gain (Loss) on Derivative Instruments
		(In millions)		
Interest rate derivatives	Interest expense on long-term and other debt, net	$ —	$ —	$ 0.2
Foreign currency exchange forward contracts	General and administrative	$ 12.5	$ (0.1)	$ (15.0)
Foreign currency exchange hedges	Cost of operations	$ —	$ —	$ 0.3

Net Investment Hedges

In November 2015, the Company designated its Euro-denominated Senior Notes due 2023 (€300.0 million) as a net investment hedge of its investment in BrandLoyalty, which has a functional currency of the Euro, in order to reduce the volatility in stockholders' equity caused by the changes in foreign currency exchange rates of the Euro with respect to the U.S. dollar. Additionally, in March 2017, the Company designated €200.0 million of its Euro-denominated Senior Notes due 2022 (€400.0 million) as a net investment hedge of its investment in BrandLoyalty. The change in fair value of the net investment hedges due to remeasurement of the effective portion is recorded in other comprehensive income (loss). The ineffective portion of this hedging instrument impacts net income when the ineffectiveness occurs. For the years ended December 31, 2017, 2016 and 2015, losses of $(46.1) million, gains of $7.9 million and losses of $(3.8) million, net of tax, respectively, were recognized in other comprehensive income and no ineffectiveness was recorded on the net investment hedges.

13. DEFERRED REVENUE

As further discussed in Note 2, "Summary of Significant Accounting Policies," the AIR MILES Reward Program collects fees from its sponsors based on the number of AIR MILES reward miles issued and, in limited circumstances, the number of AIR MILES reward miles redeemed. Because management has determined that the earnings process is not complete at the time an AIR MILES reward mile is issued, the recognition of redemption and service revenue is deferred.

A reconciliation of deferred revenue for the AIR MILES Reward Program is as follows:

	Deferred Revenue		
	Service	Redemption	Total
	(In millions)		
Balance at December 31, 2015	$ 292.3	$ 552.6	$ 844.9
Cash proceeds	190.4	365.5	555.9
Revenue recognized	(194.0)	(585.2)	(779.2)
Change in breakage rate estimate	—	284.5	284.5
Other	—	(1.1)	(1.1)
Effects of foreign currency translation	9.0	17.5	26.5
Balance at December 31, 2016	$ 297.7	$ 633.8	$ 931.5
Cash proceeds	192.3	348.3	540.6
Revenue recognized	(225.3)	(343.6)	(568.9)
Other	—	1.3	1.3
Effects of foreign currency translation	19.1	43.3	62.4
Balance at December 31, 2017	$ 283.8	$ 683.1	$ 966.9
Amounts recognized in the consolidated balance sheets:			
Current liabilities	$ 163.5	$ 683.1	$ 846.6
Non-current liabilities	$ 120.3	$ —	$ 120.3

On December 1, 2016, with anticipated passage of the then-pending legislative changes in Ontario and the likelihood of changes in similar laws in some or all other Canadian provinces, LoyaltyOne cancelled its five-year expiry policy, which was implemented by the Company's AIR MILES Reward Program on December 31, 2011 and expected to take effect on December 31, 2016. As a result of the cancellation of the expiry policy, coupled with increased redemption activity in the third and fourth quarter of 2016, the Company changed its estimate of breakage from 26% to 20%. As a result of this change in estimate, the Company increased the deferred redemption liability at December 1, 2016 by $284.5 million with a corresponding reduction of redemption revenue.

14. COMMITMENTS AND CONTINGENCIES

AIR MILES Reward Program

The Company has entered into contractual arrangements with certain AIR MILES Reward Program sponsors that result in fees being billed to those sponsors upon the redemption of AIR MILES reward miles issued by those sponsors. The Company has obtained letters of credit and other assurances from those sponsors for the Company's benefit that expire at various dates. These letters of credit and other assurances totaled $135.1 million at December 31, 2017, which exceeds the amount of the Company's estimate of its obligation to provide travel and other rewards upon the redemption of the AIR MILES reward miles issued by those sponsors.

The Company currently has an obligation to provide AIR MILES Reward Program collectors with travel and other rewards upon the redemption of AIR MILES reward miles. The Company believes that the redemption settlement assets, including the letters of credit and other assurances mentioned above, are sufficient to meet that obligation.

The Company has entered into certain long-term arrangements with airlines and other suppliers in connection with reward redemptions under the AIR MILES Reward Program. These long-term arrangements allow the Company to retain preferred pricing subject to meeting agreed upon annual volume commitments for rewards purchased.

Leases

The Company leases certain office facilities and equipment under noncancellable operating leases and is generally responsible for property taxes and insurance related to such facilities. Lease expense was $128.7 million, $111.3 million and $105.5 million for the years ended December 31, 2017, 2016 and 2015, respectively.

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Future annual minimum rental payments required under noncancellable operating and capital leases, some of which contain renewal options, as of December 31, 2017, are:

Year	Operating Leases	Capital Leases
	(In millions)	
2018	$ 96.9	$ 4.3
2019	91.5	3.5
2020	85.1	1.0
2021	69.6	0.3
2022	60.4	—
Thereafter	332.6	—
Total	$ 736.1	9.1
Less: Amount representing interest		(0.3)
Total present value of minimum lease payments		$ 8.8

Regulatory Matters

Comenity Bank is regulated, supervised and examined by the State of Delaware and the Federal Deposit Insurance Corporation (“FDIC”). Comenity Bank remains subject to regulation by the Board of the Governors of the Federal Reserve System. The Company’s industrial bank, Comenity Capital Bank, is regulated, supervised and examined by the State of Utah and the FDIC. As of October 1, 2016, both Comenity Bank and Comenity Capital Bank are under the supervision of the Consumer Financial Protection Bureau (“CFPB”), a federal consumer protection regulator with authority to make further changes to the federal consumer protection laws and regulations, and the CFPB may, from time to time, conduct reviews of their practices.

Quantitative measures established by regulations to ensure capital adequacy require Comenity Bank and Comenity Capital Bank (collectively, the “Banks”) to maintain minimum amounts and ratios of Common Equity Tier 1, Tier 1 and total capital to risk weighted assets and of Tier 1 capital to average assets as well as adequate allowances for loan losses. Under the regulations, a “well capitalized” institution must have a Common Equity Tier 1 capital ratio of at least 6.5%, a Tier 1 capital ratio of at least 8%, a total capital ratio of at least 10% and a leverage ratio of at least 5% and not be subject to a capital directive order. An “adequately capitalized” institution must have a Common Equity Tier 1 capital ratio of at least 4.5%, a Tier 1 capital ratio of at least 6%, a total capital ratio of at least 8% and a leverage ratio of at least 4%.

At December 31, 2017, the Common Equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio for Comenity Capital Bank were 14.0%, 14.0%, 15.3% and 12.4%, respectively. At December 31, 2017, the Common Equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio for Comenity Bank were 13.5%, 13.5%, 14.8% and 12.3%, respectively. Based on these guidelines, the Banks are considered well capitalized.

At December 31, 2016, the Common Equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio for Comenity Capital Bank were 13.1%, 13.1%, 14.4% and 13.8%, respectively. At December 31, 2016, the Common Equity Tier 1 capital ratio, Tier 1 capital ratio, total capital ratio and leverage ratio for Comenity Bank were 13.6%, 13.6%, 14.9% and 13.0%, respectively.

Cardholders

The Company’s Card Services segment is active in originating private label and co-brand 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. Cardholders reside throughout the United States and are not significantly concentrated in any one area.

Holders of credit cards issued by the Company have available lines of credit, which vary by cardholder. 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. At December 31, 2017, the Company had 86.5 million total accounts, including both active and inactive, having unused lines of credit averaging $2,121 per account.

Legal Proceedings

From time to time the Company is involved in various claims and lawsuits arising in the ordinary course of business that it believes will not have a material effect on its business, financial condition or cash flows, including claims and lawsuits alleging breaches of the Company's contractual obligations.

15. STOCKHOLDERS' EQUITY

Stock Repurchase Programs

In January 2015, the Company's Board of Directors authorized a stock repurchase program to acquire up to $600.0 million of the Company's outstanding common stock from January 1, 2015 through December 31, 2015. In April 2015, the Board of Directors authorized an increase to the stock repurchase program originally approved in January 2015 to acquire an additional $400.0 million of the Company's outstanding common stock through December 31, 2015, for a total authorization of $1.0 billion.

In January 2016, the Board of Directors authorized a stock repurchase program to acquire up to $500.0 million of the Company's outstanding common stock from January 1, 2016 through December 31, 2016. In February 2016, the Board of Directors authorized an increase to the stock repurchase program originally approved on January 1, 2016 to acquire an additional $500.0 million of the Company's outstanding common stock through December 31, 2016, for a total authorization of $1.0 billion.

In January 2017, the Company's Board of Directors authorized a stock repurchase program to acquire up to $500.0 million of the Company's outstanding common stock from January 1, 2017 through December 31, 2017. In July 2017, the Company's Board of Directors authorized an increase to the stock repurchase program originally approved on January 1, 2017 to acquire an additional $500.0 million of the Company's outstanding common stock through July 31, 2018, for a total stock repurchase authorization of up to $1.0 billion.

On January 30, 2017, under the authorization of the existing 2017 repurchase program, the Company entered into a $350.0 million fixed dollar accelerated share repurchase program agreement ("ASR Agreement"), with an investment bank counterparty. Pursuant to the ASR Agreement, the Company received an initial delivery of 1.4 million shares of its common stock on February 6, 2017. The final settlement was based upon the volume weighted average price of its common stock, purchased by the counterparty during the period, less a specified discount, subject to a collar with a specified forward cap price and forward cap floor. The final settlement was on April 17, 2017 and resulted in the delivery of an additional 0.1 million shares. As a result of this transaction, the Company purchased a total of 1.5 million shares of its common stock at a settlement price per share of $238.34.

During the years ended December 31, 2017, 2016 and 2015, the Company repurchased approximately 2.3 million, 3.8 million and 3.4 million shares of its common stock, respectively, for an aggregate amount of $553.7 million, $805.7 million and $951.6 million, respectively. The 2017 repurchase amounts include those amounts under the ASR Agreement. At December 31, 2017, the Company had $446.3 million remaining under the stock repurchase program.

Stock Compensation Plans

The Company has adopted equity compensation plans to advance the interests of the Company by rewarding certain 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 2010 Omnibus Incentive Plan became effective July 1, 2010 and reserved 3,000,000 shares of common stock for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance share awards, cash incentive awards, deferred stock units, and other stock-based and cash-based

awards to selected officers, employees, non-employee directors and consultants who performed services for the Company or its affiliates, with only employees eligible to receive incentive stock options. The 2010 Omnibus Incentive Plan expired on June 30, 2015.

In March 2015, the Company's Board of Directors adopted the 2015 Omnibus Incentive Plan (the "2015 Plan"), which was subsequently approved by the Company's stockholders on June 3, 2015. The 2015 Plan became effective July 1, 2015 and expires on June 30, 2020. The 2015 Plan reserves 5,100,000 shares of common stock for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance share awards, cash incentive awards, deferred stock units, and other stock-based and cash-based awards to selected officers, employees, non-employee directors and consultants performing services for the Company or its affiliates, with only employees being eligible to receive incentive stock options.

On June 5, 2015, the Company registered 5,100,000 shares of its common stock for issuance in accordance with the 2015 Plan pursuant to a Registration Statement on Form S-8, File No. 333-204758.

Beginning February 15, 2017, the restricted stock unit award agreements under the 2015 Plan provide for dividend equivalent rights ("DERs"), which entitle holders of restricted stock units to the same dividend value per share as holders of common stock. DERs are subject to the same vesting and other terms and conditions as the corresponding unvested restricted stock units. DERs are paid only when the underlying shares vest.

Terms of all awards under the 2015 Plan are determined by the Board of Directors or the compensation committee of the Board of Directors or its designee at the time of award.

Stock Compensation Expense

Under the fair value recognition provisions, stock-based compensation expense is measured at the grant date based on the fair value of the award and is recognized ratably over the requisite service period.

Total stock-based compensation expense recognized in the Company's consolidated statements of income for the years ended December 31, 2017, 2016 and 2015, is as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Cost of operations	$ 50.3	$ 56.0	$ 72.5
General and administrative	24.8	20.5	18.8
Total	$ 75.1	$ 76.5	$ 91.3

The income tax benefits related to stock-based compensation expense for the years ended December 31, 2017, 2016 and 2015 were $15.6 million, $22.7 million and $30.8 million, respectively.

As the amount of stock-based compensation expense recognized is based on awards ultimately expected to vest, the amount recognized in the Company's results of operations has been reduced for estimated forfeitures. In connection with the Company's adoption of ASU 2016-09, the Company elected to continue to estimate forfeitures at each grant date, with forfeiture estimates to be revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on the Company's historical experience. The Company's forfeiture rate was 5% for the years ended December 31, 2017, 2016 and 2015. As of December 31, 2017, there was approximately $71.0 million of unrecognized expense, adjusted for estimated forfeitures, related to non-vested, stock-based equity awards granted to employees, which is expected to be recognized over a weighted average period of approximately 1.4 years.

Restricted Stock Unit Awards

During 2017, the Company awarded service-based, performance-based and market-based restricted stock units. In accordance with ASC 718, the Company recognizes the estimated stock-based compensation expense, net of estimated forfeitures, over the applicable service period.

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For service-based and performance-based awards, the fair value of the restricted stock units was estimated using the Company's closing share price on the date of grant. Service-based restricted stock unit awards typically vest ratably over a three year period. Performance-based restricted stock unit awards typically vest ratably over a three year period if specified performance measures tied to the Company's financial performance are met.

For the market-based award granted in 2017, the fair value of the restricted stock units was estimated utilizing Monte Carlo simulations of the Company's stock price correlation (0.52), expected volatility (31.0%) and risk-free rate (1.2%) over two-year time horizons matching the performance period. Upon determination of the market condition, the restrictions will lapse with respect to the entire award on February 15, 2019, provided that the participant is employed by the Company on such vesting date.

The following table summarizes restricted stock unit activity under the Company's equity compensation plans:

	Market-Based	Performance-Based	Service-Based	Total	Weighted Average Fair Value
Balance at January 1, 2015	—	518,067	401,267	919,334	$ 198.85
Shares granted	—	281,491	82,811	364,302	284.22
Shares vested	—	(315,330)	(178,691)	(494,021)	174.93
Shares forfeited	—	(37,862)	(29,849)	(67,711)	239.35
Balance at December 31, 2015	—	446,366	275,538	721,904	$ 238.37
Shares granted	—	277,036	175,456	452,492	195.97
Shares vested	—	(233,604)	(95,829)	(329,433)	230.21
Shares forfeited	—	(45,479)	(22,787)	(68,266)	246.28
Balance at December 31, 2016	—	444,319	332,378	776,697	$ 216.89
Shares granted	28,172	282,311	126,051	436,534	229.37
Shares vested	—	(188,929)	(96,723)	(285,652)	248.70
Shares forfeited [(1)]	—	(87,122)	(32,647)	(119,769)	211.69
Balance at December 31, 2017	28,172	450,579	329,059	807,810	$ 207.45
Outstanding and Expected to Vest				736,899	$ 227.27

(1) Includes the cancellation of 50,215 performance-based shares granted in 2016 and accounted for as such under ASC 718.

The total fair value of restricted stock units vested was $71.0 million, $75.8 million and $86.4 million for the years ended December 31, 2017, 2016 and 2015, respectively. The aggregate intrinsic value of restricted stock units outstanding and expected to vest was $186.8 million at December 31, 2017. The weighted-average remaining contractual life for unvested restricted stock units was 1.4 years at December 31, 2017.

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Stock Options

Stock option awards are granted with an exercise price equal to the market price of the Company's stock on the date of grant. Options typically vest ratably over three years and expire ten years after the date of grant.

The following table summarizes stock option activity under the Company's equity compensation plans:

	Outstanding		Exercisable	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance at January 1, 2015	171,533	$ 44.05	165,745	$ 44.62
Options granted	—	—		
Options exercised	(95,855)	39.89		
Options forfeited	(2,318)	32.71		
Balance at December 31, 2015	73,360	$ 49.84	73,053	$ 49.96
Options granted	—	—		
Options exercised	(54,275)	54.21		
Options forfeited	(219)	20.16		
Balance at December 31, 2016	18,866	$ 37.60	18,864	$ 37.60
Options granted	—	—		
Options exercised	(7,004)	60.85		
Options forfeited	(3)	35.56		
Balance at December 31, 2017	11,859	$ 23.87	11,859	$ 23.87
Vested and Expected to Vest	11,859	$ 23.87		

Based on the market value on their respective exercise dates, the total intrinsic value of stock options exercised was approximately $1.2 million, $8.5 million and $24.3 million for the years ended December 31, 2017, 2016 and 2015, respectively. The aggregate intrinsic value of each of the outstanding and exerciseable stock options as of December 31, 2017 was approximately $2.7 million. The weighted average remaining contractual life of stock options vested and exercisable as of December 31, 2017 was approximately 3.0 years. The Company received cash proceeds of approximately $0.4 million from stock options exercised during the year ended December 31, 2017.

Dividends

The Company declared and paid cash dividends per share during the periods presented as follows:

	Dividends Per Share	Amount (in millions)
Year Ended December 31, 2017		
First quarter	$ 0.52	$ 29.0
Second quarter	0.52	29.0
Third quarter	0.52	28.8
Fourth quarter	0.52	28.7
Total cash dividends declared and paid	$ 2.08	$ 115.5
Year Ended December 31, 2016		
First quarter	$ —	$ —
Second quarter	—	—
Third quarter	—	—
Fourth quarter	0.52	30.0
Total cash dividends declared and paid	$ 0.52	$ 30.0

On January 25, 2018, the Company's Board of Directors declared a quarterly cash dividend of $0.57 per share on the Company's common stock, payable on March 20, 2018 to stockholders of record at the close of business on February 14, 2018.

16. EMPLOYEE BENEFIT PLANS

Employee Stock Purchase Plan

In March 2015, the Company's Board of Directors adopted the 2015 Employee Stock Purchase Plan (the "2015 ESPP"), which was subsequently approved by the Company's stockholders on June 3, 2015. The 2015 ESPP became effective July 1, 2015 with no definitive expiration date. The Company's Board of Directors may at any time and for any reason terminate or amend the 2015 ESPP. No employee may purchase more than $25,000 in stock under the 2015 ESPP in any calendar year, and no employee may purchase stock under the 2015 ESPP if such purchase would cause the employee to own more than 5% of the voting power or value of the Company's common stock. The 2015 ESPP provides for six month offering periods, commencing on the first trading day of the first and third calendar quarter of each year and ending on the last trading day of each subsequent calendar quarter. The purchase price of the common stock upon exercise shall be 85% of the fair market value of shares on the applicable purchase date as determined by averaging the high and low trading prices of the last trading day of the six-month period. An employee may elect to pay the purchase price of such common stock through payroll deductions. The 2015 ESPP provides for the issuance of any remaining shares available for issuance under the 2005 ESPP, which were 441,327 shares at June 30, 2015. The 2015 ESPP reserved an additional 1,000,000 shares of the Company's common stock for issuance under the 2015 Plan, bringing the maximum number of shares reserved for issuance under the 2015 ESPP to 1,441,327 shares, subject to adjustment as provided in the 2015 ESPP.

On June 5, 2015, the Company registered 1,441,327 shares of its common stock for issuance in accordance with the 2015 ESPP pursuant to a Registration Statement on Form S-8, File No. 333-204759.

During the year ended December 31, 2017, the Company issued 82,636 shares of common stock under the 2015 ESPP at a weighted-average issue price of $217.43. Since its adoption on July 1, 2015, 232,101 shares of common stock have been issued, with 1,209,226 shares available for issuance under the 2015 ESPP.

2015 Omnibus Incentive Plan

The 2015 Omnibus Incentive Plan authorizes the compensation committee to grant cash-based and other equity-based or equity-related awards, including deferred stock units. The maximum cash amount that may be awarded to any single participant in any one calendar year may not exceed $7.5 million. See Note 15, "Stockholders' Equity," for more information about the 2015 Plan.

401(k) 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. The Company amended its 401(k) and Retirement Savings Plan effective December 10, 2014. The 401(k) and Retirement Savings Plan is an IRS-approved safe harbor plan design that eliminates the need for most discrimination testing. Eligible employees can participate in the 401(k) and Retirement Savings Plan immediately upon joining the Company and after 180 days of employment begin receiving company matching contributions. In addition, "seasonal" or "on-call" employees must complete a year of eligibility service before they may participate in the 401(k) and Retirement Savings Plan. The 401(k) and Retirement Savings Plan permits eligible employees to make Roth elective deferrals, effective November 1, 2012, which are included in the employee's taxable income at the time of contribution, but not when distributed. Regular, or Non-Roth, elective deferrals made by employees, together with contributions by the Company to the 401(k) and Retirement Savings Plan, and income earned on these contributions, are not taxable to employees until withdrawn from the 401(k) and Retirement Savings Plan. The 401(k) and Retirement Savings Plan covers U.S. employees, who are at least 18 years old, of ADS Alliance Data Systems, Inc., one of the Company's wholly-owned subsidiaries, and any other subsidiary or affiliated organization that

adopts this 401(k) and Retirement Savings Plan. Employees of the Company, and all of its U.S. subsidiaries, are currently covered under the 401(k) and Retirement Savings Plan.

The Company matches an employee's contribution dollar-for-dollar up to five percent of the employee's eligible compensation. All company matching contributions are immediately vested. In addition to the company match, the Company made an additional annual discretionary contribution in 2015 based on the Company's profitability. Company matching and discretionary contributions for the years ended December 31, 2017, 2016 and 2015 were $41.6 million, $38.0 million and $41.0 million, respectively.

The participants in the plan can direct their contributions and the Company's matching contribution to numerous investment options, including the Company's common stock. On July 20, 2001, the Company registered 1,500,000 shares of its common stock for issuance in accordance with its 401(k) and Retirement Savings Plan pursuant to a Registration Statement on Form S-8, File No. 333-65556. As of December 31, 2017, 568,045 of such shares remain available for issuance.

Group Retirement Savings Plan and Deferred Profit Sharing Plan (LoyaltyOne)

The Company provides for its Canadian employees the Group Retirement Savings Plan of the Loyalty Group ("GRSP"), which is a group retirement savings plan registered with the Canada Revenue Agency. Contributions made by Canadian employees on their behalf or on behalf of their spouse to the GRSP, and income earned on these contributions, are not taxable to employees until withdrawn from the GRSP. Employee contributions eligible for company match may not exceed the overall maximum allowed by the Income Tax Act (Canada); the maximum tax-deductible GRSP contribution is set by the Canada Revenue Agency each year. The Deferred Profit Sharing Plan ("DPSP") is a legal trust registered with the Canada Revenue Agency. Eligible full-time employees can participate in the GRSP after three months of employment and eligible part-time employees after six months of employment. Employees become eligible to receive company matching contributions into the DPSP on the first day of the calendar quarter following twelve months of employment. Based on the eligibility guidelines, the Company matches an employee's contribution dollar-for-dollar up to five percent of the employee's eligible compensation. Contributions made to the DPSP reduce an employee's maximum contribution amounts to the GRSP under the Income Tax Act (Canada) for the following year. All company matching contributions into the DPSP vest after receipt of one continuous year of DPSP contributions. LoyaltyOne matching and discretionary contributions were $1.9 million, $1.8 million and $2.2 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Executive Deferred Compensation Plan and the Canadian Supplemental Executive Retirement Plan

The Company also maintains an Executive Deferred Compensation Plan ("EDCP"). The EDCP permits a defined group of management and highly compensated employees to defer on a pre-tax basis a portion of their base salary and incentive compensation (as defined in the EDCP) payable for services rendered. Deferrals under the EDCP are unfunded and subject to the claims of the Company's creditors. Each participant in the EDCP is 100% vested in their account, and account balances accrue interest at a rate established and adjusted periodically by the committee that administers the EDCP.

The Company provides a Canadian Supplemental Executive Retirement Plan for a defined group of management and highly compensated employees of LoyaltyOne, Co., one of the Company's wholly-owned subsidiaries. Similar to the EDCP, participants may defer on a pre-tax basis a portion of their compensation and bonuses payable for services rendered and to receive certain employer contributions.

As of December 31, 2017 and 2016, the Company's outstanding liability related to these plans and included in accrued expenses in the Company's consolidated balance sheets was $55.3 million and $48.6 million, respectively.

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17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in each component of accumulated other comprehensive income (loss), net of tax effects, are as follows:

	Net Unrealized Gains (Losses) on Securities	Net Unrealized Gains (Losses) on Cash Flow Hedges	Net Unrealized Gains (Losses) on Net Investment Hedges	Foreign Currency Translation Adjustments [1]	Accumulated Other Comprehensive Loss
			(In millions)		
Balance as of January 1, 2015	$ 2.7	$ 2.3	$ —	$ (80.5)	$ (75.5)
Changes in other comprehensive income (loss)	(2.8)	(1.0)	(3.8)	(54.2)	(61.8)
Balance at December 31, 2015	$ (0.1)	$ 1.3	$ (3.8)	$ (134.7)	$ (137.3)
Changes in other comprehensive income (loss)	(1.5)	(0.9)	7.9	(18.9)	(13.4)
Balance at December 31, 2016	$ (1.6)	$ 0.4	$ 4.1	$ (153.6)	$ (150.7)
Changes in other comprehensive income (loss)	(7.1)	(0.5)	(46.1)	64.2	10.5
Balance at December 31, 2017	$ (8.7)	$ (0.1)	$ (42.0)	$ (89.4)	$ (140.2)

(1) Primarily related to the impact of changes in the Canadian dollar and Euro foreign currency exchange rates.

Reclassifications from accumulated other comprehensive income (loss) into net income for each of the years ended December 31, 2017, 2016 and 2015 were not material.

18. INCOME TAXES

The Company files a consolidated federal income tax return. The components of income before income taxes and income tax expense are as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Components of income before income taxes:			
Domestic	$ 889.9	$ 864.1	$ 700.1
Foreign	191.2	(27.1)	231.5
Total	$ 1,081.1	$ 837.0	$ 931.6
Components of income tax expense:			
Current			
Federal	$ 316.7	$ 269.8	$ 322.2
State	30.3	42.2	53.2
Foreign	59.2	38.2	72.1
Total current	406.2	350.2	447.5
Deferred			
Federal	(96.7)	2.2	(100.2)
State	1.0	2.4	(11.0)
Foreign	(18.1)	(35.4)	(10.1)
Total deferred	(113.8)	(30.8)	(121.3)
Total provision for income taxes	$ 292.4	$ 319.4	$ 326.2

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A reconciliation of recorded federal provision for income taxes to the expected amount computed by applying the federal statutory rate of 35% for all periods to income before income taxes is as follows:

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Expected expense at statutory rate	$ 378.4	$ 292.9	$ 326.1
Increase (decrease) in income taxes resulting from:			
State income taxes, net of federal benefit	19.5	29.0	27.4
Foreign earnings at other than U.S. rates	(27.5)	(1.3)	(26.9)
Impact of Tax Reform	(64.9)	—	—
Non-deductible expenses (non-taxable income)	(5.8)	1.5	(0.7)
Other	(7.3)	(2.7)	0.3
Total	$ 292.4	$ 319.4	$ 326.2

For the year ended December 31, 2017, the Company's income tax expense reflects the impact of H.R. 1, originally known as the Tax Cuts and Jobs Act of 2017. H.R. 1 (the "2017 Tax Reform") was enacted on December 22, 2017, permanently reduced the corporate tax rate to 21% from 35%, effective January 1, 2018, and implemented a change from a system of worldwide taxation with deferral to a hybrid territorial system. These changes resulted in an income tax benefit to the Company of approximately $64.9 million primarily related to the revaluation of its domestic deferred tax liabilities, offset in part by the addition of a valuation allowance against its foreign tax credit carryforward.

The 2017 Tax Reform includes a provision designed to tax global intangible low-taxed income ("GILTI") starting in 2018. The GILTI provisions impose a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The Company has elected to treat any potential GILTI inclusions as a period cost in the applicable tax year as the Company is not projecting any material impact from GILTI inclusions.

Deferred tax assets and liabilities consist of the following:

	December 31,	
	2017	2016
	(In millions)	
Deferred tax assets		
Deferred revenue	$ 18.5	$ 17.5
Allowance for doubtful accounts	282.4	364.8
Net operating loss carryforwards and other carryforwards	97.0	100.6
Stock-based compensation and other employee benefits	23.2	37.3
Accrued expenses and other	84.5	72.1
Total deferred tax assets	505.6	592.3
Valuation allowance	(76.4)	(44.7)
Deferred tax assets, net of valuation allowance	429.2	547.6
Deferred tax liabilities		
Deferred income	$ 364.3	$ 458.2
Depreciation	37.9	33.1
Intangible assets	210.1	371.0
Total deferred tax liabilities	612.3	862.3
Net deferred tax liability	$ (183.1)	$ (314.7)
Amounts recognized in the consolidated balance sheets:		
Non-current assets	$ 28.1	$ 20.1
Non-current liabilities	(211.2)	(334.8)
Total – Net deferred tax liability	$ (183.1)	$ (314.7)

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At December 31, 2017, the Company has approximately $20.3 million of U.S. federal net operating loss carryovers ("NOLs"), approximately $6.1 million of capital losses, and approximately $40.2 million of foreign tax credits that expire at various times through the year 2034. Pursuant to Section 382 of the Internal Revenue Code, the Company's utilization of such NOLs is subject to an annual limitation. At December 31, 2017, the Company has state income tax NOLs of approximately $458.1 million, approximately $6.1 million of capital losses, and state credits of approximately $9.9 million available to offset future state taxable income. The state NOLs, capital losses, and credits will expire at various times through the year 2036. The Company believes it is more likely than not that the foreign tax credit, capital losses and a portion of the state credits will expire before being utilized. Therefore, in accordance with ASC 740-10-30, "Income Taxes—Overall—Initial Measurement," the Company has established a valuation allowance against the foreign tax credit, capital losses, and a portion of the state credits that the Company expects to expire prior to utilization. The Company has $101.5 million of foreign NOLs, $3.3 million of foreign capital losses, and $1.3 million of a foreign minimum alternative tax credit at December 31, 2017. The foreign NOLs and capital losses have an unlimited carryforward period and the foreign minimum alternative tax credit expires at various times through 2031. The Company does not believe it is more likely than not that the NOLs or capital losses will be utilized and has therefore established a full valuation allowance against them. The Company's valuation allowance increased $31.7 million, $2.5 million and $29.2 million during the years ended December 31, 2017, 2016 and 2015, respectively. The change in the valuation allowance during the year ended December 31, 2017 is primarily the result of recording a valuation allowance against the Company's foreign tax credits as a result of the passage of the 2017 Tax Reform.

With the passage of the 2017 Tax Reform, all previously untaxed earnings and profits ("E&P") are required to be taxed. The Company had an estimated $325.2 million of undistributed foreign E&P subject to the deemed mandatory repatriation and recognized $78.2 million of income tax expense in the Company's consolidated statement of income for the year ended December 31, 2017. The transition tax was fully offset by foreign tax credits. The transition tax resulted in additional tax basis with respect to investments in certain foreign subsidiaries. U.S. income tax has not been recognized on the excess of the amount for financial reporting over the tax basis of investments in certain foreign subsidiaries that is permanently reinvested outside the United States. The Company intends to permanently reinvest the undistributed earnings of these foreign subsidiaries in its operations outside the United States to support its international growth.

Should certain substantial changes in the Company's ownership occur, there could be an annual limitation on the amount of carryovers and credits that can be utilized. The impact of such a limitation would likely not be significant.

As a result of the adoption of ASU 2016-09 in 2017, the net tax benefit or expense resulting from the vesting of restricted shares and other employee stock programs is now recorded as a component of income tax expense. Prior to the adoption of ASU 2016-09, the net tax (expense) benefit related to stock-based compensation recorded in additional paid-in capital was approximately $(1.7) million and $20.1 million for the years ended December 31, 2016 and 2015, respectively. The net tax benefit (expense) of the change in the carrying value of the Euro-denominated Senior Notes due 2022 and 2023 due to foreign exchange fluctuations that was recorded directly to other comprehensive income was approximately $26.2 million and $(2.4) million for the years ended December 31, 2017 and 2016, respectively.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in millions):

Balance at January 1, 2015	$ 137.6
Increases related to prior years' tax positions	2.7
Decreases related to prior years' tax positions	(7.2)
Increases related to current year tax positions	27.5
Settlements during the period	(0.7)
Lapses of applicable statutes of limitation	(3.3)
Balance at December 31, 2015	$ 156.6
Increases related to prior years' tax positions	22.5
Decreases related to prior years' tax positions	(12.1)
Increases related to current year tax positions	31.4
Settlements during the period	(3.1)
Lapses of applicable statutes of limitation	(3.3)
Balance at December 31, 2016	$ 192.0
Increases related to prior years' tax positions	9.3
Decreases related to prior years' tax positions	(15.7)
Increases related to current year tax positions	33.0
Settlements during the period	(6.7)
Lapses of applicable statutes of limitation	(3.6)
Balance at December 31, 2017	$ 208.3

Included in the balance at December 31, 2017 are tax positions reclassified from deferred income taxes. Deductibility or taxability is highly certain for these tax positions but there is uncertainty about the timing of such deductibility or taxability. As a result of the passage of the 2017 Tax Reform, any rate differential between the reserved tax position and the related deferred tax asset or liability, along with interest and penalties, could impact the annual effective tax rate. This timing uncertainty could also accelerate the payment of cash to the taxing authority to an earlier period.

The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company has potential cumulative interest and penalties with respect to unrecognized tax benefits of approximately $41.6 million, $39.4 million and $31.9 million at December 31, 2017, 2016 and 2015, respectively. For the years ended December 31, 2017, 2016 and 2015, the Company recorded approximately $5.5 million, $8.1 million and $4.5 million, respectively, in potential interest and penalties with respect to unrecognized tax benefits.

At December 31, 2017, 2016 and 2015, the Company had unrecognized tax benefits of approximately $170.0 million, $121.4 million and $107.9 million, respectively that, if recognized, would impact the effective tax rate. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits over the next twelve months.

The Company files income tax returns in the U.S. federal jurisdiction and in many state and foreign jurisdictions. With some exceptions, the tax returns filed by the Company for years before 2012 are no longer subject to U.S. federal income tax examinations or state and local examinations. With some exceptions, the tax returns filed by the Company for years before 2013 are no longer subject to foreign income tax examinations.

19. FINANCIAL INSTRUMENTS

In accordance with ASC 825, "Financial Instruments," the Company is required to disclose the fair value of financial instruments for which it is practical to estimate fair value. To obtain fair values, observable market prices are used if available. In some instances, observable market prices are not readily available and fair value is determined using present value or other techniques appropriate for a particular financial instrument. These techniques involve judgment and as a result are not necessarily indicative of the amounts the Company would realize in a current market exchange. The use of different assumptions or estimation techniques may have a material effect on the estimated fair value amounts.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Fair Value of Financial Instruments—The estimated fair values of the Company's financial instruments are as follows:

	December 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Financial assets				
Credit card and loan receivables, net	$ 17,494.5	$ 18,427.8	$ 15,595.9	$ 16,423.2
Credit card and loan receivables held for sale	1,026.3	1,067.6	417.3	428.7
Redemption settlement assets, restricted	589.5	589.5	324.4	324.4
Other investments	254.9	254.9	197.6	197.6
Derivative instruments	16.0	16.0	1.2	1.2
Financial liabilities				
Derivative instruments	3.8	3.8	0.9	0.9
Deposits	10,930.9	10,937.1	8,391.9	8,432.2
Non-recourse borrowings of consolidated securitization entities	8,807.3	8,805.3	6,955.4	6,973.8
Long-term and other debt	6,079.6	6,186.4	5,601.4	5,641.0

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

Credit card and loan receivables, net — The Company utilizes a discounted cash flow model using unobservable inputs, including estimated yields (interest and fee income), loss rates, payment rates and discount rates to estimate the fair value measurement of the credit card and loan receivables.

Credit card and loan receivables held for sale — The fair value of credit card portfolios held for sale is based on significant unobservable inputs, including forecasted yields and net charge-off estimates. Loan receivables held for sale are recorded at the lower of cost or fair value, and their carrying amount approximates fair value due to the short duration of the holding period of the loan receivables prior to sale.

Redemption settlement assets, restricted — Redemption settlement assets, restricted are recorded at fair value based on quoted market prices for the same or similar securities.

Other investments — Other investments consist of marketable securities and U.S. Treasury bonds and are included in other current assets and other non-current assets in the consolidated balance sheets. Other investments are recorded at fair value based on quoted market prices for the same or similar securities.

Deposits — The fair value is estimated based on the current observable market rates available to the Company for similar deposits with similar remaining maturities.

Non-recourse borrowings of consolidated securitization entities — The fair value is estimated based on the current observable market rates available to the Company for similar debt instruments with similar remaining maturities or quoted market prices for the same transaction.

Long-term and other debt — The fair value is estimated based on the current observable market rates available to the Company for similar debt instruments with similar remaining maturities or quoted market prices for the same transaction.

Derivative instruments — The Company's foreign currency cash flow hedges are recorded at fair value based on a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflected the contractual terms of the derivatives, including the period to maturity, and used observable market-based inputs. The fair value of the foreign currency forward contracts is estimated based on published quotations of spot foreign currency rates and forward points which are converted into implied foreign currency rates.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Financial Assets and Financial Liabilities Fair Value Hierarchy

ASC 820, "Fair Value Measurements and Disclosures," establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

- Level 1, defined as observable inputs such as quoted prices in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3, defined as unobservable inputs where little or no market data exists, therefore requiring an entity to develop its own assumptions.

Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 financial instruments also include those for which the determination of fair value requires significant management judgment or estimation. The use of different techniques to determine fair value of these financial instruments could result in different estimates of fair value at the reporting date.

The following tables provide information for the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2017 and 2016:

		Fair Value Measurements at December 31, 2017 Using		
	Balance at December 31, 2017	Level 1	Level 2	Level 3
		(In millions)		
Mutual funds [1]	$ 26.0	$ 26.0	$ —	$ —
Corporate bonds [1]	489.2	—	489.2	—
Marketable securities [2]	205.0	10.1	194.9	—
U.S. Treasury bonds [2]	49.9	49.9	—	—
Derivative instruments [3]	16.0	—	16.0	—
Total assets measured at fair value	$ 786.1	$ 86.0	$ 700.1	$ —
Derivative instruments [3]	$ 3.8	$ —	$ 3.8	$ —
Total liabilities measured at fair value	$ 3.8	$ —	$ 3.8	$ —

		Fair Value Measurements at December 31, 2016 Using		
	Balance at December 31, 2016	Level 1	Level 2	Level 3
		(In millions)		
Mutual funds [1]	$ 25.5	$ 25.5	$ —	$
Corporate bonds [1]	240.8	—	240.8	—
Marketable securities [2]	122.3	5.0	117.3	—
U.S. Treasury bonds [2]	75.3	75.3	—	—
Derivative instruments [3]	1.2	—	1.2	—
Total assets measured at fair value	$ 465.1	$ 105.8	$ 359.3	$ —
Derivative instruments [3]	$ 0.9	$ —	$ 0.9	$ —
Total liabilities measured at fair value	$ 0.9	$ —	$ 0.9	$ —

(1) Amounts are included in redemption settlement assets in the consolidated balance sheets.

(2) Amounts are included in other current assets and other non-current assets in the consolidated balance sheets.

(3) Amounts are included in other current assets and other current liabilities in the consolidated balance sheets.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

There were no transfers between Levels 1 and 2 within the fair value hierarchy for the years ended December 31, 2017 and 2016.

Financial Instruments Disclosed but Not Carried at Fair Value

The following tables provide assets and liabilities disclosed but not carried at fair value as of December 31, 2017 and 2016:

	Fair Value Measurements at December 31, 2017			
	Total	Level 1	Level 2	Level 3
	(In millions)			
Financial assets:				
Credit card and loan receivables, net	$ 18,427.8	$ —	$ —	$ 18,427.8
Credit card and loan receivables held for sale	1,067.6	—	—	1,067.6
Total	$ 19,495.4	$ —	$ —	$ 19,495.4
Financial liabilities:				
Deposits	$ 10,937.1	$ —	$ 10,937.1	$ —
Non-recourse borrowings of consolidated securitization entities	8,805.3	—	8,805.3	—
Long-term and other debt	6,186.4	—	6,186.4	—
Total	$ 25,928.8	$ —	$ 25,928.8	$ —

	Fair Value Measurements at December 31, 2016			
	Total	Level 1	Level 2	Level 3
	(In millions)			
Financial assets:				
Credit card and loan receivables, net	$ 16,423.2	$ —	$ —	$ 16,423.2
Credit card and loan receivables held for sale	428.7	—	—	428.7
Total	$ 16,851.9	$ —	$ —	$ 16,851.9
Financial liabilities:				
Deposits	$ 8,432.2	$ —	$ 8,432.2	$ —
Non-recourse borrowings of consolidated securitization entities	6,973.8	—	6,973.8	—
Long-term and other debt	5,641.0	—	5,641.0	—
Total	$ 21,047.0	$ —	$ 21,047.0	$ —

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

20. PARENT-ONLY FINANCIAL STATEMENTS

The following ADSC financial statements are provided in accordance with the rules of the Securities and Exchange Commission, which require such disclosure when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets. Certain of the Company's subsidiaries may be restricted in distributing cash or other assets to ADSC, which could be utilized to service its indebtedness. The stand-alone parent-only financial statements are presented below.

Balance Sheets

	December 31,	
	2017	2016
	(In millions)	
Assets:		
Cash and cash equivalents	$ 0.1	$ 0.1
Investment in subsidiaries	8,203.9	7,589.6
Intercompany receivables	—	51.2
Other assets	95.3	159.4
Total assets	$ 8,299.3	$ 7,800.3
Liabilities:		
Current debt	$ 76.2	$ 745.9
Long-term debt	5,797.5	4,596.2
Intercompany liabilities	177.8	—
Other liabilities	392.5	800.0
Total liabilities	6,444.0	6,142.1
Stockholders' equity	1,855.3	1,658.2
Total liabilities and stockholders' equity	$ 8,299.3	$ 7,800.3

Statements of Income

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Interest from loans to subsidiaries	$ 13.8	$ 11.8	$ 10.0
Dividends from subsidiaries	360.6	438.4	209.2
Total revenue	374.4	450.2	219.2
Interest expense, net	278.9	214.9	177.2
Other expenses, net	12.9	(1.3)	15.8
Total expenses	291.8	213.6	193.0
Income before income taxes and equity in undistributed net income of subsidiaries	82.6	236.6	26.2
Benefit for income taxes	322.7	75.2	70.2
Income before equity in undistributed net income of subsidiaries	405.3	311.8	96.4
Equity in undistributed net income of subsidiaries	383.4	205.8	509.0
Net income	$ 788.7	$ 517.6	$ 605.4

Statements of Comprehensive Income

	Years Ended December 31,		
	2017	2016	2015
	(In millions)		
Net income	$ 788.7	$ 517.6	$ 605.4
Other comprehensive (loss) income, net of tax	(46.1)	6.6	(3.8)
Total comprehensive income, net of tax	$ 742.6	$ 524.2	$ 601.6

Statements of Cash Flows

	Years Ended December 31,		
	2017	2016 [1]	2015 [1]
	(In millions)		
Net cash provided by operating activities	$ 72.3	$ 2.0	$ 185.7
Investing activities:			
Loans to subsidiaries	—	(102.0)	—
Investment in subsidiaries	(164.0)	—	(205.8)
Dividends received	360.6	436.4	209.2
Net cash provided by investing activities	196.6	334.4	3.4
Financing activities:			
Borrowings under debt agreements	7,673.6	3,571.5	2,971.0
Repayments of borrowings	(7,232.4)	(3,167.9)	(2,083.4)
Payment of deferred financing costs	(33.7)	(11.6)	(5.8)
Purchase of treasury shares	(553.7)	(798.8)	(951.6)
Dividends paid	(115.5)	(30.0)	—
Proceeds from issuance of common stock	18.4	18.4	18.0
Other	(25.6)	(21.9)	(33.8)
Net cash used in financing activities	(268.9)	(440.3)	(85.6)
Change in cash and cash equivalents	—	(103.9)	103.5
Cash and cash equivalents at beginning of year	0.1	104.0	0.5
Cash and cash equivalents at end of year	$ 0.1	$ 0.1	$ 104.0

(1) Adjusted to reflect the retrospective adoption of ASU 2016-09, “Improvements to Employee Share-Based Payment Accounting.” The effect of the adoption of the standard was to increase cash flows from operating activities and reduce cash flows from financing activities by $26.0 million and $54.0 million for the years ended December 31, 2016 and 2015, respectively.

21. SEGMENT INFORMATION

Operating segments are defined by ASC 280, “Segment Reporting,” as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company’s chief operating decision maker is the President and Chief Executive Officer. The operating segments are reviewed separately because each operating segment represents a strategic business unit that generally offers different products.

The Company operates in the following reportable segments: LoyaltyOne, Epsilon, and Card Services. Segment operations consist of the following:

- LoyaltyOne provides coalition and short-term loyalty programs through the Company’s Canadian AIR MILES Reward Program and BrandLoyalty;
- Epsilon provides end-to-end, integrated marketing solutions that leverage rich data, analytics, creativity and technology to help clients more effectively acquire, retain and grow relationships with their customers; and
- Card Services provides risk management solutions, account origination, funding, transaction processing, customer care, collections and marketing services for the Company’s private label and co-brand credit card programs.

Corporate and other immaterial businesses are reported collectively as an “all other” category labeled “Corporate/Other.” Income taxes are not allocated to the segments in the computation of segment operating profit for internal evaluation purposes and have also been included in “Corporate/Other.”

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Year Ended December 31, 2017	LoyaltyOne	Epsilon	Card Services	Corporate/ Other	Eliminations	Total
			(In millions)			
Revenues	$ 1,303.5	$ 2,272.1	$ 4,170.6	$ 0.6	$ (27.4)	$ 7,719.4
Income (loss) before income taxes	$ 161.6	$ 134.3	$ 1,235.7	$ (450.5)	$ —	$ 1,081.1
Interest expense, net	5.4	0.2	281.7	277.1	—	564.4
Operating income (loss)	167.0	134.5	1,517.4	(173.4)	—	1,645.5
Depreciation and amortization	81.7	309.7	98.4	7.8	—	497.6
Stock compensation expense	8.0	31.5	10.8	24.8	—	75.1
Adjusted EBITDA [1]	256.7	475.7	1,626.6	(140.8)	—	2,218.2
Less: Securitization funding costs	—	—	156.6	—	—	156.6
Less: Interest expense on deposits	—	—	125.1	—	—	125.1
Less: Adjusted EBITDA attributable to non-controlling interest	—	—	—	—	—	—
Adjusted EBITDA, net [1]	$ 256.7	$ 475.7	$ 1,344.9	$ (140.8)	$ —	$ 1,936.5
Capital expenditures	$ 55.2	$ 107.2	$ 54.2	$ 8.8	$ —	$ 225.4
Total assets	$ 2,215.5	$ 4,391.8	$ 23,974.1	$ 103.4	$ —	$ 30,684.8

Year Ended December 31, 2016	LoyaltyOne	Epsilon	Card Services	Corporate/ Other	Eliminations	Total
			(In millions)			
Revenues	$ 1,337.9	$ 2,155.2	$ 3,675.0	$ 0.3	$ (30.3)	$ 7,138.1
Income (loss) before income taxes	$ (27.3)	$ 123.2	$ 1,108.0	$ (366.9)	$ —	$ 837.0
Interest expense, net	3.3	—	210.3	214.9	—	428.5
Operating income (loss)	(24.0)	123.2	1,318.3	(152.0)	—	1,265.5
Depreciation and amortization	86.6	325.2	91.2	9.1	—	512.1
Stock compensation expense	10.1	31.8	14.1	20.5	—	76.5
Impact of expiry	241.7	—	—	—	—	241.7
Adjusted EBITDA [1]	314.4	480.2	1,423.6	(122.4)	—	2,095.8
Less: Securitization funding costs	—	—	125.6	—	—	125.6
Less: Interest expense on deposits	—	—	84.7	—	—	84.7
Less: Adjusted EBITDA attributable to non-controlling interest	5.5	—	—	—	—	5.5
Adjusted EBITDA, net [1]	$ 308.9	$ 480.2	$ 1,213.3	$ (122.4)	$ —	$ 1,880.0
Capital expenditures	$ 31.9	$ 119.8	$ 49.4	$ 5.9	$ —	$ 207.0
Total assets	$ 1,901.7	$ 4,543.1	$ 18,949.7	$ 119.6	$ —	$ 25,514.1

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

Year Ended December 31, 2015	LoyaltyOne	Epsilon	Card Services	Corporate/ Other	Eliminations	Total
			(In millions)			
Revenues	$ 1,352.6	$ 2,140.7	$ 2,974.4	$ 0.3	$ (28.3)	$ 6,439.7
Income (loss) before income taxes	$ 205.7	$ 134.9	$ 915.9	$ (324.9)	$ —	$ 931.6
Interest expense, net	2.5	—	150.7	177.0	—	330.2
Operating income (loss)	208.2	134.9	1,066.6	(147.9)	—	1,261.8
Depreciation and amortization	82.5	327.0	73.0	9.7	—	492.2
Stock compensation expense	10.8	46.5	15.2	18.8	—	91.3
Regulatory settlement	—	—	64.6	—		64.6
Adjusted EBITDA [1]	301.5	508.4	1,219.4	(119.4)	—	1,909.9
Less: Securitization funding costs	—	—	97.1	—	—	97.1
Less: Interest expense on deposits	—	—	53.6	—	—	53.6
Less: Adjusted EBITDA attributable to non-controlling interest	30.9	—	—	—	—	30.9
Adjusted EBITDA, net [1]	$ 270.6	$ 508.4	$ 1,068.7	$ (119.4)	$ —	$ 1,728.3
Capital expenditures	$ 35.7	$ 106.4	$ 35.7	$ 13.9	$ —	$ 191.7
Total assets	$ 1,988.5	$ 4,737.7	$ 15,394.3	$ 229.4	$ —	$ 22,349.9

(1) Adjusted EBITDA is a non-GAAP financial measure equal to net income, the most directly comparable financial measure based on GAAP plus stock compensation expense, provision for income taxes, interest expense, net, depreciation and other amortization, and amortization of purchased intangibles. In 2016, adjusted EBITDA excluded the impact of the cancellation of the AIR MILES Reward Program's five-year expiry policy on December 1, 2016. In 2015, adjusted EBITDA excluded costs associated with the consent orders with the FDIC. Adjusted EBITDA, net is also a non-GAAP financial measure equal to adjusted EBITDA less securitization funding costs, interest expense on deposits and adjusted EBITDA attributable to the non-controlling interest. Adjusted EBITDA and adjusted EBITDA, net are presented in accordance with ASC 280 as they are the primary performance metrics utilized to assess performance of the segments.

With respect to information concerning principal geographic areas, revenues are attributed to respective countries based on the location of the subsidiary, which generally correlates with the location of the customer. Information concerning principal geographic areas is as follows:

	United States	Canada	Europe, Middle East and Africa	Asia Pacific	Other	Total
			(In millions)			
Revenues						
Year Ended December 31, 2017	$ 6,336.1	$ 742.8	$ 485.1	$ 140.4	$ 15.0	$ 7,719.4
Year Ended December 31, 2016	$ 5,730.3	$ 706.5	$ 537.4	$ 154.5	$ 9.4	$ 7,138.1
Year Ended December 31, 2015	$ 5,020.2	$ 761.2	$ 536.7	$ 113.7	$ 7.9	$ 6,439.7
Long Lived Assets						
December 31, 2017	$ 4,910.5	$ 297.0	$ 750.2	$ 20.5	$ 1.0	$ 5,979.2
December 31, 2016	$ 4,953.0	$ 256.1	$ 701.8	$ 12.4	$ 1.5	$ 5,924.8

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

22. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Unaudited quarterly results of operations for the years ended December 31, 2017 and 2016 are presented below.

	Quarter Ended			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
	(In millions, except per share amounts)			
Revenues	$ 1,879.0	$ 1,821.8	$ 1,912.4	$ 2,106.2
Operating expenses	1,526.6	1,470.4	1,433.5	1,643.4
Operating income	352.4	351.4	478.9	462.8
Interest expense, net	125.2	137.5	145.3	156.4
Income before income taxes	227.2	213.9	333.6	306.4
Provision for income taxes	80.8	76.2	100.4	35.0
Net income	146.4	137.7	233.2	271.4
Less: Net income attributable to non-controlling interest	—	—	—	—
Net income attributable to common stockholders	$ 146.4	$ 137.7	$ 233.2	$ 271.4
Net income attributable to common stockholders per share:				
Basic	$ 2.60	$ 2.48	$ 4.21	$ 4.91
Diluted	$ 2.58	$ 2.47	$ 4.20	$ 4.88

	Quarter Ended			
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016
	(In millions, except per share amounts)			
Revenues [1]	$ 1,676.1	$ 1,748.8	$ 1,885.6	$ 1,827.6
Operating expenses	1,331.8	1,428.2	1,464.6	1,648.0
Operating income	344.3	320.6	421.0	179.6
Interest expense, net	98.8	103.7	108.3	117.7
Income before income taxes	245.5	216.9	312.7	61.9
Provision for income taxes	86.6	76.2	105.2	51.4
Net income	158.9	140.7	207.5	10.5
Less: Net income attributable to non-controlling interest	1.8	—	—	—
Net income attributable to common stockholders	$ 157.1	$ 140.7	$ 207.5	$ 10.5
Net income attributable to common stockholders per share:				
Basic	$ 2.36	$ 1.24	$ 3.56	$ 0.18
Diluted	$ 2.35	$ 1.24	$ 3.55	$ 0.18

(1) Reflects a $284.5 million reduction in revenue associated with the change in breakage rate estimate for the AIR MILES Reward Program from 26% to 20% for the quarter ended December 31, 2016.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Alliance Data Systems Corporation has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

ALLIANCE DATA SYSTEMS CORPORATION

By: /S/ EDWARD J. HEFFERNAN
Edward J. Heffernan
President and Chief Executive Officer

DATE: February 27, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Alliance Data Systems Corporation and in the capacities and on the dates indicated.

Name	Title	Date
/S/ EDWARD J. HEFFERNAN **Edward J. Heffernan**	President, Chief Executive Officer and Director	February 27, 2018
/S/ CHARLES L. HORN **Charles L. Horn**	Executive Vice President and Chief Financial Officer	February 27, 2018
/S/ LAURA SANTILLAN **Laura Santillan**	Senior Vice President and Chief Accounting Officer	February 27, 2018
/S/ BRUCE K. ANDERSON **Bruce K. Anderson**	Director	February 27, 2018
/S/ ROGER H. BALLOU **Roger H. Ballou**	Director	February 27, 2018
/S/ KELLY J. BARLOW **Kelly J. Barlow**	Director	February 27, 2018
/S/ D. KEITH COBB **D. Keith Cobb**	Director	February 27, 2018
/S/ E. LINN DRAPER, JR., PH.D. **E. Linn Draper, Jr., Ph.D.**	Director	February 27, 2018
/S/ KENNETH R. JENSEN **Kenneth R. Jensen**	Director	February 27, 2018
/S/ ROBERT A. MINICUCCI **Robert A. Minicucci**	Chairman of the Board, Director	February 27, 2018
/S/ TIMOTHY J. THERIAULT **Timothy J. Theriault**	Director	February 27, 2018
/S/ LAURIE A. TUCKER **Laurie A. Tucker**	Director	February 27, 2018

SCHEDULE II

ALLIANCE DATA SYSTEMS CORPORATION

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Year	Charged to Costs and Expenses	Charged to Other Accounts	Write-Offs Net of Recoveries[1]	Balance at End of Year
			(In millions)		
Allowance for Doubtful Accounts—Accounts receivable:					
Year Ended December 31, 2017	$ 4.5	$ 7.7	$ —	$ (5.5)	$ 6.7
Year Ended December 31, 2016	$ 4.0	$ 2.4	$ 0.8	$ (2.7)	$ 4.5
Year Ended December 31, 2015	$ 3.8	$ 2.5	$ 2.1	$ (4.4)	$ 4.0

(1) Accounts written off during the year, net of recoveries and foreign exchange impact.

Exhibit 10.104

MASTER INDENTURE

between

WORLD FINANCIAL CAPITAL
MASTER NOTE TRUST

Issuer,

and

U.S. BANK NATIONAL ASSOCIATION,

Indenture Trustee

Dated as of September 29, 2008

THIS MASTER INDENTURE, dated as of September 29, 2008 (this "Indenture"), is between WORLD FINANCIAL CAPITAL MASTER NOTE TRUST, a statutory trust organized under the laws of the State of Delaware (the "Issuer"), and U.S. Bank National Association, a national banking association, as indenture trustee (the "Indenture Trustee"). This Indenture may be supplemented at any time and from time to time by an indenture supplement in accordance with Article X (an "Indenture Supplement," and together with this Indenture and any amendments, the "Agreement"). If a conflict exists between the terms and provisions of this Indenture and any Indenture Supplement, the terms and provisions of the Indenture Supplement shall be controlling with respect to the related Series.

PRELIMINARY STATEMENT

Issuer has duly authorized the execution and delivery of this Indenture to provide for an issue of its Notes as provided in this Indenture. All covenants and agreements made by Issuer herein are for the benefit and security of the Noteholders. Issuer is entering into this Indenture, and Indenture Trustee is accepting the trusts created hereby, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

Simultaneously with the delivery of this Indenture, Issuer is entering into a Transfer and Servicing Agreement with World Financial Capital Credit Company, LLC, a Delaware limited liability company, as Transferor, and World Financial Capital Bank ("WFCB"), a Utah industrial bank , as Servicer, pursuant to which (a) Transferor will convey to Issuer all of its right, title and interest in, to and under the Receivables arising in the Accounts from time to time, which Transferor will have received from WFCB pursuant to the Receivables Purchase Agreement and (b) Servicer will agree to service the Receivables and make collections thereon on behalf of the Noteholders.

GRANTING CLAUSE

As security for the payment and performance of all of the Issuer's obligations under the Notes, this Indenture, each Enhancement Agreement, and each Transaction Document (collectively, the "Secured Obligations"), Issuer hereby grants to Indenture Trustee, for the benefit of the Holders of the Notes and the Enhancement Providers, all of Issuer's right, title and interest, whether now owned or hereafter acquired, in, to and under (a) the Receivables, (b) Collections and Recoveries related to and all money, instruments, investment property and other property distributed or distributable in respect of (together with all earnings, dividends, distributions, income, issues, and profits relating to) the Receivables; (c) the Collection Account, the Excess Funding Account and the Series Accounts and all Eligible Investments and all money, investment property, instruments and other property on deposit from time to time in, credited to, purchased with funds from, or related to the Collection Account, the Series Accounts and the Excess Funding Account (including any subaccounts of any such account), and all interest, dividends, earnings, income and other distributions from time to time received, receivable or otherwise distributed or distributable thereto or in respect thereof (including any accrued discount realized on liquidation of any investment purchased at a discount); (d) all interests, rights, remedies, powers, privileges and claims of Issuer under or with respect to any Enhancement, the Receivables Purchase Agreement and the Transfer and Servicing Agreement (whether arising pursuant to the terms of the related Enhancement Agreement, the Receivables Purchase Agreement or the Transfer and Servicing Agreement or otherwise available to Issuer at law or in equity), including (x) the rights of Issuer to enforce such Enhancement Agreement, the Receivables Purchase Agreement or the Transfer and Servicing Agreement, and to give or withhold any and all consents, requests, notices, directions, approvals, extensions or waivers under or with respect to such Enhancement Agreement, the Receivables Purchase Agreement or the Transfer and Servicing Agreement to the same extent as Issuer could but for the assignment and security interest granted to Indenture Trustee for the benefit of the Noteholders and (y) the right to receive from the RPA Seller payments

made by any Merchant under any Account Processing Agreement on account of amounts received by such Merchant in payment of Receivables and all proceeds of such rights; (e) all Insurance Proceeds; (f) all derivative contracts between the Issuer, or to the extent assigned to the Issuer, the Transferor and a counterparty, as described in any Indenture Supplement, and the proceeds thereof; (g) all accounts, chattel paper, deposit accounts, documents, general intangibles, goods, instruments, investment property, letter-of-credit rights, letters of credit, money, and oil, gas, and other minerals, consisting of, arising from, or relating to, any of the foregoing; (h) all accounts, chattel paper, deposit accounts, documents, general intangibles, goods, instruments, investment property, letter-of-credit rights, letters of credit, money, and oil, gas, and other minerals, of the Issuer; (i) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds, products, rents, receipts or profits of the conversion, voluntary or involuntary, into cash or other property, all cash and non-cash proceeds, and other property consisting of, arising from or relating to all or any part of any of the foregoing; and (j) all proceeds of the foregoing (collectively, the "Collateral"). To the extent that Owner Trustee (as distinguished from the Issuer) is determined to hold legal title to any of the Collateral, Owner Trustee hereby Grants to Indenture Trustee, for the benefit of the Holders of the Notes and the Enhancement Providers and as security for the payment and performance of the Secured Obligations, all of Owner Trustee's right, title and interest, whether owned or hereafter acquired, in, to and under the Collateral.

LIMITED RECOURSE

The obligation of Issuer to make payments of principal, interest and other amounts in respect of the Notes is limited by recourse only to the Collateral. Except as specifically set forth in the Indenture Supplement with respect thereto, the Notes of any Series or Class shall not be secured by any interest in any Series Account or Enhancement pledged for the benefit of any other Series or Class.

ARTICLE I
DEFINITIONS

Section 1.1 Definitions.

Capitalized terms used herein are defined in Annex A.

Section 1.2 Other Definitional Provisions

(a) All terms defined directly or by reference in this Indenture shall have the defined meanings when used in any certificate or other document delivered pursuant hereto unless otherwise defined therein. For purposes of this Indenture and all such certificates and other documents, unless the context otherwise requires: (i) accounting terms not otherwise defined in this Indenture, and accounting terms partly defined in this Indenture to the extent not defined, shall have the respective meanings given to them under GAAP; (ii) terms defined in Article 9 of the UCC as in effect in the State of New York and not otherwise defined in this Indenture are used as defined in that Article; (iii) any reference to each Rating Agency shall only apply to any specific rating agency if such rating agency is then rating any outstanding Series; (iv) references to any amount as on deposit or outstanding on any particular date means such amount at the close of business on such day; (v) the words "hereof," "herein" and "hereunder" and words of similar import refer to this Indenture (or the certificate or other document in which they are used) as a whole and not to any particular provision of this Indenture (or such certificate or document); (vi) references to any Section, Annex, Schedule or Exhibit are references to Sections, Annexes, Schedules and Exhibits in or to this Indenture (or the certificate or other document in which the reference is made), and references to any paragraph, Section, clause or other subdivision within any Section or definition refer to such paragraph, Section, clause or other subdivision of such Section or definition; (vii) the

term “including” means “including without limitation”; (viii) 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; (ix) references to any Person include that Person’s successors and assigns; (x) references to any agreement refer to that agreement as amended, supplemented or otherwise modified from time to time; and (xi) headings are for purposes of reference only and shall not otherwise affect the meaning or interpretation of any provision hereof.

(b) Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture to the extent, and only at such times, as this Indenture is required to qualify under the TIA. The following TIA terms used in this Indenture have the following meanings:

“indenture securities” means the Notes;

“indenture security holder” means a Noteholder;

“indenture to be qualified” means this Indenture;

“indenture trustee” or “institutional trustee” means Indenture Trustee; and

“obligor” on the indenture securities means Issuer and any other obligor on the indenture securities.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule have the meanings assigned to them by such definitions.

ARTICLE II
THE NOTES

Section 2.1 Form Generally. Any Series or Class of Notes, together with Indenture Trustee’s certificate of authentication related thereto, may be issued in bearer form (the “Bearer Notes”) with attached interest coupons and a special coupon (collectively, the “Coupons”) or in fully registered form (the “Registered Notes”) and shall be in substantially the form of an exhibit to the related Indenture Supplement with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture or such Indenture Supplement, and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon, as may, consistently herewith, be determined by the officers executing such Notes, as evidenced by their execution of such Notes. Any portion of the text of any Note may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note. The terms of any Notes set forth in an exhibit to the related Indenture Supplement are part of the terms of this Indenture, as applicable.

The Definitive Notes shall be typewritten, printed, lithographed or engraved or produced by any combination of these methods, all as determined by the officers executing such Notes, as evidenced by their execution of such Notes.

Each Book-Entry Note will be dated the related Closing Date and each Definitive Note will be dated as of the date of its authentication.

Any Note with respect to which the Transferor shall not have received an Opinion of Counsel to the effect that such Note will be treated as debt for federal income tax purposes shall be issued as a Definitive Note or as Registered Notes in book-entry form (but not as Book-Entry Notes maintained through DTC or any other Clearing Agency or Foreign Clearing Agency), provided that records of ownership and transfer of

any such Notes in book-entry form shall be maintained by the Indenture Trustee as Transfer Agent and Registrar (and

not by DTC or any other Clearing Agency or Foreign Clearing Agency), and provided further that the provisions of this Indenture relating to Book-Entry Notes (including section 2.12) shall nonetheless apply *mutatis mutandis* to any such Notes issued in book-entry form through the Indenture Trustee (and not through DTC or any other Clearing Agency or Foreign Clearing Agency).

Section 2.2 Denominations. Except as otherwise specified in the related Indenture Supplement and the Notes, each class of Notes of each Series shall be issued in fully registered form in minimum amounts of $1,000 and in integral multiples of $1,000 in excess thereof (except that one Note of each Class may be issued in a different amount, so long as such amount exceeds the applicable minimum denomination for such Class), and shall be issued upon initial issuance as one or more Notes in an aggregate original principal amount equal to the applicable Note Principal Balance for such Class or Series.

Section 2.3 Execution, Authentication and Delivery. Each Note shall be executed by manual or facsimile signature on behalf of Issuer by an Authorized Officer.

Notes 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 Issuer shall not be rendered invalid, notwithstanding the fact that such individual ceased to be so authorized prior to the authentication and delivery of such Notes or does not hold such office at the date of issuance of such Notes.

At any time and from time to time after the execution and delivery of this Indenture, Issuer may deliver Notes executed by Issuer to Indenture Trustee for authentication and delivery, and Indenture Trustee shall authenticate at the written direction of Issuer and deliver such Notes as provided in this Indenture or the related Indenture Supplement and not otherwise.

No Note shall be entitled to any benefit under this Indenture or the applicable Indenture Supplement or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein or in the related Indenture Supplement executed by or on behalf of Indenture Trustee by the manual signature of a duly authorized signatory, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

Section 2.4 Authenticating Agent.

(a) Indenture Trustee, at the expense of Servicer, may appoint one or more authenticating agents with respect to the Notes which shall be authorized to act on behalf of Indenture Trustee in authenticating the Notes in connection with the issuance, delivery, registration of transfer, exchange or repayment of the Notes. Whenever reference is made in this Indenture to the authentication of Notes by Indenture Trustee or Indenture Trustee's certificate of authentication, such reference shall be deemed to include authentication on behalf of Indenture Trustee by an authenticating agent and a certificate of authentication executed on behalf of Indenture Trustee by an authenticating agent. Each authenticating agent must be acceptable to Issuer 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 Indenture Trustee or such authenticating agent.

(c) An authenticating agent may at any time resign by giving written notice of resignation to Indenture Trustee, Issuer and Servicer. Indenture Trustee may at any time terminate the agency of an authenticating agent by giving notice of termination to such authenticating agent and to Issuer and Servicer.

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 Indenture Trustee or Issuer and Servicer, Indenture Trustee may promptly 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 Issuer and Servicer.

(d) The provisions of Sections 6.1 and 6.4 shall be applicable to any authenticating agent.

(e) Pursuant to an appointment made under this Section 2.4, the Notes may have endorsed thereon, in lieu of or in addition to Indenture Trustee's certificate of authentication, an alternative certificate of authentication in substantially the following form:

"This is one of the Notes described in the within-mentioned Agreement.

_____

_____

as Authenticating Agent
for Indenture Trustee

By: _____

Authorized Signatory

Dated: _____"

Section 2.5 Registration of and Limitations on Transfer and Exchange of Notes. Issuer shall cause to be kept at the office or agency to be maintained by a transfer agent and registrar (the "Transfer Agent and Registrar") a register (the "Note Register") in which Issuer shall provide for the registration of Notes and the registration of transfers of Notes. Indenture Trustee initially shall be Transfer Agent and Registrar for the purpose of registering Notes and transfers of Notes as herein provided. Upon any resignation of any Transfer Agent and Registrar, Issuer shall promptly appoint a successor or, if it elects not to make such an appointment, assume the duties of Transfer Agent and Registrar.

If a Person other than Indenture Trustee is appointed by Issuer as Transfer Agent and Registrar, Issuer will give Indenture Trustee prompt written notice of the appointment of a Transfer Agent and Registrar and of the location, and any change in the location, of Transfer Agent and Registrar and Note Register. Indenture Trustee shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof, and Indenture Trustee shall have the right to conclusively rely upon a certificate executed on behalf of Transfer Agent and Registrar by an officer thereof as to the names and addresses of the Noteholders and the principal amounts and numbers of such Notes.

Upon surrender for registration of transfer of any Note at the office or agency of Transfer Agent and Registrar, to be maintained as provided in Section 3.2, if the requirements of Section 8-401 of the UCC are met as certified by Administrator to Indenture Trustee, Issuer shall execute, and upon receipt of such surrendered Note, Indenture Trustee (or an authenticating agent on behalf of Indenture Trustee as provided in Section 2.4) shall authenticate and deliver to the Noteholder, in the name of the designated transferee or transferees, one or

more new Notes (of the same Series and Class) in any authorized denominations of like aggregate principal amount.

At the option of a Noteholder, Notes may be exchanged for other Notes (of the same Series and Class) in any authorized denominations and of like aggregate principal amount, upon surrender of such Notes to be exchanged at the office or agency of Transfer Agent and Registrar. Whenever any Notes are so surrendered for exchange, if the requirements of Section 8-401 of the UCC are met as certified by Administrator to Indenture Trustee, Issuer shall execute, and upon receipt of such surrendered Note Indenture Trustee shall authenticate (or an authenticating agent on behalf of Indenture Trustee as provided in Section 2.4) and deliver to the Noteholder, the Notes which the Noteholder making the exchange is entitled to receive.

Each Noteholder shall be deemed to represent and warrant that it is not acquiring the Note with the plan assets of an "employee benefit plan" as defined in Section 3(3) of ERISA which is subject to the fiduciary responsibility or prohibited transaction provisions of ERISA, a "plan" as defined in and subject to Section 4975 of the Code, an entity deemed to hold the plan assets of any of the foregoing by reason of investment by an employee benefit plan or plan in such entity, or any other plan subject to applicable law that is substantially similar to the fiduciary responsibility or prohibited transaction provisions of the Code.

All Notes issued upon any registration of transfer or exchange of Notes shall evidence the same obligations, evidence the same debt, and be entitled to the same rights and privileges under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument of transfer in a form satisfactory to Indenture Trustee duly executed by, the Noteholder thereof or its attorney-in-fact duly authorized in writing, and by such other documents as Indenture Trustee may reasonably require.

Any Note held by Transferor (or an Affiliate of Transferor disregarded as an entity separate from the Transferor for federal income tax purposes) at any time after the date of its initial issuance may be transferred or exchanged to a Person other than the Transferor (or an Affiliate of Transferor disregarded as an entity separate from the Transferor for federal income tax purposes) only upon the delivery to the Owner Trustee and Indenture Trustee of a Tax Opinion dated as of the date of such transfer or exchange, as the case may be, with respect to such transfer or exchange, and until such transfer or exchange, any such Note shall be evidenced by Definitive Notes or as Registered Notes in book-entry form of the type described in the final paragraph of Section 2.1.

The registration of transfer of any Note shall be subject to the additional requirements, if any, set forth in the related Indenture Supplement.

No service charge shall be made for any registration of transfer or exchange of Notes, but Issuer and Transfer Agent and Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of such Notes.

All Notes surrendered for registration of transfer and exchange shall be canceled by Issuer and delivered to Indenture Trustee for subsequent destruction without liability on the part of either. Indenture Trustee shall destroy any Global Note upon its exchange in full for Definitive Notes and shall deliver a certificate of destruction to Transferor. Such certificate shall also state that a certificate or certificates of each Foreign Clearing Agency referred to in the applicable Indenture Supplement was received with respect to each portion of any Global Note exchanged for Definitive Notes.

Unless otherwise set forth in an Indenture Supplement, the preceding provisions of this Section 2.5 notwithstanding, Issuer shall not be required to make, and Transfer Agent and Registrar need not register, transfers or exchanges of Notes for a period of twenty (20) days preceding the due date for any payment with respect to the Note.

Any reference in this Indenture to Transfer Agent and Registrar shall include any co-transfer agent and co-registrar unless the context otherwise requires. Indenture Trustee will enter into any appropriate agency agreement with any co-transfer agent and co-registrar not a party to this Indenture, which will implement the provisions of this Indenture that relate to such agent.

Notwithstanding any other provision of this Indenture, with respect to any Notes for which an Opinion of Counsel has not been issued opining on the treatment of such Notes as debt for federal income tax purposes, no transfer (or purported transfer) of all or any part of such Notes (or any economic interest therein) shall be effective, and any such transfer (or purported transfer) shall be void *ab initio*, and no Person shall otherwise become a Holder of such Notes if (i) at the time of transfer (or purported transfer) such Notes are traded on an established securities market or readily tradeable on a secondary market or (ii) after such transfer (or purported transfer) the Trust would have more than 95 Holders of such Notes and any other interests in the Trust for which an Opinion of Counsel is not rendered in connection with the issuance of such interest to the effect that such interest will be characterized as debt for federal income tax purposes. For purposes of determining whether the Trust will have more than 95 Holders, each Person indirectly owning an interest in the Trust through a partnership (including an 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 unless the Trustee 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 2.6 Mutilated, Destroyed, Lost or Stolen Notes. If (a) any mutilated Note is surrendered to the Transfer Agent and Registrar, or Transfer Agent and Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (b) in case of destruction, loss, or theft there is delivered to Transfer Agent and Registrar such security or indemnity as may be required by it to hold Issuer, the Noteholders, Indenture Trustee and Transfer Agent and Registrar harmless, then, in the absence of notice to Issuer, Transfer Agent and Registrar or Indenture Trustee that such Note has been acquired by a protected purchaser (as defined in Section 8-303 of the UCC as in effect in the State of New York), Issuer shall execute, and Indenture Trustee shall authenticate (or an authenticating agent on behalf of Indenture Trustee as provided in Section 2.4) and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note of like tenor (including the same date of issuance) and principal amount, bearing a number not contemporaneously outstanding; provided, however, that if any such mutilated, destroyed, lost or stolen Note shall have become or within seven (7) days shall be due and payable, or shall have been selected or called for redemption, instead of issuing a replacement Note, Issuer may pay such Note without surrender thereof, except that any mutilated Note shall be surrendered. If, after the delivery of such replacement Note or payment of a destroyed, lost or stolen Note pursuant to the proviso to the preceding sentence, a protected purchaser (as defined in Section 8-303 of the UCC as in effect in the State of New York) of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, Issuer and Indenture Trustee shall be entitled to recover such replacement Note (or such payment) from the Person to whom it was delivered or any Person taking such replacement Note from such Person to whom such replacement Note was delivered or any assignee of such Person, except a protected purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by Issuer or Indenture Trustee in connection therewith.

Upon the issuance of any replacement Note under this Section 2.6, Issuer may require the payment by the Holder of such Note of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the fees and expenses of Indenture Trustee or Transfer Agent and Registrar) connected therewith.

Every replacement Note issued pursuant to this Section 2.6 in replacement of any mutilated, destroyed, lost or stolen Note shall constitute complete and indefeasible evidence of an obligation of the Trust, as if originally issued, whether or not the mutilated, destroyed, lost or stolen Note shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.6 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

Section 2.7 Persons Deemed Owners. Prior to due presentment for registration of transfer of any Note, Issuer, Transferor, Indenture Trustee and any agent of Issuer, Transferor or Indenture Trustee shall treat the Person in whose name any Note is registered as the owner of such Note for the purpose of receiving distributions pursuant to the terms of the applicable Indenture Supplement and for all other purposes whatsoever, whether or not such Note is overdue, and neither Issuer, Transferor, Indenture Trustee nor any agent of Issuer, Transferor or Indenture Trustee shall be affected by any notice to the contrary.

Section 2.8 Appointment of Paying Agent.

(a) Issuer reserves the right at any time to vary or terminate the appointment of a Paying Agent for the Notes, and to appoint additional or other Paying Agents, provided that it will at all times maintain Indenture Trustee as a Paying Agent.

Indenture Trustee will enter into any appropriate agency agreement with any co-paying agent not a party to this Indenture, which will implement the provisions of this Indenture that relate to such agent.

Notice of all changes in the identity or specified office of a Paying Agent will be delivered promptly to the Noteholders by Indenture Trustee.

(b) Indenture Trustee shall cause each Paying Agent (other than itself) to execute and deliver to Indenture Trustee an instrument in which such Paying Agent shall agree with Indenture Trustee that such Paying Agent will hold all sums, if any, held by it for payment to the Noteholders in trust for the benefit of the Noteholders entitled thereto until such sums shall be paid to such Noteholders and shall agree, and if Indenture Trustee is Paying Agent it hereby agrees, that it shall comply with all requirements of the Code regarding the withholding by Indenture Trustee of payments in respect of federal income taxes due from the Note Owners.

Section 2.9 Access to List of Noteholders' Names and Addresses.

(a) Issuer will furnish or cause to be furnished to Indenture Trustee, Servicer or Paying Agent, within five (5) Business Days after receipt by Issuer of a written request therefor from Indenture Trustee, Servicer or Paying Agent, respectively, a list of the names and addresses of the Noteholders. Unless otherwise provided in the related Indenture Supplement, the Holders of not less than 10% of the principal balance of the Outstanding Notes of any Series (the "Applicants") may apply in writing to Indenture Trustee, and if such application states that the Applicants desire to communicate with other Noteholders of any Series with respect to their rights

under this Indenture or under the Notes and is accompanied by a copy of the communication which such Applicants propose to transmit, then Indenture Trustee, after having been adequately indemnified by such Applicants for its costs and expenses, shall afford or shall cause Transfer Agent and Registrar to afford such Applicants access during normal business hours to the most recent list of Noteholders held by Indenture Trustee and shall give Servicer notice that such request has been made, within five (5) Business Days after the receipt of such application. Such list shall be as of a date no more than forty-five (45) days prior to the date of receipt of such Applicants' request.

(b) Every Noteholder, by receiving and holding a Note, agrees that none of Issuer, Indenture Trustee, Transfer Agent and Registrar and Servicer or any of their respective agents and employees shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Noteholders hereunder, regardless of the sources from which such information was derived.

Section 2.10 Cancellation. All Notes surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than Indenture Trustee, be delivered to Indenture Trustee and shall be promptly canceled by it. Issuer may at any time deliver to Indenture Trustee for cancellation any Notes previously authenticated and delivered hereunder which Issuer may have acquired in any lawful manner whatsoever, and all Notes so delivered shall be promptly canceled by Indenture Trustee. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.10, except as expressly permitted by this Indenture. All canceled Notes held by Indenture Trustee shall be disposed of by it in its customary manner unless Issuer shall direct Indenture Trustee in a timely manner that they be returned to Issuer.

Section 2.11 New Issuances.

(a) Pursuant to one or more Indenture Supplements, Transferor may from time to time direct the Issuer, to issue one or more new Series of Notes (a "New Issuance"). The Notes of all outstanding Series shall be equally and ratably entitled as provided herein to the benefits of this Indenture without preference, priority or distinction, all in accordance with the terms and provisions of this Indenture and the applicable Indenture Supplement except, with respect to any Series or Class, as provided in the related Indenture Supplement. Interest on and principal of the Notes of each outstanding Series shall be paid as specified in the Indenture Supplement relating to such outstanding Series.

(b) On or before the Closing Date relating to any new Series of Notes, the parties hereto will execute and deliver an Indenture Supplement which will specify the Principal Terms of such Series. The terms of such Indenture Supplement may modify or amend the terms of this Indenture solely as applied to such new Series. The obligation of the Owner Trustee to execute, on behalf of Issuer, the Notes of any Series and of Indenture Trustee to authenticate such Notes (other than any Series issued pursuant to an Indenture Supplement dated as of the date hereof) and to execute and deliver the related Indenture Supplement is subject to the satisfaction of the following conditions:

(i) Other than in connection with the initial issuance, on or before the fifth Business Day immediately preceding the Closing Date relating to any new Series of Notes, Transferor shall have given the Owner Trustee, Indenture Trustee, Servicer and each Rating Agency notice (unless such notice requirement is otherwise waived) of such issuance and the Closing Date;

(ii) Transferor shall have delivered to the Indenture Trustee any related Indenture Supplement, in form satisfactory to the Indenture Trustee, executed by each party hereto (other than Indenture Trustee);

(iii) Transferor shall have delivered to the Owner Trustee and Indenture Trustee any related Enhancement Agreement;

(iv) the Rating Agency Condition shall have been satisfied with respect to such issuance;

(v) Transferor shall have delivered to the Indenture Trustee an Officer's Certificate, dated the 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 have an Adverse Effect;

(vi) Transferor shall have delivered to the Indenture Trustee a Tax Opinion, dated the Closing Date with respect to such issuance; and

(vii) Transferor shall have delivered to the Indenture Trustee an Officer's Certificate stating that (A) the Transferor Amount shall not be less than the Minimum Transferor Amount and (B) the Aggregate Principal Balance shall not be less than the Required Principal Balance, in each case as of the Closing Date and after giving effect to such issuance.

(c) Upon satisfaction of the above conditions, pursuant to Section 2.3, the Owner Trustee, on behalf of Issuer, shall execute and Indenture Trustee shall upon written direction of Issuer authenticate and deliver the Notes of such Series as provided in this Indenture and the applicable Indenture Supplement.

(d) Issuer may direct Indenture Trustee in writing to deposit the net proceeds from any New Issuance in the Excess Funding Account. Issuer may also specify that on any Transfer Date the proceeds from the sale of any new Series may be withdrawn from the Excess Funding Account and treated as Shared Principal Collections.

Section 2.12 Book-Entry Notes. Unless otherwise provided in any related Indenture Supplement, the Notes, upon original issuance, shall be issued in the form of typewritten or printed Notes representing the Book-Entry Notes to be delivered to the depository specified in such Indenture Supplement which shall be the Clearing Agency or Foreign Clearing Agency, by or on behalf of such Series.

The Notes of each Series shall, unless otherwise provided in the related Indenture Supplement, initially be registered in the Note Register in the name of the nominee of the Clearing Agency or Foreign Clearing Agency for such Book-Entry Notes and shall be delivered to Indenture Trustee or, pursuant to such Clearing Agency's or Foreign Clearing Agency's instructions held by Indenture Trustee's agent as custodian for the Clearing Agency or Foreign Clearing Agency.

Unless and until Definitive Notes are issued under the limited circumstances described in Section 2.14, no Note Owner shall be entitled to receive a Definitive Note representing such Note Owner's interest in such Note. Unless and until Definitive Notes have been issued to the Note Owners pursuant to Section 2.14:

(a) the provisions of this Section 2.12 shall be in full force and effect with respect to each such Series;

(b) Indenture Trustee shall be entitled to deal with the Clearing Agency or Foreign Clearing Agency and the Clearing Agency Participants for all purposes of this Indenture (including the payment of principal of and interest on the Notes of each such Series) as the authorized representatives of the Note Owners;

(c) to the extent that the provisions of this Section 2.12 conflict with any other provisions of this Indenture, the provisions of this Section 2.12 shall control with respect to each such Series;

(d) the rights of Note Owners of each such Series shall be exercised only through the Clearing Agency or Foreign Clearing Agency and the applicable Clearing Agency Participants and shall be limited to those established by law and agreements between such Note Owners and the Clearing Agency or Foreign Clearing Agency and/or the Clearing Agency Participants. Pursuant to the depository agreement applicable to a Series, unless and until Definitive Notes of such Series are issued pursuant to Section 2.14, the initial Clearing Agency shall make book-entry transfers among the Clearing Agency Participants and receive and transmit distributions of principal and interest on the Notes to such Clearing Agency Participants; and

(e) whenever this Indenture requires or permits actions to be taken based upon instructions or directions of the Holders of Notes representing a specified percentage of the Outstanding Amount, the Clearing Agency or Foreign Clearing Agency shall be deemed to represent such percentage only to the extent that they have received instructions to such effect from the Note Owners and/or Clearing Agency Participants owning or representing, respectively, such required percentage of the beneficial interest in the Notes and has delivered such instructions to Indenture Trustee.

Section 2.13 Notices to Clearing Agency or Foreign Clearing Agency. Whenever a notice or other communication to the Noteholders is required under this Indenture, unless and until Definitive Notes shall have been issued to Note Owners pursuant to Section 2.14, Indenture Trustee shall give all such notices and communications specified herein to be given to Noteholders to the Clearing Agency or Foreign Clearing Agency, as applicable, and shall have no obligation to the Note Owners.

Section 2.14 Definitive Notes. If (i) (A) Transferor advises Indenture Trustee in writing that the Clearing Agency is no longer willing or able to discharge properly its responsibilities as Clearing Agency with respect to the Book-Entry Notes of a given Class or Series and (B) Indenture Trustee or Issuer is unable to locate and reach an agreement on satisfactory terms with a qualified successor, (ii) Transferor, at its option, and to the extent permitted by law, advises Indenture Trustee in writing that it elects to terminate the book-entry system through the Clearing Agency with respect to such Class or Series or (iii) after the occurrence of a Servicer Default, Note Owners of Notes evidencing more than 50% of the principal balance of the Outstanding Notes (or such other percentage as specified in the related Indenture Supplement) of such Class or Series, as applicable, advise Indenture Trustee and the applicable Clearing Agency through the applicable Clearing Agency Participants in writing that the continuation of a book-entry system is no longer in the best interests of the Note Owners of such Class or Series, the Clearing Agency shall notify all Note Owners of such Class or Series of the occurrence of such event and of the availability of Definitive Notes to Note Owners of such Class or Series requesting the same. Upon surrender to Indenture Trustee of the Notes of such Class or Series, accompanied by registration instructions from the applicable Clearing Agency, Issuer shall execute and Indenture Trustee shall authenticate Definitive Notes of such Class or Series and shall recognize the registered holders of such Definitive Notes as Noteholders under this Indenture. Neither Issuer nor Indenture Trustee shall be liable for any delay in delivery of such instructions, and Issuer and Indenture Trustee may conclusively rely on, and shall be fully protected in relying on, such instructions. Upon the issuance of Definitive Notes of such Class or Series, all references herein to obligations imposed upon or to be performed by the applicable Clearing Agency or Foreign Clearing Agency shall be deemed to be imposed upon and performed by Indenture Trustee, to the extent applicable with respect to such Definitive Notes, and Indenture Trustee shall recognize the registered holders of the Definitive Notes of such Class or Series as Noteholders of such Class or Series hereunder. Definitive Notes will be transferable and exchangeable at the offices of Transfer Agent and Registrar.

Section 2.15 Global Note. If specified in the related Indenture Supplement for any Series, Notes may be initially issued in the form of a single temporary Global Note (the "Global Note") in bearer form, without interest coupons, in the denomination of the initial principal amount and substantially in the form attached to the related Indenture Supplement. Unless otherwise specified in the related Indenture Supplement, the provisions of this Section 2.15 shall apply to such Global Note. The Global Note will be authenticated by Indenture Trustee upon the same conditions, in substantially the same manner and with the same effect as the Definitive Notes. The Global Note may be exchanged in the manner described in the related Indenture Supplement for Registered Notes or Bearer Notes in definitive form. Except as otherwise specifically provided in the Indenture Supplement, any Notes that are issued in bearer form pursuant to this Indenture shall be issued in accordance with the requirements of Code section 163(f)(2).

Section 2.16 Meetings of Noteholders. To the extent provided by the Indenture Supplement for any Series issued in whole or in part in Bearer Notes, Servicer or Indenture Trustee may at any time call a meeting of the Noteholders of such Series, to be held at such time and at such place as Servicer and Indenture Trustee, as the case may be, shall determine, for the purpose of approving a modification or amendment to, or obtaining a waiver of, any covenant or condition set forth in this Indenture with respect to such Series or in the Notes of such Series, subject to Article X.

Section 2.17 Uncertificated Classes. Notwithstanding anything to the contrary contained in this Article II or in Article XI, unless otherwise specified in any Indenture Supplement, any provisions contained in this Article II and in Article XI relating to the registration, form, execution, authentication, delivery, presentation, cancellation and surrender of Notes shall not be applicable to any uncertificated Notes**,** provided, however, that, except as otherwise specifically provided in the Indenture Supplement, any such uncertificated Notes shall be issued in "registered form" within the meaning of Code section 163(f)(1).

Section 2.18 Record Date for Voting. The Issuer may set a record date for purposes of determining the identity of the Noteholders and the Note Owners entitled to vote or consent to any action pursuant to this Indenture or any Transaction Document.

ARTICLE III
REPRESENTATIONS AND COVENANTS OF ISSUER

Section 3.1 Payment of Principal and Interest.

(a) Issuer will duly and punctually pay principal and interest in accordance with the terms of the Notes as specified in the relevant Indenture Supplement.

(b) The Noteholders of a Series as of the Record Date in respect of a Distribution Date shall be entitled to the interest accrued and payable and principal payable on such Distribution Date as specified in the related Indenture Supplement. All payment obligations under a Note are discharged to the extent such payments are made to the Noteholder of record.

Section 3.2 Maintenance of Office or Agency. Issuer will maintain an office or agency within the State of New York and such other locations as may be set forth in an Indenture Supplement where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon Issuer in respect of the Notes and this Indenture may be served. Issuer hereby initially appoints Indenture Trustee at its Corporate Trust Office to serve as its agent for the foregoing purposes. Issuer

will give prompt written notice to Indenture Trustee and the Noteholders of the location, and of any change in the location, of any such office or agency. If at any time Issuer shall fail to maintain any such office or agency or shall fail to furnish Indenture Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office, and Issuer hereby appoints Indenture Trustee at its Corporate Trust Office as its agent to receive all such presentations, surrenders, notices and demands.

Section 3.3 Money for Note Payments to Be Held in Trust. As specified in Section 8.3 herein and in the related Indenture Supplement, all payments of amounts due and payable with respect to the Notes which are to be made from amounts withdrawn from the Collection Account, any Series Account and the Excess Funding Account shall be made on behalf of Issuer by Indenture Trustee or by Paying Agent, and no amounts so withdrawn from the Collection Account, any Series Account or the Excess Funding Account shall be paid over to or at the direction of Issuer except as provided in this Section 3.3 and in the related Indenture Supplement.

Whenever Issuer shall have a Paying Agent in addition to Indenture Trustee, it will direct Indenture Trustee to deposit with such Paying Agent on or before each Distribution Date an aggregate sum sufficient to pay the amounts then becoming due, such sum to be (i) held in trust for the benefit of Persons entitled thereto and (ii) invested, pursuant to an Issuer Order, by Paying Agent in Eligible Investments in accordance with the terms of the related Indenture Supplement. For all investments made by a Paying Agent under this Section 3.3, such Paying Agent shall be entitled to all of the rights and obligations of Indenture Trustee under the related Indenture Supplement, such rights and obligations being incorporated in this paragraph by this reference.

Issuer will cause each Paying Agent other than Indenture Trustee to execute and deliver to Indenture Trustee an instrument in which such Paying Agent shall agree with Indenture Trustee (and if Indenture Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section 3.3, that such Paying Agent, in acting as Paying Agent, is an express agent of Issuer and, further, that such Paying Agent will:

(i) hold all sums held by it for the payment of amounts due with respect to the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(ii) give a Responsible Officer of Indenture Trustee written notice of any default by Issuer (or any other obligor upon the Notes) of which it has actual knowledge in the making of any payment required to be made with respect to the Notes;

(iii) at any time during the continuance of any such default, upon the written request of Indenture Trustee, forthwith pay to Indenture Trustee all sums so held in trust by such Paying Agent;

(iv) immediately resign as a Paying Agent and forthwith pay to Indenture Trustee all sums held by it in trust for the payment of Notes if at any time it ceases to meet the standards required to be met by a Paying Agent at the time of its appointment; and

(v) comply with all requirements of the Code with respect to the withholding from any payments made by it on any Notes of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith.

Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to Indenture Trustee all sums held in trust by such Paying Agent, such sums to be held by Indenture Trustee upon the same trusts as those upon

which such sums were held by such Paying Agent; and upon such payment by any Paying Agent to Indenture Trustee, such Paying Agent shall be released from all further liability with respect to such sums.

Section 3.4 Existence. Issuer will keep in full effect its existence, rights and franchises as a statutory trust under the laws of the State of Delaware (unless it becomes, or any successor Issuer hereunder is or becomes, organized under the laws of any other state or of the United States of America, in which case Issuer will keep in full effect its existence, rights and franchises under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Notes and the Collateral.

Section 3.5 Protection of Collateral. Issuer will from time to time prepare, or cause to be prepared, authorize, execute and deliver all such supplements and amendments hereto and all such financing statements, amendments thereto, continuation statements, instruments of further assurance and other instruments, and will take such other action necessary or advisable to:

(a) grant more effectively all or any portion of the Collateral as security for the Notes;

(b) maintain or preserve the lien (and the perfection and priority thereof) of this Indenture or to carry out more effectively the purposes hereof;

(c) perfect, publish notice of, or protect the validity of any Grant made or to be made under this Indenture;

(d) enforce any of the Collateral; or

(e) preserve and defend title to the Collateral securing the Notes and the rights therein of Indenture Trustee and the Noteholders secured thereby against the claims of all Persons and parties.

Issuer hereby designates Indenture Trustee its agent and attorney-in-fact to file any financing statement, continuation statement or other instrument required pursuant to this Section 3.5 and provided to it.

The Issuer hereby authorizes the filing of financing statements (and amendments of financing statements and continuation statements) that name the Issuer as debtor and the Indenture Trustee as secured party and that cover all personal property of the Issuer. The Issuer also hereby ratifies its authorization of the filing of any such financing statements (or amendments of financing statements or continuation statements) that were filed prior to the execution hereof.

The Issuer shall not change its name, address, type or jurisdiction of organization, or organizational identification number, without previously having delivered to the Indenture Trustee written notice of such change and a written certification that the Issuer has taken all actions necessary to maintain the perfection and priority of the security interest of the Indenture Trustee in the Collateral.

Issuer shall pay or cause to be paid any taxes levied on all or any part of the Collateral securing the Notes.

Section 3.6 Opinions as to Collateral.

(a) On the initial issuance date, and thereafter, if and only to the extent required by the TIA, on the Closing Date relating to any new Series of Notes, Issuer shall furnish to Indenture Trustee an Opinion of Counsel (with a copy to each Rating Agency) either stating that, in the opinion of such counsel, such action has been taken to perfect the lien and security interest of this Indenture, including with respect to the recording and filing of this Indenture, any indentures supplemental hereto, and any other requisite documents, and with respect

to the filing of any financing statements and continuation statements, as are so necessary and reciting the details of such action, or stating that, in the opinion of such counsel, no such action is necessary to maintain the perfection of such lien and security interest.

(b) If and only to the extent required by the TIA, on or before May 30 in each calendar year, beginning in 2009, Issuer shall furnish to Indenture Trustee an Opinion of Counsel satisfactory to the Rating Agencies either stating that, in the opinion of such counsel, such action has been taken to perfect the lien and security interest of this Indenture, including with respect to the recording, filing, re-recording and refiling of this Indenture, any indentures supplemental hereto and any other requisite documents and with respect to the filing of any financing statements and continuation statements as is so necessary and reciting the details of such action or stating that in the opinion of such counsel no such action is necessary to maintain the perfection of such lien and security interest. Such Opinion of Counsel shall also describe the recording, filing, re-recording and refiling of this Indenture, any indentures supplemental hereto and any other requisite documents and the filing of any financing statements and continuation statements that will, in the opinion of such counsel, be required to maintain the perfection of the lien and security interest of this Indenture until May 30 in the following calendar year.

Section 3.7 Performance of Obligations; Servicing of Receivables.

(a) Issuer may contract with other Persons to assist it in performing its duties under this Indenture, and any performance of such duties by a Person identified to Indenture Trustee in an Officer's Certificate of Issuer shall be deemed to be action taken by Issuer. Initially, Issuer has contracted with Administrator to assist Issuer in performing its duties under this Indenture.

(b) Issuer will punctually perform and observe all of its obligations and agreements contained in this Indenture, the other Transaction Documents and in the instruments and agreements relating to the Collateral, including but not limited to filing or causing to be filed all UCC financing statements and continuation statements required to be filed by the terms of this Indenture and the Transfer and Servicing Agreement in accordance with and within the time periods provided for herein and therein.

(c) If Issuer shall have knowledge of the occurrence of a Servicer Default under the Transfer and Servicing Agreement, Issuer shall cause Indenture Trustee to promptly notify the Rating Agencies thereof, and shall cause Indenture Trustee to specify in such notice the action, if any, being taken with respect to such default. If a Servicer Default shall arise from the failure of Servicer to perform any of its duties or obligations under the Transfer and Servicing Agreement with respect to the Receivables, Issuer shall take all reasonable steps available to it to remedy such failure.

(d) On and after the receipt by Servicer of a Termination Notice pursuant to Section 7.1 of the Transfer and Servicing Agreement, Servicer shall continue to perform all servicing functions under the Transfer and Servicing Agreement until the date specified in the Termination Notice or until a date mutually agreed upon by Servicer and Indenture Trustee. As promptly as possible after the giving of a Termination Notice to Servicer, Indenture Trustee shall appoint a Successor Servicer, and such Successor Servicer shall accept its appointment by a written assumption. In the event that a Successor Servicer has not been appointed and accepted its appointment at the time when Servicer ceases to act as Servicer, Indenture Trustee in accordance with Section 7.2 of the Transfer and Servicing Agreement without further action shall automatically be appointed the Successor Servicer. Indenture Trustee may delegate any of its servicing obligations to an Affiliate or agent in accordance with Sections 3.1(b) and 5.7 of the Transfer and Servicing Agreement. Notwithstanding the foregoing, Indenture Trustee shall, if it is legally unable so to act, petition at the expense of Servicer a court of competent jurisdiction to appoint any established institution qualifying as an Eligible Servicer as the Successor Servicer. Indenture Trustee shall give prompt notice to each Rating Agency and each Enhancement

Provider upon the appointment of a Successor Servicer. Upon its appointment, the Successor Servicer shall be the successor in all respects to Servicer with respect to servicing functions under the Transfer and Servicing Agreement and shall be subject to all the responsibilities, duties and liabilities relating thereto placed on Servicer by the terms and provisions thereof, and all references in this Indenture to Servicer shall be deemed to refer to the Successor Servicer. In connection with any Termination Notice, Indenture Trustee will review any bids which it obtains from Eligible Servicers and shall be permitted to appoint any Eligible Servicer submitting such a bid as a Successor Servicer for servicing compensation, subject to the limitations set forth in Section 7.2 of the Transfer and Servicing Agreement. Notwithstanding anything else herein to the contrary, in no event shall Indenture Trustee be liable for payment of any servicing fee.

Section 3.8 Negative Covenants. So long as any Notes are Outstanding, Issuer will not:

(a) sell, transfer, exchange, or otherwise dispose of any part of the Collateral unless directed to do so by Indenture Trustee, except as expressly permitted by the Transaction Documents;

(b) claim any credit on, or make any deduction from, the principal and interest payable in respect of the Notes (other than amounts properly withheld from such payments under the Code or applicable state law) or assert any claim against any present or former Noteholder by reason of the payment of any taxes levied or assessed upon any part of the Collateral;

(c) incur, assume, guarantee or otherwise become liable, directly or indirectly, for any indebtedness other than incurred under the Transaction Documents;

(d) (i) permit the validity or effectiveness of this Indenture to be impaired, or permit the lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Notes under this Indenture except as may be expressly permitted by the Transaction Documents, (ii) permit any Lien, charge, excise, claim, security interest, mortgage or other encumbrance (other than the lien of this Indenture and other than with respect to a tax or similar lien) to be created on or extend to or otherwise arise upon or burden the Collateral or any part thereof or any interest therein or the proceeds thereof or (iii) permit the lien of this Indenture not to constitute a valid first priority security interest (other than with respect to a tax, mechanics, or similar lien) in the Collateral; or

(e) voluntarily dissolve or liquidate in whole or in part.

Section 3.9 Statements as to Compliance. If and only to the extent required by the TIA, Issuer will deliver to Indenture Trustee and the Rating Agencies, within 120 days after the end of each fiscal year of Issuer at the end of which any Notes are outstanding (commencing within 120 days after the end of the fiscal year 2009), an Officer's Certificate stating, as to the Authorized Officer signing such Officer's Certificate, that;

(i) a review of the activities of Issuer during the 12-month period ending at the end of such fiscal year and of performance under this Indenture has been made under such Authorized Officer's supervision, and

(ii) to the best of such Authorized Officer's knowledge, based on such review, Issuer has complied with all conditions and covenants under this Indenture throughout such year, or, if there has been a default in the compliance of any such condition or covenant, specifying each such default known to such Authorized Officer and the nature and status thereof.

Section 3.10 Issuer May Consolidate, Etc., Only on Certain Terms.

(a) Issuer shall not consolidate or merge with or into any other Person, unless:

(1) the Person (if other than Issuer) formed by or surviving such consolidation or merger (the "Surviving Person") (i) is organized and existing under the laws of the United States of America or any state thereof or the District of Columbia, (ii) is not subject to regulation as an "investment company" under the Investment Company Act and (iii) expressly assumes, by an indenture supplemental hereto, executed and delivered to Indenture Trustee, in a form satisfactory to Indenture Trustee, the obligation to make due and punctual payment of the principal of and interest on all Notes and the performance of every covenant of this Indenture on the part of Issuer to be performed or observed;

(2) immediately after giving effect to such transaction, no Event of Default or Early Amortization Event shall have occurred and be continuing;

(3) Issuer shall have delivered to Indenture Trustee (A) an Officer's Certificate stating that (i) such consolidation or merger and such supplemental indenture comply with this Section 3.10, and (ii) all conditions precedent provided for in this Section 3.10 relating to such transaction have been complied with (including any filing required by the Exchange Act), and (B) an Opinion of Counsel that such supplemental indenture is duly authorized, executed and delivered and is valid, binding and enforceable against the Surviving Person;

(4) the Rating Agency Condition shall have been satisfied with respect to such transaction;

(5) Issuer shall have received a Tax Opinion with respect to such consolidation or merger; and

(6) any action that is necessary to maintain the lien and security interest created by this Indenture shall have been taken.

(b) Issuer shall not convey or transfer any of its properties or assets, including those included in the Collateral, substantially as an entirety to any Person, unless:

(1) the Person that acquires by conveyance or transfer the properties and assets of Issuer the conveyance or transfer of which is hereby restricted (the "Acquiring Person") (A) is a United States citizen or a Person organized and existing under the laws of the United States of America or any state thereof, or the District of Columbia, (B) is not subject to regulation as an "investment company" under the Investment Company Act, (C) expressly assumes, by an indenture supplemental hereto, executed and delivered to Indenture Trustee, in form satisfactory to Indenture Trustee, the obligation to make due and punctual payments of the principal of and interest on all Notes and the performance of every covenant of this Indenture on the part of Issuer to be performed or observed, (D) expressly agrees by means of such supplemental indenture that all right, title and interest so conveyed or transferred shall be subject and subordinate to the rights of Holders of the Notes, (E) unless otherwise provided in such supplemental indenture, expressly agree to indemnify, defend and hold harmless Issuer against and from any loss, liability or expense arising under or related to this Indenture and the Notes and (F) expressly agrees by means of such supplemental indenture that such Person (or if a group of Persons, then one specified Person) shall make all filings with the Commission

(and any other appropriate Person) required by the Exchange Act in connection with the Notes;

(2) immediately after giving effect to such transaction, no Event of Default or Early Amortization Event shall have occurred and be continuing;

(3) the Rating Agency Condition shall have been satisfied with respect to such transaction;

(4) Issuer shall have received a Tax Opinion with respect to such transaction;

(5) any action that is necessary to maintain the lien and security interest created by this Indenture and the perfection and priority thereof shall have been taken; and

(6) Issuer shall have delivered to Indenture Trustee (A) an Officer's Certificate and an Opinion of Counsel each stating that (i) such conveyance or transfer and such supplemental indenture comply with this Section 3.10 and (ii) all conditions precedent herein provided for relating to such transaction have been complied with (including any filing required by the Exchange Act), and (B) an Opinion of Counsel that such supplemental indenture is duly authorized, executed and delivered and is valid, binding and enforceable against the Acquiring Person.

Section 3.11 Successor Substituted. Upon any consolidation or merger, or any conveyance or transfer of the properties and assets of Issuer substantially as an entirety in accordance with Section 3.10, the Surviving Person or the Acquiring Person, as the case may be, shall succeed to, and be substituted for, and may exercise every right and power of, Issuer under this Indenture with the same effect as if such Person had been named as Issuer herein. In the event of any such conveyance or transfer, the Person named as Issuer in the first paragraph of this Indenture or any successor which shall theretofore have become such in the manner prescribed in this Section 3.11 shall be released from its obligations under this Indenture as issued immediately upon the effectiveness of such conveyance or transfer, provided that Issuer shall not be released from any obligations or liabilities to Indenture Trustee or the Noteholders arising prior to such effectiveness.

Section 3.12 No Other Business. Issuer shall not engage in any business other than the activities set forth in Section 2.3 of the Trust Agreement.

Section 3.13 Investments. Except as contemplated by this Indenture or the Transfer and Servicing Agreement, Issuer shall not own, purchase, repurchase or acquire (or agree contingently to do so) any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other Person.

Section 3.14 Capital Expenditures. Issuer shall not make any expenditure (by long-term or operating lease or otherwise) for capital assets (either realty or personalty).

Section 3.15 Removal of Administrator. So long as any Notes are outstanding, Issuer shall not remove Administrator without cause unless the Rating Agency Condition shall have been satisfied in connection with such removal.

Section 3.16 Restricted Payments. Issuer will not, directly or indirectly, make payments to or distributions from the Collection Account, any Series Account or the Excess Funding Account except in accordance with the Transaction Documents.

Section 3.17 Notice of Events of Default. Issuer agrees to give Indenture Trustee and the Rating Agencies prompt written notice of each Event of Default hereunder, and written notice of each default on the part of RPA Seller of its obligations under the Receivables Purchase Agreement, immediately after obtaining knowledge thereof.

Section 3.18 [Reserved].

Section 3.19 Further Instruments and Acts. Issuer will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

Section 3.20 Perfection Representations and Warranties. The parties hereto agree that the Perfection Representations and Warranties shall be a part of this Indenture for all purposes. For purposes of the Perfection Representations and Warranties, this Indenture shall be the "Specified Agreement", the Issuer shall be the "Debtor" and the Indenture Trustee shall be the "Secured Party".

ARTICLE IV
SATISFACTION AND DISCHARGE

Section 4.1 Satisfaction and Discharge of this Indenture. This Indenture shall cease to be of further effect with respect to the Notes except as to (a) rights of registration of transfer and exchange, (b) substitution of mutilated, destroyed, lost or stolen Notes, (c) the rights of Noteholders to receive payments of principal thereof and interest thereon, (d) Sections 3.3, 3.7, 3.8, 3.11, 3.12 and 12.16, (e) the rights and immunities of Indenture Trustee hereunder, including the rights of Indenture Trustee under Section 6.7, and the obligations of Indenture Trustee under Section 4.2, and (f) the rights of Noteholders as beneficiaries hereof with respect to the property so deposited with Indenture Trustee and payable to all or any of them, and Indenture Trustee, on written demand of and at the expense of Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to the Notes when:

(i) either

(A) all Notes theretofore authenticated and delivered (other than (1) Notes which have been destroyed, lost or stolen and which have been replaced, or paid as provided in Section 2.6, and (2) Notes for whose full payment Issuer has theretofore deposited money in trust, which money has thereafter been repaid to Issuer or discharged from such trust, as provided in Section 3.3) have been delivered to Indenture Trustee for cancellation; or

(B) all Notes not theretofore delivered to Indenture Trustee for cancellation:

(1) have become due and payable;

(2) will become due and payable within one year at the Series Termination Date for such Class or Series of Notes; or

(3) are to be called for redemption in accordance with and subject to any redemption conditions in the related Indenture Supplement within one year under arrangements satisfactory to Indenture Trustee for the giving of notice of redemption by Indenture Trustee in the name, and at the expense, of Issuer;

(4) and Issuer, in the case of (1), (2) or (3) above, has irrevocably deposited or caused to be irrevocably deposited with Indenture Trustee cash or direct obligations of or obligations guaranteed by the United States of America (which will mature prior to the date such amounts are payable), in trust for such purpose, in an amount sufficient to pay and discharge the entire indebtedness on such Notes not theretofore delivered to Indenture Trustee for cancellation when due at the Series Termination Date for such Class or Series of Notes or the Redemption Date (if Notes shall have been called for redemption pursuant to the related Indenture Supplement), as the case may be;

(ii) Issuer has paid or caused to be paid all other sums payable hereunder by Issuer; and

(iii) Issuer has delivered to Indenture Trustee an Officer's Certificate, an Opinion of Counsel and (if required by the TIA) an Independent Certificate from a firm of certified public accountants, each meeting the applicable requirements of Section 12.1(a) and each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of Issuer to Indenture Trustee under Section 6.7 and of Indenture Trustee to the Noteholders under Section 4.2 shall survive such satisfaction and discharge.

Section 4.2 Application of Issuer Money. All monies deposited with Indenture Trustee pursuant to Section 4.1 shall be held in trust and applied by it, in accordance with the provisions of the Notes, this Indenture and the applicable Indenture Supplement, to make payments, either directly or through any Paying Agent to the Noteholders and for the payment in respect of which such monies have been deposited with Indenture Trustee, of all sums due and to become due thereon for principal and interest; but such monies need not be segregated from other funds except to the extent required herein or in the Transfer and Servicing Agreement or required by law.

ARTICLE V
EARLY AMORTIZATION EVENTS, DEFAULTS AND REMEDIES

Section 5.1 Early Amortization Events. If any one of the following events shall occur:

(a) the occurrence of an Insolvency Event relating to WFCB or Transferor;

(b) WFCB shall become unable for any reason to transfer Receivables to Transferor pursuant to the Receivables Purchase Agreement or Transferor shall become unable for any reason to transfer Receivables to Issuer pursuant to the Transfer and Servicing Agreement; or

(c) Issuer shall become subject to regulation by the Commission as an "investment company" within the meaning of the Investment Company Act,

then a "Trust Early Amortization Event" with respect to all Series of Notes shall occur without any notice or other action on the part of Indenture Trustee or the Noteholders immediately upon the occurrence of such event.

Upon the occurrence of an Early Amortization Event, payment on the Notes of each Series will be made in accordance with the terms of the related Indenture Supplement.

Section 5.2 Events of Default. An "Event of Default," wherever used herein, means with respect to any Series any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of the principal of any Note of that Series, if and to the extent not previously paid, when the same becomes due and payable on its Series Termination Date; or

(b) default in the payment of any interest on any Note of that Series when the same becomes due and payable, and such default shall continue for a period of thirty-five (35) days; or

(c) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of Issuer in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, conservator, liquidator, assignee, custodian, trustee, sequestrator or similar official for Issuer or ordering the winding-up or liquidation of Issuer's affairs, and such decree or order shall remain unstayed and in effect for a period of sixty (60) consecutive days; or

(d) the commencement by Issuer of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by Issuer to the entry of an order for relief in an involuntary case under any such law, or the consent by Issuer to the appointment of or the taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator, conservator or similar official of Issuer, or the making by Issuer of any general assignment for the benefit of creditors, or the failure by Issuer generally to pay, or the admission in writing by Issuer of its inability to pay, its debts as such debts become due, or the taking of action by Issuer in furtherance of any of the foregoing; or

(e) any additional events specified in the Indenture Supplement related to such Series.

Issuer shall deliver to a Responsible Officer of Indenture Trustee, within five (5) days after the occurrence thereof, written notice in the form of an Officer's Certificate of any Default or Event of Default, its status and what action Issuer is taking or proposes to take with respect thereto.

Section 5.3 Acceleration of Maturity; Rescission and Annulment. If an Event of Default described in paragraph (a) or (b) of Section 5.2 should occur and be continuing with respect to a Series, then and in every such case the Holders of Notes representing more than 50% of the principal balance of the Outstanding Notes of such Series may and the Indenture Trustee at the direction of such Holders shall declare all the Notes of such Series to be immediately due and payable, by a notice in writing to Issuer (and to a Trustee Officer of Indenture Trustee if declared by Noteholders), and upon any such declaration the unpaid principal amount of such Notes, together with accrued and unpaid interest thereon through the date of acceleration, shall become immediately due and payable.

If an Event of Default described in paragraph (c) or (d) of Section 5.2 should occur and be continuing, then the unpaid principal of the Notes, together with accrued and unpaid interest thereon through the date of acceleration, shall automatically become due and payable.

At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by Indenture Trustee as hereinafter provided in this Article V, the Holders of Notes representing more than 50% of the principal balance of the Outstanding Notes of such Series, by written notice to Issuer, Indenture Trustee and the Rating Agencies, may rescind and annul such declaration and its consequences; provided, that:

(a) Issuer has paid or deposited with Indenture Trustee a sum sufficient to pay:

(i) all payments of principal of and interest on all Notes and all other amounts that would then be due hereunder or upon such Notes if the Event of Default giving rise to such acceleration had not occurred; and

(ii) all sums paid or advanced by Indenture Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of Indenture Trustee and its agents and counsel; and

(b) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived as provided in Section 5.13.

No such rescission shall affect any subsequent default or impair any right consequent thereto.

Section 5.4 Collection of Indebtedness and Suits for Enforcement by Indenture Trustee.

(a) Issuer covenants that if (i) default is made in the payment of any interest on any Note when the same becomes due and payable, and such default continues for a period of thirty-five (35) days following the date on which such interest became due and payable, or (ii) default is made in the payment of principal of any Note, if and to the extent not previously paid, when the same becomes due and payable on the Series Termination Date, Issuer will, upon demand of Indenture Trustee, pay to it, for the benefit of the Holders of the Notes of the affected Series, the whole amount then due and payable on such Notes for principal and interest, with, to the extent specified in the related Indenture Supplement, interest upon the overdue principal, and, to the extent payment at such rate of interest shall be legally enforceable, interest upon overdue installments of interest, as specified in the related Indenture Supplement and in addition thereto will pay such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of Indenture Trustee and its agents and counsel.

(b) In case Issuer shall fail forthwith to pay such amounts upon such demand, Indenture Trustee, in its own name and as trustee of an express trust, may institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against Issuer or other obligor upon such Notes and collect in the manner provided by law out of the Collateral or the property of any other obligor upon such Notes, wherever situated, the moneys adjudged or decreed to be payable.

(c) If an Event of Default occurs and is continuing, Indenture Trustee may, as more particularly provided in Section 5.5, in its discretion, proceed to protect and enforce its rights and the rights of the Noteholders of the affected Series, by such appropriate Proceedings as Indenture Trustee shall deem necessary to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in Indenture Trustee by this Indenture or by law.

(d) In case there shall be pending, relative to Issuer or any other obligor upon the Notes of the affected Series, or any Person having or claiming an ownership interest in the Collateral, Proceedings under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or in case a receiver, conservator, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator, custodian or other similar official shall have been appointed for or taken possession of Issuer or its property or such other obligor or Person, or in case of any other comparable judicial Proceedings relative to Issuer or other obligor upon the Notes of such Series, or to the creditors or property of

Issuer or such other obligor, Indenture Trustee, irrespective of whether the principal of any Notes shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether Indenture Trustee shall have made any demand pursuant to the provisions of this Section 5.4, shall be entitled and empowered, by intervention in such Proceedings or otherwise:

(i) to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Notes of such Series and to file such other papers or documents as may be necessary or advisable in order to have the claims of Indenture Trustee (including any claim for reasonable compensation to Indenture Trustee and each predecessor Indenture Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by Indenture Trustee and each predecessor Indenture Trustee, except as a result of negligence or willful misconduct) and of the Noteholders of such Series allowed in such Proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Holders of Notes of such Series in any election of a trustee, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Noteholders of such Series and of Indenture Trustee on their behalf; and

(iv) to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of Indenture Trustee or the Holders of Notes of such Series allowed in any judicial Proceedings relative to Issuer, its creditors and its property;

and any trustee, receiver, conservator, liquidator, custodian, assignee, sequestrator or other similar official in any such Proceeding is hereby authorized by each of such Noteholders to make payments to Indenture Trustee, and, in the event that Indenture Trustee shall consent to the making of payments directly to such Noteholders, to pay to Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence or willful misconduct.

(e) Nothing herein contained shall be deemed to authorize Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof or to authorize Indenture Trustee to vote in respect of the claim of any Noteholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(f) All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by Indenture Trustee without the possession of any of the Notes or the production thereof in any trial or other Proceedings relative thereto, and any such action or Proceedings instituted by Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of Indenture Trustee, each predecessor Indenture Trustee and their respective agents and attorneys, shall be for the benefit of the Holders of the Notes of the affected Series as provided herein.

(g) In any Proceedings brought by Indenture Trustee (and also any Proceedings involving the interpretation of any provision of this Indenture to which Indenture Trustee shall be a party), Indenture Trustee shall be held to represent all the Holders of the Notes of the affected Series, and it shall not be necessary to make any such Noteholder a party to any such Proceedings.

Section 5.5 Remedies; Priorities.

(a) If an Event of Default shall have occurred and be continuing with respect to any Series, and the Notes of such Series have been accelerated pursuant to Section 5.3, Indenture Trustee may do one or more of the following (subject to Sections 5.6 and 12.16):

(i) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Notes of the affected Series or under this Indenture with respect thereto, whether by declaration or otherwise, enforce any judgment obtained, and collect from Issuer and any other obligor upon such Notes moneys adjudged due;

(ii) take any other appropriate action to protect and enforce the rights and remedies of Indenture Trustee and the Holders of the Notes of the affected Series;

(iii) cause the Issuer to sell Principal Receivables (or interests therein) in an amount equal to the Collateral Amount of the accelerated Series and the related Finance Charge Receivables in accordance with Section 5.16;

provided, however, that Indenture Trustee may not exercise the remedy described in subparagraph (iii) above unless (A) (1) the Holders of Notes representing 100% of the principal balance of the Outstanding Notes of the affected Series consent in writing thereto, (2) Indenture Trustee determines that any proceeds of such exercise distributable to the Noteholders of the affected Series are sufficient to discharge in full all amounts then due and unpaid upon the Notes for principal and interest and is directed to exercise this remedy by Holders of Notes representing more than 50% of the principal balance of the Outstanding Notes of such Series, or (3) Indenture Trustee determines that the Collateral may not continue to provide sufficient funds for the payment of principal of and interest on the Notes as they would have become due if the Notes had not been declared due and payable, and Indenture Trustee obtains the consent of the Holders of Notes representing at least 66-2/3% of the principal balance of the Outstanding Notes of each Class of such Series and (B) Indenture Trustee has been provided with an Opinion of Counsel to the effect that the exercise of such remedy complies with applicable federal and state securities laws. In determining such sufficiency or insufficiency with respect to clauses (A)(2) and (A)(3), Indenture Trustee may, but need not, obtain and conclusively rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

The remedies provided in this Section 5.5(a) are the exclusive remedies provided to the Noteholders with respect to the Collateral, and each of the Indenture Trustee and the Noteholders (by their acceptance of their respective interests in the Notes) hereby expressly waives any other remedy that might have been available under the applicable UCC or any other law.

(b) If Indenture Trustee collects any money or property pursuant to this Article V following the acceleration of the Notes of the affected Series pursuant to Section 5.3 (so long as such a declaration shall not have been rescinded or annulled), it shall pay out the money or property in the following order:

FIRST: to Indenture Trustee for amounts due pursuant to Section 6.7; and

SECOND: unless otherwise specified in the related Indenture Supplement, to Indenture Trustee for distribution in accordance with the related Indenture Supplement with such amounts being deemed to be Principal Collections and Finance Charge Collections in the same proportion as (x) the outstanding principal balance of the Notes bears to (y) the sum of the accrued and unpaid interest on the Notes and other fees and expenses payable in connection therewith under the applicable Indenture Supplement, including the amounts payable under any Enhancements with respect to such Series.

(c) Indenture Trustee may, upon notification to Issuer, fix a record date and payment date for any payment to Noteholders of the affected Series pursuant to this Section 5.5. At least fifteen (15) days before such record date, Indenture Trustee shall mail or send by facsimile, at the expense of Servicer, to each such Noteholder a notice that states the record date, the payment date and the amount to be paid.

(d) In addition to the application of money or property referred to in Section 5.5(b) for an accelerated Series, amounts then held in the Collection Account, Excess Funding Account or any Series Accounts for such Series and any amounts available under the Enhancement for such Series shall be used to make payments to the Holders of the Notes of such Series and the Enhancement Provider for such Series in accordance with the terms of this Indenture, the related Indenture Supplement and the Enhancement for such Series. Following the sale of any Principal Receivables and related Finance Charge Receivables pursuant to Section 5.5(a)(iii) (or interests therein) for a Series and the application of the proceeds of such sale to such Series and the application of the amounts then held in the Collection Account, the Excess Funding Account and any Series Accounts for such Series as are allocated to such Series and any amounts available under the Enhancement for such Series, such Series shall no longer be entitled to any allocation of Collections or other property constituting the Collateral under this Indenture.

Section 5.6 Optional Preservation of the Collateral. If the Notes of any Series have been declared to be due and payable under Section 5.3 following an Event of Default and such declaration and its consequences have not been rescinded and annulled, and Indenture Trustee has not received directions from the Noteholders pursuant to Section 5.12, Indenture Trustee may, but need not, elect to maintain possession of the portion of the Collateral which secures such Notes and apply proceeds of the Collateral to make payments on such Notes to the extent such proceeds are available therefor. It is the desire of the parties hereto and the Noteholders that there be at all times sufficient funds for the payment of principal of and interest on the Notes, and Indenture Trustee shall take such desire into account when determining whether or not to maintain possession of the Collateral. In determining whether to maintain possession of the Collateral, Indenture Trustee may, but need not, obtain and conclusively rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

Section 5.7 Limitation on Suits. No Noteholder shall have any right to institute any proceedings, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) the Holders of Notes representing not less than 25% of the principal balance of the Outstanding Notes of each affected Series have made written request to Indenture Trustee to institute such proceeding in its own name as indenture trustee;

(b) such Noteholder or Noteholders has previously given written notice to Indenture Trustee of a continuing Event of Default;

(c) such Noteholder or Noteholders has offered to Indenture Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) Indenture Trustee for sixty (60) days after its receipt of such request and offer of indemnity has failed to institute any such Proceeding; and

(e) no direction inconsistent with such written request has been given to Indenture Trustee during such 60-day period by the Holders of Notes representing more than 50% of the principal balance of the Outstanding Notes of each affected Series;

it being understood and intended that no one or more Noteholders of the affected Series shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Noteholders of such Series or to obtain or to seek to obtain priority or preference over any other Noteholders of such Series or to enforce any right under this Indenture, except in the manner herein provided.

In the event Indenture Trustee shall receive conflicting or inconsistent requests and indemnity from two (2) or more groups of Noteholders of such affected Series, each representing no more than 50% of the principal balance of the Outstanding Notes of such Series, Indenture Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture.

Section 5.8 Unconditional Rights of Noteholders to Receive Principal and Interest. Notwithstanding any other provision in this Indenture, each Noteholder shall have the right which is absolute and unconditional to receive payment of the principal of and interest in respect of such Note as such principal and interest becomes due and payable and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Noteholder.

Section 5.9 Restoration of Rights and Remedies. If Indenture Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned, or has been determined adversely to Indenture Trustee or to such Noteholder, then and in every such case Issuer, Indenture Trustee and the Noteholder shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of Indenture Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

Section 5.10 Rights and Remedies Cumulative. Except as specified in Section 5.5(a), no right, remedy, power or privilege herein conferred upon or reserved to Indenture Trustee or to the Noteholders is intended to be exclusive of any other right, remedy, power or privilege, and every right, remedy, power or privilege shall, to the extent permitted by law, be cumulative and in addition to every other right, remedy, power or privilege given hereunder or now or hereafter existing at law or in equity or otherwise. Except as specified in Section 5.5(a) above, assertion or exercise of any right or remedy shall not preclude any other further assertion or the exercise of any other appropriate right or remedy.

Section 5.11 Delay or Omission Not Waiver. No failure to exercise and no delay in exercising, on the part of Indenture Trustee or of any Noteholder or other Person, any right or remedy occurring hereunder upon any Event of Default shall impair any such right or remedy or constitute a waiver thereof of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to Indenture Trustee or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by Indenture Trustee or by the Noteholders, as the case may be.

Section 5.12 Rights of Noteholders to Direct Indenture Trustee. The Holders of Notes representing more than 50% of the principal balance of the Outstanding Notes of any affected Series shall have the right to direct in writing the time, method and place of conducting any Proceeding for any remedy available to Indenture Trustee with respect to such Series or exercising any trust or power conferred on Indenture Trustee with respect to such Series; provided, however, that subject to Section 6.1 Indenture Trustee shall have the right to decline any such direction if:

(a) Indenture Trustee, after being advised by counsel, determines that the action so directed is in conflict with any rule of law or with this Indenture;

(b) Indenture Trustee in good faith shall, by a Responsible Officer of Indenture Trustee, determine that the Proceedings so directed would be illegal or involve Indenture Trustee in personal liability or be unjustly prejudicial to the Noteholders not parties to such direction; or

(c) Indenture Trustee reasonably believes it will not be adequately indemnified against the costs, expenses and liabilities which might be incurred by it in complying with the action so directed.

Section 5.13 Waiver of Past Defaults. Prior to the declaration of the acceleration of the maturity of the Notes of the affected Series as provided in Section 5.3, Holders of Notes representing more than 50% of the principal balance of the Outstanding Notes of such Series (or with respect to any such Series with two or more Classes, of each Class), may, on behalf of all such Noteholders, waive in writing any past default, with written notice to Indenture Trustee, with respect to such Notes and its consequences, except a default:

(a) in the payment of the principal or interest in respect of any Note of such Series, or

(b) in respect of a covenant or provision hereof that under Section 10.2 cannot be modified or amended without the consent of the Noteholder of each Outstanding Note affected;

which, in the case of either clause (a) or (b), can only be waived by all Noteholders of each affected Series. Upon any such written waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 5.14 Undertaking for Costs. All parties to this Indenture agree, and each Noteholder by its acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and expenses, against any party litigant (other than Indenture Trustee) in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.14 shall not apply to any suit instituted by Indenture Trustee, to any suit instituted by any Noteholder, or group of Noteholders (in compliance with Section 5.8), holding Notes representing more than 10% of the principal balance of the Outstanding Notes of the affected Series, or to any suit instituted by any Noteholder for the enforcement of the payment of the principal or interest in respect of any Note on or after the Distribution Date on which any of such amounts was due (or, in the case of redemption, on or after the applicable Redemption Date).

Section 5.15 Waiver of Stay or Extension Laws. Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may adversely affect the covenants or the performance of this Indenture; and Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.16 Sale of Receivables.

(a) The method, manner, time, place and terms of any sale of Receivables (or interests therein) pursuant to Section 5.5(a)(iii) shall be commercially reasonable. Indenture Trustee may from time to time postpone any sale by public announcement made at the time and place of such sale. Indenture Trustee hereby expressly waives its right to any amount fixed by law as compensation for any sale.

(b) Indenture Trustee is hereby irrevocably appointed the agent and attorney-in-fact of Issuer in connection with any sale of Receivables pursuant to Section 5.5(a)(iii). No purchaser or transferee at any such sale shall be bound to ascertain Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any monies.

(c) In its exercise of the foreclosure remedy pursuant to Section 5.5(a)(iii), Indenture Trustee shall solicit, or cause to be solicited, bids for the sale of Principal Receivables (or interests therein) in any amount equal to the Collateral Amount of the affected Series of Notes at the time of sale and the related Finance Charge Receivables (or interests therein). Indenture Trustee shall sell, or cause to be sold, such Receivables (or interests therein) to the bidder with the highest cash purchase offer. The proceeds of any such sale shall be applied as specified in the applicable Indenture Supplement.

Section 5.17 Action on Notes. Indenture Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking or obtaining of or application for any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of Indenture Trustee or the Noteholders shall be impaired by the recovery of any judgment by Indenture Trustee against Issuer or by the levy of any execution under such judgment upon any portion of the Collateral or upon any of the assets of Issuer. Any money or property collected by Indenture Trustee shall be applied as specified in the applicable Indenture Supplement.

ARTICLE VI
INDENTURE TRUSTEE

Section 6.1 Duties of Indenture Trustee.

(a) If an Event of Default has occurred and is continuing and a Responsible Officer shall have actual knowledge or written notice of such Event of Default, Indenture Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Except during the continuance of an Event of Default of which a Responsible Officer has actual knowledge or written notice:

(i) Indenture Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against Indenture Trustee; and

(ii) in the absence of bad faith or negligence on its part, Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to Indenture Trustee and conforming to the requirements of this Indenture; provided, however, Indenture Trustee, upon receipt of any resolutions, certificates, statements, opinions, reports, documents, orders or other instruments furnished to Indenture Trustee which are specifically required to be furnished pursuant to any provision of this Indenture or any Indenture Supplement, shall examine them to determine whether they substantially conform to the requirements of this Indenture or any Indenture Supplement but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein.

(c) No provision of this Indenture shall be construed to relieve Indenture Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) this Section 6.1(d) shall not be construed to limit the effect of Section 6.1(a);

(ii) Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that Indenture Trustee was negligent in ascertaining the pertinent facts; and

(iii) Indenture Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the Indenture and/or the direction of the Holders of Notes or for exercising any trust or power conferred upon Indenture Trustee, under this Indenture. Indenture Trustee shall not be liable for any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of Servicer, Transferor or the Issuer in compliance with the terms of this Indenture or any Indenture Supplement.

(d) No provision of this Indenture shall require Indenture Trustee to expend or risk its own funds or otherwise incur any liability, financial or otherwise, in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not reasonably assured to it.

(e) Every provision of this Indenture that in any way relates to Indenture Trustee is subject to this Section 6.1.

(f) Except as expressly provided in this Indenture, Indenture Trustee shall have no power to vary the Collateral, including by (i) accepting any substitute payment obligation for a Receivable initially transferred to the Issuer under the Transfer and Servicing Agreement, (ii) adding any other investment, obligation or security to the Issuer or (iii) withdrawing from Issuer any Receivable (except as otherwise provided in the Transfer and Servicing Agreement).

(g) Indenture Trustee shall have no responsibility or liability for investment losses on Eligible Investments (other than Eligible Investments on which the institution acting as Indenture Trustee is an obligor). Indenture Trustee shall have no obligation to invest and reinvest any cash held in the absence of timely and specific written investment direction from Issuer. In no event shall Indenture Trustee be liable for the selection of investments or for investment losses incurred thereon. Indenture Trustee shall have no liability in respect of losses incurred as a result of the liquidation of any investment prior to its stated maturity or the failure of Issuer to provide timely written investment direction.

(h) Indenture Trustee shall notify each Rating Agency immediately of the occurrence of any Event of Default or Early Amortization Event of which a Responsible Officer of Indenture Trustee has actual knowledge of or has actual notice from Servicer of potential Early Amortization Events or Events of Default.

(i) For all purposes under this Indenture, Indenture Trustee shall not be deemed to have notice or knowledge of any Event of Default, Early Amortization Event or Servicer Default unless a Responsible Officer assigned to and working in the Corporate Trust Office of Indenture Trustee has actual knowledge thereof or has received written notice thereof. For purposes of determining Indenture Trustee's responsibility and liability hereunder, any reference to an Event of Default, Early Amortization Event or Servicer Default shall be construed to refer only to such event of which Indenture Trustee is deemed to have notice as described in this Section 6.1(j).

Section 6.2 Notice of Early Amortization Event or Event of Default. Upon the occurrence of any Early Amortization Event or Event of Default of which a Responsible Officer has actual knowledge or has received written notice thereof, Indenture Trustee shall transmit by mail to all Noteholders as their names and addresses appear on the Note Register and the Rating Agencies, notice of such Early Amortization Event or Event of Default hereunder known to Indenture Trustee within thirty (30) days after it occurs or within ten (10) Business Days after it receives such notice or obtains actual notice, if later.

Section 6.3 Rights of Indenture Trustee. Except as otherwise provided in Section 6.1:

(a) Indenture Trustee may conclusively rely and shall fully be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document (whether in its original or facsimile form) reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) whenever in the administration of this Indenture the Indenture Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, Indenture Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, conclusively rely upon an Officer's Certificate of Issuer. Issuer shall provide a copy of such Officer's Certificate to the Noteholders at or prior to the time Indenture Trustee receives such Officer's Certificate;

(c) as a condition to the taking, suffering or omitting of any action by it hereunder, Indenture Trustee may consult with counsel of its own selection, and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in-good faith and in reliance thereon;

(d) Indenture Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture or to honor the request or direction of any of the Noteholders pursuant to this Indenture, unless such Noteholders shall have offered to Indenture Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(e) Indenture Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, but Indenture Trustee at the written direction of one or more of the Noteholders and at the expense of the Noteholders, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if Indenture Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of Issuer and

Servicer at the expense if the Servicer, personally or by agent or attorney and shall incur no liability of any kind by reason of such inquiry or investigation;

(f) Subject to Section 6.14, Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees and Indenture Trustee shall not be responsible for any (i) misconduct or negligence on the part of any agent, attorney, custodians or nominees appointed with due care by it hereunder or (ii) the supervision of such agents, attorneys, custodians or nominees after such appointment with due care;

(g) Indenture Trustee shall not be liable for any actions taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights conferred upon Indenture Trustee by this Indenture; and

(h) in the event that Indenture Trustee is also acting as Paying Agent and Transfer Agent and Registrar and Successor Servicer, if it becomes Successor Servicer pursuant to Section 7.2 of the Transfer and Servicing Agreement, the rights and protections afforded to Indenture Trustee pursuant to this Article VI shall also be afforded to such Paying Agent and Transfer Agent and Registrar and Successor Servicer, if it becomes Successor Servicer pursuant to Section 7.2 of the Transfer and Servicing Agreement.

Section 6.4 Not Responsible for Recitals or Issuance of Notes. The recitals contained herein and in the Notes, except the certificate of authentication of Indenture Trustee, shall be taken as the statements of Issuer, and Indenture Trustee assumes no responsibility for their correctness. Neither Indenture Trustee nor any of its agents makes any representation as to the validity or sufficiency of this Indenture, the Notes, or any related document. Indenture Trustee shall not be accountable for the use or application by Issuer of the proceeds from the Notes.

Section 6.5 Restrictions on Holding Notes. Indenture Trustee shall not in its individual capacity, but may in a fiduciary capacity, become the owner or pledgee of Notes and may otherwise deal with Issuer with the same rights it would have if it were not Indenture Trustee, Paying Agent, Transfer Agent and Registrar or such other agent. Any Paying Agent, Transfer Agent and Registrar that is not also Indenture Trustee or any other agent of Issuer, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with Issuer with the same rights it would have if it were not Paying Agent, Transfer Agent and Registrar or such other agent.

Section 6.6 Money Held in Trust. Money held by Indenture Trustee in trust hereunder need not be segregated from other funds held by Indenture Trustee in trust hereunder except to the extent required herein or required by law. Indenture Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed upon in writing by Indenture Trustee and Issuer.

Section 6.7 Compensation, Reimbursement and Indemnification. Servicer shall pay to Indenture Trustee from time to time reasonable compensation for all services rendered by Indenture Trustee as shall be agreed in writing by the Servicer and the Indenture Trustee and the Authenticating Agent under this Agreement (which compensation shall not be limited by any law on compensation of a trustee of an express trust). Servicer shall reimburse Indenture Trustee for all reasonable out-of-pocket expenses incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of Indenture Trustee’s agents, counsel, accountants and experts. Issuer shall direct Servicer to indemnify, defend and hold harmless, and Servicer shall indemnify Indenture Trustee and its officers, directors, employees and agents against any and all loss, liability, expense,

damage or claim (including the fees of either in-house counsel or outside counsel) incurred by it in connection with the administration of this trust and the performance of its duties hereunder and under any other Transaction Document, including any claim arising from any failure by Issuer or Transferor to pay when due any sales, excise, transfer or personal taxes relating to the Receivables. Indenture Trustee shall notify Issuer and Servicer promptly of any claim for which it may seek indemnity. Failure by Indenture Trustee to so notify Issuer and Servicer of a claim of which a Responsible Officer has received written notice shall not relieve Issuer or Servicer of its obligations hereunder unless such loss, liability or expense could have been avoided with such prompt notification and then only to the extent of such loss, expense or liability which could have been so avoided. Servicer shall defend any claim against Indenture Trustee, Indenture Trustee may have separate counsel and, if it does, Servicer shall pay the fees and expenses of such counsel. The Servicer will not be liable for any settlement of any claim or action effected without its prior written consent, which consent will not be unreasonably withheld, conditioned or delayed. Neither Issuer nor Servicer need reimburse any expense or indemnify against any loss, liability or expense determined by a court of competent jurisdiction to have been caused by Indenture Trustee through Indenture Trustee's own willful misconduct or negligence.

Servicer's payment obligations to Indenture Trustee pursuant to this Section 6.7 shall survive the discharge of this Indenture or earlier resignation or removal of Indenture Trustee. When Indenture Trustee incurs expenses after the occurrence of an Event of Default specified in Section 5.2(c) or 5.2(d) with respect to Issuer, the expenses are intended to constitute expenses of administration under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or similar law.

To secure Servicer's and Issuer's payment obligations in this Section 6.7, Indenture Trustee shall have a lien prior to the Notes on all money or property held or collected by Indenture Trustee, in its capacity as Indenture Trustee, except money or property held in trust to pay principal of, or interest on, the Notes.

Section 6.8 Replacement of Indenture Trustee. No resignation or removal of Indenture Trustee and no appointment of a successor Indenture Trustee shall become effective until the acceptance of appointment by the successor Indenture Trustee pursuant to this Section 6.8. Indenture Trustee may resign at any time by giving thirty (30) days written notice to Issuer and the Rating Agencies. The Holders of Notes representing more than 66 2/3% of the Outstanding Amount of all Series may remove Indenture Trustee by so notifying Indenture Trustee in writing and may appoint a successor Indenture Trustee. Administrator shall remove Indenture Trustee upon written notice if:

(i) Indenture Trustee fails to comply with Section 6.11;

(ii) Indenture Trustee is adjudged a bankrupt or insolvent;

(iii) a receiver of Indenture Trustee or of its property shall be appointed, or any public officer takes charge of Indenture Trustee or its property or its affairs for the purpose of rehabilitation, conservation or liquidation; or

(iv) Indenture Trustee otherwise becomes legally unable to act.

If Indenture Trustee resigns or is removed or if a vacancy exists in the office of Indenture Trustee for any reason (Indenture Trustee in such event being referred to herein as the retiring Indenture Trustee), Administrator shall promptly appoint a successor Indenture Trustee.

A successor Indenture Trustee shall deliver a written acceptance of its appointment to the retiring Indenture Trustee, Servicer and to Issuer. Thereupon the resignation or removal of the retiring Indenture Trustee shall become effective, and the successor Indenture Trustee shall have all the rights, powers and duties of Indenture Trustee under this Indenture. The successor Indenture Trustee shall mail a notice of its succession to Noteholders. The retiring Indenture Trustee shall promptly transfer all property held by it as Indenture Trustee to the successor Indenture Trustee, subject to the payment of any and all amounts then due and owing to Indenture Trustee.

If a successor Indenture Trustee does not take office within sixty (60) days after the retiring Indenture Trustee gives notice of resignation or is removed, the retiring Indenture Trustee, Issuer or any Holders of Notes may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

If Indenture Trustee fails to comply with Section 6.11, any Noteholder may petition any court of competent jurisdiction for the removal of Indenture Trustee and the appointment of a successor Indenture Trustee.

Notwithstanding the replacement of Indenture Trustee pursuant to this Section 6.8, Issuer's obligations under Section 6.7 shall continue for the benefit of the retiring Indenture Trustee.

Administrator shall notify the Rating Agencies of any replacement of Indenture Trustee pursuant to this Section 6.8.

Section 6.9 Successor Indenture Trustee by Merger. If Indenture Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation without any further act shall be the successor Indenture Trustee; provided that such corporation or banking association shall be otherwise qualified and eligible under Section 6.11. Indenture Trustee shall provide the Rating Agencies prior written notice of any such transaction.

In case at the time such successor or successors by merger, conversion, consolidation or transfer to Indenture Trustee shall succeed to the trusts created by this Indenture any of the Notes shall have been authenticated but not delivered, any such successor to Indenture Trustee may adopt the certificate of authentication of any predecessor Indenture Trustee and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to Indenture Trustee may authenticate such Notes in the name of the successor to Indenture Trustee; and in all such cases such certificates shall have the full force which it is anywhere in the Notes or in this Indenture provided that the certificate of Indenture Trustee shall have.

Section 6.10 Appointment of Co-Indenture Trustee or Separate Indenture Trustee.

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the Collateral may at the time be located, Indenture Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Collateral, and to vest in such Person or Persons, in such capacity and for the benefit of the Noteholders, such title to the Collateral, or any part hereof, and, subject to the other provisions of this Section 6.10, such powers, duties, obligations, rights and trusts as Indenture Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.11 and no notice to Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 6.8.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon Indenture Trustee shall be conferred or imposed upon and exercised or performed by Indenture Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without Indenture Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed Indenture Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Collateral or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of Indenture Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder;

(iii) Indenture Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee; and

(iv) Indenture Trustee shall not be liable for any act or failure to act on the part of any separate trustee or co-trustee.

(c) Any notice, request or other writing given to Indenture Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with Indenture Trustee or separately, as may be provided therein, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to, Indenture Trustee. Every such instrument shall be filed with Indenture Trustee.

(d) Any separate trustee or co-trustee may at any time constitute Indenture Trustee, its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by Indenture Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

Section 6.11 Eligibility; Disqualification. Indenture Trustee shall at all times satisfy the requirements of TIA §310(a). Indenture Trustee shall have a combined capital and surplus of at least $50,000,000 as set forth in its most recent published annual report of condition and either its long-term unsecured debt shall be rated at least Baa3 by Moody’s and BBB- by Standard & Poor’s or its short-term debt shall be rated at least P-2 by Moody’s and A-2 by Standard & Poor’s. Indenture Trustee shall comply with TIA §310(b), including the optional provision permitted by the second sentence of TIA §310(b)(9); provided, however, that there shall be excluded from the operation of TIA §310(b)(1) any indenture or indentures under which other securities of Issuer are outstanding if the requirements for such exclusion set forth in TIA §310(b)(1) are met.

Section 6.12 Preferential Collection of Claims Against. Indenture Trustee shall comply with TIA §311(a), excluding any creditor relationship listed in TIA §311(b). An Indenture Trustee who has resigned or been removed shall be subject to TIA §311(a) to the extent provided therein.

Section 6.13 Representations and Covenants of Indenture Trustee. Indenture Trustee represents, warrants and covenants that:

(i) Indenture Trustee is a national banking association duly organized and existing under the laws of the United States;

(ii) Indenture Trustee has full power and authority to deliver and perform this Indenture and has taken all necessary action to authorize the execution, delivery and performance by it of this Indenture and other Transaction Documents to which it is a party; and

(iii) Each of this Indenture and the other Transaction Documents to which it is a party has been duly executed and delivered by Indenture Trustee and constitutes its legal, valid and binding obligation in accordance with its terms.

Section 6.14 Custody of the Collateral. The Indenture Trustee shall hold such of the Collateral (and any other collateral that may be granted to the Indenture Trustee) as consists of instruments, certificated securities, negotiable documents, money, goods, or tangible chattel paper in the State of Minnesota. The Indenture Trustee shall hold such of the Collateral (and any other collateral that may be granted to the Indenture Trustee) as constitutes investment property (other than certificated securities) through a securities intermediary, which securities intermediary shall agree in writing with the Indenture Trustee and the Issuer that (I) such investment property shall at all times be credited to a securities account of the Indenture Trustee, (II) such securities intermediary shall treat the Indenture Trustee as entitled to exercise the rights that comprise each financial asset credited to such securities account, (III) all property credited to such securities account shall be treated as a financial asset, (IV) such securities intermediary shall comply with entitlement orders originated by the Indenture Trustee without the further consent of any other person or entity, (V) such securities intermediary will not agree with any person or entity other than the Indenture Trustee to comply with entitlement orders originated by any person or entity other than the Indenture Trustee, (VI) such securities account and the property credited thereto shall not be subject to any lien, security interest, encumbrance, claim, or right of set-off in favor of such securities intermediary or anyone claiming through it (other than the Indenture Trustee), (VII) such agreement shall be governed by the laws of the State of New York, and (VIII) the State of New York shall be the "securities intermediary's jurisdiction" of such securities intermediary for purposes of the New York UCC. The Indenture Trustee shall hold such of the Collateral (and any other collateral that may be granted to the Indenture Trustee) as constitutes a deposit account through a bank, which bank shall agree in writing with the Indenture Trustee and the Issuer that (i) such bank shall comply with instructions originated by the Indenture Trustee directing disposition of the funds in the deposit account without further consent of any other person or entity, (ii) such bank will not agree with any person or entity other than the Indenture Trustee to comply with instructions originated by any person or entity other than the Indenture Trustee, (iii) such deposit account and the money on deposit therein shall not be subject to any lien, security interest, encumbrance, claim, or right of set-off in favor of such bank or anyone claiming through it (other than the Indenture Trustee), (iv) such agreement shall be governed by the laws of the State of New York, and (v) the State of New York shall be the "bank's jurisdiction" of such bank for purposes of Article 9 of the New York UCC.

Section 6.15 Confidentiality. The Indenture Trustee hereby agrees: (a) not to disclose to any Person any Account Numbers or any other information contained in any Account Schedule, or any other consumer information related to the Accounts which meets the definition of "Non-Public Personal Information" under the Gramm-Leach-Bliley Act ("GLB Act") and its implementing regulations (the "Privacy Regulations") (collectively, the "Consumer Information"), except (i) to a Successor Servicer or as required by a Requirement of Law applicable to the Indenture Trustee, or (ii) in connection with the performance of the Indenture Trustee's duties hereunder, (b) to take such measures as shall be reasonably requested by the Transferor to protect and maintain the security and confidentiality of such information, (c) to comply with and cause its Affiliates and subcontractors to comply with the GLB Act and the Privacy Regulations (to the extent applicable to any of them) in their handling of the Consumer Information and to maintain (and cause such Affiliates and subcontractors to maintain) applicable physical, electronic and procedural safeguards that comply with the GLB Act and the Privacy Regulations (and any other similar requirements adopted by any Regulatory Authority having authority over the Indenture Trustee) with respect to all Consumer Information in its possession (and in connection therewith, the Indenture Trustee shall allow the Transferor or its duly authorized representatives to inspect the Indenture Trustee's policies and procedures to ensure compliance with the terms of this Section 6.15 as they specifically relate to the Indenture or otherwise to its activities as the Indenture Trustee from time to time during normal business hours upon prior written notice), and (d) not to use any Account Schedule information or other Consumer Information for any purpose other than the transactions contemplated hereby (including, without limitation, to compete, directly or indirectly, with the Transferor, any Account Originator or their respective Affiliates, or in any manner prohibited by the GLB Act and the Privacy Regulations). The Indenture Trustee shall promptly notify the Transferor of any request received by the Indenture Trustee to disclose any Consumer Information, which notice shall in any event be provided no later than five (5) Business Days prior to disclosure of any such information unless the Indenture Trustee is compelled pursuant to a Requirement of Law to disclose such information prior to the date that is five (5) Business Days after the giving of such notice. Nothing contained herein shall be deemed to restrict in any manner any disclosure of the tax treatment or tax structure of the transaction (as defined in Section 1.6011-4 of the Treasury Regulations and applicable state and local law) or any materials relating to such tax treatment and tax structure. The Indenture Trustee will promptly report to, and cooperate with the Servicer, Transferor and Administrator in investigating, any security breaches, lapses or vulnerabilities that have resulted in the disclosure of Consumer Information to any Person (except for any disclosures permitted by this Section 6.15). The terms of this Section 6.15 shall survive the termination of this Master Indenture.

ARTICLE VII
NOTEHOLDERS' LIST AND REPORTS BY INDENTURE TRUSTEE AND ISSUER

Section 7.1 Issuer to Furnish Indenture Trustee Names and Addresses of Noteholders. Issuer will furnish or cause to be furnished to Indenture Trustee (a) upon each transfer of a Note, a list, in such form as Indenture Trustee may reasonably require, of the names, addresses and taxpayer identification numbers of the Noteholders as they appear on the Note Register as of such Record Date, and (b) at such other times, as Indenture Trustee may request in writing, within ten (10) days after receipt by Issuer of any such request, a list of similar form and content as of a date not more than ten (10) days prior to the time such list is furnished; provided, however, that for so long as Indenture Trustee is Transfer Agent and Registrar, Indenture Trustee shall furnish to Issuer such list in the same manner prescribed in clause (b) above.

Section 7.2 Preservation of Information; Communications to Noteholders.

(a) Indenture Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Noteholders contained in the most recent list furnished to Indenture Trustee as provided in Section 7.1 and the names, addresses and taxpayer identification numbers of the Noteholders received by Indenture Trustee in its capacity as Transfer Agent and Registrar. Indenture Trustee may destroy any list furnished to it as provided in Section 7.1 upon receipt of a new list so furnished.

(b) Noteholders may communicate, pursuant to TIA §312(b), with other Noteholders with respect to their rights under this Indenture or under the Notes.

(c) Issuer, Indenture Trustee and Transfer Agent and Registrar shall have the protection of TIA §312(c).

Section 7.3 Reports by Issuer.

(a) Issuer shall, following any registered offering of Notes under the Securities Act:

(i) file with Indenture Trustee, within fifteen (15) days after Issuer is required to file the same with the Commission, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the Commission may from time to time by rules and regulations prescribe) which Issuer may be required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act;

(ii) file with Indenture Trustee and the Commission in accordance with rules and regulations prescribed from time to time by the Commission such additional information, documents and reports with respect to compliance by Issuer with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and

(iii) supply to Indenture Trustee (and Indenture Trustee shall transmit by mail to all Noteholders described in TIA §313(c)) such summaries of any information, documents and reports required to be filed by Issuer pursuant to clauses (i) and (ii) of this Section 7.3(a) as may be required by rules and regulations prescribed from time to time by the Commission.

(b) Unless Issuer otherwise determines, the fiscal year of Issuer shall end on December 31 of each year.

(c) Delivery of such reports, information and documents to Indenture Trustee is for informational purposes only and Indenture Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including Issuer's compliance with any of the covenants hereunder.

Section 7.4 Reports by Indenture Trustee. If required by TIA §313(a), within sixty (60) days after each March 31 beginning with March 31, 2009, Indenture Trustee shall mail to each Noteholder as required by TIA §313(c) a brief report dated as of such date that complies with TIA §313(a). Indenture Trustee also shall comply with TIA §313(b).

If required by a Requirement of Law, a copy of each report at the time of its mailing to Noteholders shall be filed by Indenture Trustee with the Commission and each stock exchange, if any, on which the Notes are listed. Issuer shall notify Indenture Trustee if and when the Notes are listed on any stock exchange or delisted therefrom.

ARTICLE VIII
ALLOCATION AND APPLICATION OF COLLECTIONS

Section 8.1 Collection of Money. Except as otherwise expressly provided herein and in the related Indenture Supplement, Indenture Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all money and other property payable to or receivable by Indenture Trustee pursuant to this Indenture. Indenture Trustee shall hold all such money and property received by it in trust for the Noteholders and shall apply it as provided in this Indenture and the applicable Indenture Supplement. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under the Transfer and Servicing Agreement or any other Transaction Document, Indenture Trustee may, and upon the written request of the Holders of Notes representing more than 50% of the principal balance of the Outstanding Notes of the affected Series shall, subject to Sections 6.1(e) and 6.3(d), take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim an Early Amortization Event or a Default or Event of Default under this Indenture and to proceed thereafter as provided in Article V.

Section 8.2 [Reserved].

Section 8.3 Establishment of Collection Account and Excess Funding Account.

Servicer, for the benefit of the Holders, shall establish and maintain in the name of Indenture Trustee 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 Indenture Trustee. Indenture 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 Indenture Trustee for the benefit of the Holders. Except as expressly provided in this Indenture, Indenture 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 Issuer, 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, Indenture 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 Indenture 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 Indenture Trustee for the benefit of the Holders pursuant to Section 6.14. Indenture 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 Indenture 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. In no event shall Indenture Trustee be liable for the selection of investments or for investment losses incurred thereon. Indenture Trustee shall have no liability in respect of losses incurred as a result of the liquidation of any such investment prior to its stated maturity or the failure of the party directing such investment to provide timely written investment direction. Indenture Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of such written investment direction.

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 Minimum 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 Indenture Supplement with respect to each such Series), and Servicer shall instruct Indenture Trustee to withdraw such amount from the Excess Funding Account on such Transfer Date and allocate such amount among each such Series as specified for Shared Principal Collections in each related Indenture Supplement.

Section 8.4 Collections and Allocations.

(a) Servicer shall instruct Indenture Trustee to apply all funds on deposit in the Collection Account as described in this Article VIII and in each Indenture Supplement. Except as otherwise provided below and in each Indenture 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 Indenture Supplement, a Account Originator may permit or require payments owed by any Merchant with respect to In-Store Payments to be netted against amounts owed by that Account Originator to that Merchant, and the Account Originator or Servicer 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 that Account Originator to the various Merchants on that Business Day.

Subject to the express terms of any Indenture Supplement, but notwithstanding anything else in this Indenture to the contrary, if WFCB remains Servicer and (x) for so long as WFCB maintains a short term debt rating of A-1 or better by S&P, P-1 or better by Moody's, if rated by Fitch, F1 or better by Fitch, R-1 (middle) or better by DBRS, if rated by DBRS 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 Indenture Supplement are satisfied or (z) WFCB has provided to Indenture Trustee a letter of credit, surety bond or other similar arrangement covering collection risk of Servicer and in each case 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.

Subject to the express terms of any Indenture Supplement, but notwithstanding anything else in this Indenture to the contrary, (1) the Servicer will only be required to deposit Collections into the Collection Account up to the aggregate amount of Collections required to be deposited into any Series Account or, without duplication, distributed on or prior to the related Transfer Date to Noteholders or to any Enhancement Provider pursuant to the terms of any Indenture Supplement or agreement whereby the Enhancement is provided, and (2) if at any time prior to such Transfer Date the amount of Collections deposited in the Collection Account exceeds the amount described in clause (1) of this paragraph, the Servicer will be permitted to direct the Indenture Trustee to withdraw such excess from the Collection Account for distribution to the Transferor.

(b) On each Date of Processing, Collections of Finance Charge Receivables and of Principal Receivables shall be allocated to each Series of Notes in accordance with the related Indenture Supplement. On each Determination Date, Defaulted Receivables will be allocated to each Series of Notes in accordance with the related Indenture Supplement.

(c) Throughout the existence of Issuer, unless otherwise stated in any Indenture 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 Minimum 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 to the extent necessary so that the Transferor Amount is not less than the Minimum Transferor Amount. Unless otherwise stated in any Indenture Supplement, neither Servicer nor Transferor need deposit any amounts allocated to 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 8.4(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 2.4(f) or 7.1 of the Transfer and Servicing Agreement, proceeds from the sale, disposition or liquidation of Receivables pursuant to Section 5.5 or payment of the purchase price for the Notes of a specific Series pursuant to the related Indenture Supplement.

Section 8.5 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 direct the Indenture Trustee in writing to 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 Minimum 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 Minimum Transferor Amount. Notwithstanding the foregoing, during any Amortization Period for any Series (other than a Variable Interest), Transferor may not apply Shared Principal

Collections as principal with respect to any Variable Interest, unless such application of principal is made on any Transfer Date or related Distribution Date after the application of Shared Principal Collections pursuant to the various Indenture Supplements.

Section 8.6 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 Indenture 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 instruct Indenture 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 Indenture 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 Indenture Supplements specify are "Finance Charge Shortfalls", for such Distribution Date.

Section 8.7 Release of Collateral; Eligible Loan Documents.

(a) Upon the written direction of Issuer, Indenture Trustee may, and when required by the provisions of this Indenture shall, execute instruments to release property from the lien of this Indenture, or convey Indenture Trustee's interest in the same, in a manner and under circumstances which are not inconsistent with the provisions of this Indenture. No party relying upon an instrument executed by Indenture Trustee as provided in this Article VIII shall be bound to ascertain Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any monies.

(b) In order to facilitate the servicing of the Receivables by Servicer, Indenture Trustee upon Issuer Order shall authorize Servicer to execute in the name and on behalf of Indenture Trustee instruments of satisfaction or cancellation, or of partial or full release or discharge, and other comparable instruments with respect to the Receivables (and Indenture Trustee shall execute any such documents on written request of Servicer), subject to the obligations of Servicer under the Transfer and Servicing Agreement.

(c) Indenture Trustee shall, at such time as there are no Notes outstanding, release and transfer, without recourse, all of the Collateral that secured the Notes (other than any cash held for the payment of the Notes pursuant to Section 4.2). Indenture Trustee shall release property from the lien of this Indenture pursuant to this Section 8.7(c) only upon receipt of an Issuer Order accompanied by an Officer's Certificate, an Opinion of Counsel and (if required by the TIA) Independent Certificates in accordance with TIA §314(c) and 314(d)(1) meeting the applicable requirements of Section 12.1.

(d) Notwithstanding anything to the contrary in this Indenture, the Transfer and Servicing Agreement and the Trust Agreement, immediately prior to the release of any portion of the Collateral or any funds on deposit in the Series Accounts pursuant to this Indenture, Indenture Trustee shall at the written request of Issuer remit to Transferor for its own account any funds that, upon such release, would otherwise be remitted to Issuer.

Section 8.8 Opinion of Counsel. Indenture Trustee shall receive at least seven (7) days notice when requested by Issuer to take any action pursuant to Section 8.7(a), accompanied by copies of any instruments involved, and Indenture Trustee shall also be provided with, as a condition to such action, an Opinion of Counsel stating the legal effect of any such action, outlining the steps required to complete the same, and concluding that all conditions precedent to the taking of such action have been complied with and such action will not materially and adversely impair the security for the Notes or the rights of the Noteholders in contravention of the provisions of this Indenture; provided,

however, that such Opinion of Counsel shall not be required to express an opinion as to the fair value of the Collateral. Indenture Trustee and counsel rendering any such opinion may conclusively rely, without independent investigation, on the accuracy and validity of any certificate or other instrument delivered to Indenture Trustee in connection with any such action.

ARTICLE IX
DISTRIBUTIONS AND REPORTS TO NOTEHOLDERS

Distributions shall be made to, and reports shall be provided to, Noteholders as set forth in the applicable Indenture Supplement. The identity of the Noteholders with respect to distributions and reports shall be determined according to the immediately preceding Record Date.

ARTICLE X
SUPPLEMENTAL INDENTURES

Section 10.1 Supplemental Indentures Without Consent of Noteholders.

(a) Without the consent of the Holders of any Notes but with prior notice to each Rating Agency with respect to the Notes of all Series rated by such Rating Agency, Issuer and Indenture Trustee, when authorized by an Issuer Order, at any time and from time to time, may enter into one or more indentures supplemental hereto (which, to the extent required by the TIA, shall conform to the provisions of the TIA as in force at the date of the execution thereof), in form satisfactory to Indenture Trustee, for any of the following purposes:

(i) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto Indenture Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property;

(ii) to evidence the succession, in compliance with Section 3.11, of another person to Issuer, and the assumption by any such successor of the covenants of Issuer contained herein and in the Notes;

(iii) to add to the covenants of Issuer, for the benefit of the Holders of the Notes, or to surrender any right or power herein conferred upon Issuer;

(iv) to convey, transfer, assign, mortgage or pledge any property to or with Indenture Trustee;

(v) to cure any ambiguity, to correct or supplement any provision herein or in any supplemental indenture that may be inconsistent with any other provision herein or in any supplemental indenture or to make any other provisions with respect to matters or questions arising under this Indenture or in any supplemental indenture; provided that such action shall not materially adversely affect the interests of the Holders of the Notes;

(vi) to evidence and provide for the acceptance of the appointment hereunder by a successor indenture trustee with respect to the Notes and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one indenture trustee, pursuant to the requirements of Article VI;

(vii) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the TIA or under any similar federal statute hereafter enacted and to add to this Indenture such other provisions as may be expressly required by the TIA; or

(viii) to provide for the issuance of one or more new Series of Notes, in accordance with the provisions of Section 2.11.

Indenture Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained.

(b) Issuer and Indenture Trustee, when authorized by an Issuer Order, may, also without the consent of any Noteholders of any Series then Outstanding but upon satisfaction of the Rating Agency Condition with respect to the Notes of all Series, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Holders of the Notes under this Indenture; provided, however that Transferor shall have delivered to the Owner Trustee and Indenture Trustee (i) an Officer's Certificate, dated the date of any such action, stating that all requirements for such amendments contained in the Agreement have been met and Transferor reasonably believes that such action will not have an Adverse Effect and (ii) a Tax Opinion. The amendments which Transferor may make without the consent of Noteholders pursuant to the preceding sentence may include the addition of Receivables.

Section 10.2 Supplemental Indentures with Consent of Noteholders. Issuer and Indenture Trustee, when authorized by an Issuer Order, also may, upon satisfaction of the Rating Agency Condition and with the consent of the Holders of Notes representing more than 50% of the principal balance of the Outstanding Notes of each adversely affected Series, by Act of such Holders delivered to Issuer and Indenture Trustee, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of such Noteholders under this Indenture; provided, however that no such supplemental indenture shall, without the consent of the Holder of each outstanding Note affected thereby:

(a) reduce the interest rate or principal amount of any Note or delay the final maturity date of any Note;

(b) reduce the percentage of the Outstanding Notes of any Series the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences as provided for in this Indenture;

(c) reduce the percentage of the Outstanding Notes of any Series, the consent of the Holders of which is required to direct Indenture Trustee to sell or liquidate the Collateral if the proceeds of such sale would be insufficient to pay the principal amount and accrued but unpaid interest on the outstanding Notes of such Series;

(d) decrease the percentage of the Outstanding Notes required to amend the sections of this Indenture which specify the applicable percentage of the Outstanding Notes of any Series necessary to amend the Indenture or any Transaction Documents which require such consent; or

(e) modify or alter the provisions of this Indenture prohibiting the voting of Notes held by Issuer, any other Obligor on the Notes, a Transferor or any affiliate thereof.

Indenture Trustee may in its discretion determine whether or not any Notes would be affected by any supplemental indenture, and any such determination shall be conclusive upon the Holders of all Notes, whether theretofore or thereafter authenticated and delivered hereunder. Indenture Trustee shall not be liable for any such determination made in good faith.

Satisfaction of the Rating Agency Condition shall not be required with respect to the execution of any supplemental indenture pursuant to this Section 10.2 for which the consent of all of the adversely affected Noteholders is obtained; provided that prior notice of any such supplemental indenture shall be given to each Rating Agency.

It shall not be necessary for any Act of Noteholders under this Section 10.2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Promptly after the execution by Issuer and Indenture Trustee of any supplemental indenture pursuant to this Section 10.2, Indenture Trustee shall mail to the Holders of the Notes to which such amendment or supplemental indenture relates written notice setting forth in general terms the substance of such supplemental indenture. Any failure of Indenture Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

Section 10.3 Execution of Supplemental Indentures. In executing, or permitting the additional trusts created by, any supplemental indenture permitted by this Article X or the modification thereby of the trusts created by this Indenture, Indenture Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and stating that all requisite consents have been obtained or that no consents are required and stating that such supplemental indenture or modification constitutes the legal, valid and binding obligation of Issuer in accordance with its terms. Indenture Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects Indenture Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

Section 10.4 Effect of Supplemental Indenture. Upon the execution of any supplemental indenture under this Article X, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes, and every Holder of Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby. This Section 10.4 does not apply to Indenture Supplements.

Section 10.5 Conformity With Trust Indenture Act. Every amendment of this Indenture and every supplemental indenture executed pursuant to this Article X shall conform to the requirements of the TIA as then in effect so long as this Indenture shall then be qualified under the TIA.

Section 10.6 Reference in Notes to Supplemental Indentures. Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article X may, and if required by Indenture Trustee shall, bear a notation in form approved by Indenture Trustee as to any matter provided for in such supplemental indenture. If Issuer shall so determine, new Notes so modified as to conform, in the opinion of Indenture Trustee and Issuer, to any such supplemental indenture may be prepared and executed by Issuer and authenticated and delivered by Indenture Trustee in exchange for the outstanding Notes.

ARTICLE XI
TERMINATION

Section 11.1 Termination of Issuer. Issuer and the respective obligations and responsibilities of Indenture Trustee created hereby (other than the obligation of Indenture Trustee to make payments to Noteholders as set forth herein and Section 12.16) shall terminate, except with respect to the duties described in Section 11.2(b), as provided in the Trust Agreement.

Section 11.2 Final Distribution.

(a) Servicer shall give Indenture Trustee and the Rating Agencies at least thirty (30) days prior written notice of the Distribution Date on which the Noteholders of any Series or Class may surrender their Notes for payment of the final distribution on and cancellation of such Notes (or, in the event of a final distribution resulting from the application of Section 2.6 or 7.1 of the Transfer and Servicing Agreement or Section 5.5, notice of such Distribution Date promptly after Servicer has determined that a final distribution will occur, if such determination is made less than thirty (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 of the Transfer and Servicing Agreement covering the period during the then-current calendar 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 Noteholders, Indenture Trustee shall provide notice to Noteholders 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 Notes 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 Notes at the office or offices therein specified (which in the case of Bearer Notes shall be outside the United States). Indenture Trustee shall give such notice to Transfer Agent and Registrar and Paying Agent at the time such notice is given to Noteholders.

(b) Notwithstanding a final distribution to the Noteholders of any Series or Class (or the termination of Issuer), except as otherwise provided in this paragraph, all funds then on deposit in the Collection Account and any Series Account allocated to such Noteholders shall continue to be held in trust for the benefit of such Noteholders, and Paying Agent or Indenture Trustee shall pay such funds to such Noteholders upon surrender of their Notes, if certificated (and any excess shall be paid in accordance with the terms of any Enhancement Agreement and the applicable Indenture Supplement). If all such Noteholders shall not surrender their Notes for cancellation within six (6) months after the date specified in the notice from Indenture Trustee described in paragraph (a), Indenture Trustee shall give a second notice to the remaining such Noteholders to surrender their Notes for cancellation and receive the final distribution with respect thereto (which surrender and payment, in the case of Bearer Notes, shall be outside the United States). If within one year after the second notice all such Notes shall not have been surrendered for cancellation, Indenture Trustee may take appropriate steps, or may appoint an agent to take appropriate steps, to contact the remaining such Noteholders concerning surrender of their Notes, 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 Noteholders. Indenture Trustee and, upon the written request of Servicer, Paying Agent shall pay to Issuer any monies held by them for the payment of principal or interest that remains unclaimed for two (2) years. After payment to Issuer, Noteholders entitled to the money must look to Issuer for payment as general creditors unless an applicable abandoned property law designates another Person.

Section 11.3 Issuer's Termination Rights. Upon the termination of Issuer pursuant to the terms of the Trust Agreement and upon the written direction of Issuer, Indenture Trustee shall assign and convey to the Holders of the Transferor Interest or any of their designees, without recourse, representation or warranty, all right, title and interest of Issuer in the Receivables, whether then existing or thereafter created, all Recoveries related thereto all monies due or to become due and all amounts received or receivable with respect thereto (including all moneys then held in the Collection Account or any Series Account) and all proceeds thereof, except for amounts held by Indenture Trustee pursuant to Section 11.2(b). Indenture Trustee shall execute and deliver such instruments of transfer and assignment, in each case without recourse, as shall be reasonably requested in writing by the Holders of the Transferor Interest to vest in the Holders of the Transferor Interest or any of their designees all right, title and interest which Indenture Trustee had in the Collateral and such other property.

ARTICLE XII
MISCELLANEOUS

Section 12.1 Compliance Certificates and Opinions etc.

(a) Upon any application or request by Issuer to Indenture Trustee to take any action under any provision of this Indenture, Indenture Trustee shall be entitled to request that Issuer furnish to Indenture Trustee (i) an Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with (ii) an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with and (iii) (if required by the TIA) an Independent Certificate from a firm of certified public accountants meeting the applicable requirements of this Section 12.1, except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture, no additional certificate or opinion need be furnished.

Every certificate with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(i) a statement that each signatory of such certificate has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(ii) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(iii) a statement as to whether, in the opinion of each such signatory, such condition or covenant has been complied with.

(b) (i) Prior to the deposit of any Collateral or other property or securities with Indenture Trustee that is to be made the basis for the release of any property or securities subject to the lien of this Indenture, Issuer shall, in addition to any obligation imposed in subsection 12.1(a) or elsewhere in this Indenture, if required by the TIA, furnish to Indenture Trustee an Officer's Certificate certifying or stating the opinion of each person signing such certificate as to the fair value (within ninety (90) days of such deposit) to Issuer of the Collateral or other property or securities to be so deposited.

(ii) Whenever Issuer is required to furnish to Indenture Trustee an Officer's Certificate certifying or stating the opinion of any signer thereof as to the matters described in clause (i) above, Issuer shall also deliver to Indenture Trustee (if required by the TIA) an Independent Certificate as to the same matters, if the fair value of Issuer of the securities to be so deposited and of all other such securities made the basis of any such withdrawal or release since the commencement of the then current fiscal year of Issuer, as set forth in the certificates delivered pursuant to clause (i) above and this clause (ii), is 10% or more of the Outstanding Amount of the Notes, but such a certificate need not be furnished with respect to any securities so deposited if the fair value thereof to Issuer as set forth in the related Officer's Certificate is less than $25,000 or less than one percent of the Outstanding Amount of the Notes.

(iii) Other than with respect to the release of any Defaulted Receivables and Receivables in Removed Accounts, whenever any property or investment property is to be released from the lien of this Indenture, Issuer shall also furnish to Indenture Trustee, if required by the TIA, an Officer's Certificate certifying or stating the opinion of each person signing such certificate as to the fair value (within ninety (90) days of such release) of the property or securities proposed to be released and stating that in the opinion of such person the proposed release will not impair the security under this Indenture in contravention of the provisions hereof.

(iv) Whenever Issuer is required to furnish to Indenture Trustee an Officer's Certificate certifying or stating the opinion of any signer thereof as to the matters described in clause (iii) above, Issuer shall also furnish to Indenture Trustee (if required by the TIA) an Independent Certificate as to the same matters if the fair value of the property or securities and of all other property, other than Defaulted Receivables and Ineligible Receivables, or securities released from the lien of this Indenture since the commencement of the then current calendar year, as set forth in the certificates required by clause (iii) above and this clause (iv), equals 10% or more of the Outstanding Amount of the Notes, but such certificate need not be furnished in the case of any release of property or securities if the fair value thereof as set forth in the related Officer's Certificate is less than $25,000 or less than one percent of the then Outstanding Amount of the Notes.

(v) Notwithstanding any other provision of this Section 12.1, Issuer may (A) collect, liquidate, sell or otherwise dispose of Receivables as and to the extent permitted or required by the Transaction Documents and (B) make cash payments out of the Series Accounts as and to the extent permitted or required by the Transaction Documents.

Section 12.2 Form of Documents Delivered to Indenture Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of a Responsible Officer of Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such officer's certificate or opinion is based are erroneous. Any such certificate of a Responsible Officer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of Servicer, a Transferor, Issuer or Administrator, stating that the information with respect to such factual matters is in the possession of Servicer,

a Transferor, Issuer or Administrator, unless such Responsible Officer or Counsel has actual knowledge that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two (2) or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture, in connection with any application or certificate or report to Indenture Trustee, it is provided that Issuer shall deliver any document as a condition of the granting of such application, or as evidence of Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect Indenture Trustee's right to conclusively rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article VI.

Section 12.3 Acts of Noteholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by their agents duly appointed in writing and satisfying any requisite percentages as to minimum number or dollar value of outstanding principal amount represented by such Noteholders; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to Indenture Trustee, and, where it is hereby expressly required, to Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of Indenture Trustee and Issuer, if made in the manner provided in this Section 12.3.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner which Indenture Trustee deems sufficient.

(c) The ownership of Notes shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Notes shall bind the Holder (and any transferee thereof) of every Note issued upon the registration thereof in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by Indenture Trustee or Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

Section 12.4 Notices, Etc. to Indenture Trustee and Issuer. Any request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders or other documents provided or permitted by the Agreement to be made upon, given or furnished to, or filed with:

(a) Indenture Trustee by any Noteholder or by Issuer shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to a Responsible Officer, by facsimile transmission or by other means acceptable to Indenture Trustee to or with Indenture Trustee at its Corporate Trust Office; or

(b) Issuer by Indenture Trustee or by any Noteholder shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to Issuer addressed to it and received by its Owner Trustee at the Corporate Trust Office, or at any other address previously furnished in writing to Indenture Trustee by Issuer. A copy of each notice to Issuer shall be sent in writing and mailed, first-class postage prepaid, to Administrator at World Financial Capital Bank, 2855 East Cottonwood Parkway, Suite 600, Salt Lake City, Utah 84121, Attention: President.

Section 12.5 Notices to Noteholders; Waiver. Where the Indenture or any Indenture Supplement provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed by registered or certified mail or first class postage prepaid or national overnight courier service to each Noteholder affected by such event, at its address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders, and any notice which is mailed in the manner herein provided shall conclusively be presumed to have been duly given.

Where this Indenture or any Indenture Supplement provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with Indenture Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In the event that, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture or any Indenture Supplement, then any manner of giving such notice as shall be satisfactory to Indenture Trustee shall be deemed to be a sufficient giving of such notice.

Where this Indenture or any Indenture Supplement provides for notice to any Rating Agency, failure to give such notice shall not affect any other rights or obligations created hereunder and shall not under any circumstance constitute a Default or Event of Default.

Section 12.6 Alternate Payment and Notice Provisions. Notwithstanding any provision of this Indenture or any of the Notes to the contrary, Issuer, with the prior written consent of Indenture Trustee, may enter into any agreement with any Holder of a Note providing for a method of payment, or notice by Indenture Trustee or any Paying Agent to such Holder, that is different from the methods provided for in this Indenture for such payments or notices. Issuer will furnish to Indenture Trustee a copy of each such agreement and Indenture Trustee will cause payments to be made and notices to be given in accordance with such agreements.

Section 12.7 Conflict with Trust Indenture Act. If this Indenture is required to be qualified under the TIA and any provision hereof limits, qualifies or conflicts with another provision hereof that is required to be included in this Indenture by any of the provisions of the TIA, such required provision shall control. If this Indenture is required to be qualified under the TIA, the provisions of TIA §§310 through 317 that impose duties on any person (including the provisions automatically deemed included herein unless expressly excluded by this Indenture) shall be deemed a part of and govern this Indenture, whether or not physically contained herein.

Section 12.8 Effect of Headings and Table of Contents. The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 12.9 Successors and Assigns. All covenants and agreements in this Indenture by Issuer shall bind its successors and assigns, whether so expressed or not.

Section 12.10 Separability. In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 12.11 Benefits of Indenture. Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, and the Noteholders, Servicer and Transferor, any benefit.

Section 12.12 Legal Holidays. In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

Section 12.13 GOVERNING LAW. THIS INDENTURE AND EACH NOTE SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 12.14 Counterparts. This Indenture may be executed in any number of counterparts (and by different parties on separate counterparts), each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 12.15 Issuer Obligation. No recourse may be taken, directly or indirectly, with respect to the obligations of Issuer on the Notes or under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) Indenture Trustee or the Owner Trustee in its individual capacity, (ii) any owner of a beneficial interest in Issuer or (iii) any partner, owner, beneficiary, agent, officer, director, employee or agent of Indenture Trustee or the Owner Trustee in its individual capacity, any holder of a beneficial interest in Issuer, the Owner Trustee or Indenture Trustee or of any successor or assign of Indenture Trustee or the Owner Trustee in its individual capacity, except as any such Person may have expressly agreed (it being understood that Indenture Trustee and the Owner Trustee have no such obligations in their individual capacity) and except that any such partner, owner or beneficiary shall be fully liable, to the extent provided by applicable law, for any unpaid consideration for stock, unpaid capital contribution or failure to pay any installment or call owing to such entity. The Notes will represent obligations solely of the Issuer and will not be insured or guaranteed by the Servicer, the Seller or any of its Affiliates, the Administrator, the Owner Trustee, the Indenture Trustee or any other Person or Governmental Authority (other than an Enhancement Provider, if any, as specified in the applicable Indenture Supplement). For all purposes of this Indenture, the Owner Trustee shall be subject to, and entitled to the benefits of, the terms and provisions of Articles V, VI and VII of the Trust Agreement.

Section 12.16 No Petition. Indenture Trustee, by entering into this Indenture, and each Noteholder, by accepting a Note, hereby covenant and agree that they will not at any time institute against Issuer, Transferor, or solicit or join or cooperate with or encourage any institution against Issuer, Transferor of, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law in connection with any obligations relating to the Notes, this Indenture or any of the Transaction Documents. The foregoing shall not limit the rights of Indenture Trustee to file any claim in or otherwise take any action with respect to any insolvency proceeding that was instituted against Issuer by any Person other than Indenture Trustee.

Section 12.17 Subordination. Issuer and each Noteholder by accepting a Note acknowledge and agree that such Note represents indebtedness of Issuer and does not represent an interest in any assets (other than the Collateral) of Transferor (including by virtue of any deficiency claim in respect of obligations not paid or otherwise satisfied from the Trust Estate and proceeds thereof). In furtherance of and not in derogation of the foregoing, to the extent Transferor enters into other securitization transactions, Issuer as well as each Noteholder by accepting a Note acknowledge and agree that it shall have no right, title or interest in or to any assets (or interest therein) (other than Collateral) conveyed or purported to be conveyed by Transferor to another securitization trust or other Person or Persons in connection therewith (whether by way of a sale, capital contribution or by virtue of the granting of a lien) ("Other Assets"). To the extent that, notwithstanding the agreements and provisions contained in the preceding sentences of this Section, Issuer or any Noteholder either (i) asserts an interest or claim to, or benefit from, Other Assets, whether asserted against or through Transferor or any other Person owned by Transferor, or (ii) is deemed to have any such interest, claim or benefit in or from Other Assets, whether by operation of law, legal process, pursuant to applicable provisions of insolvency laws or otherwise (including by virtue of Section 1111(b) of the Federal Bankruptcy Code or any successor provision having similar effect under the Bankruptcy Code), and whether deemed asserted against or through Transferor or any other Person owned by Transferor, then Issuer and each Noteholder by accepting a Note further acknowledges and agrees that any such interest, claim or benefit in or from Other Assets is and shall be expressly subordinated to the indefeasible payment in full of all obligations and liabilities of Transferor which, under the terms of the relevant documents relating to the securitization of such Other Assets, are entitled to be paid from, entitled to the benefits of, or otherwise secured by such Other Assets (whether or not any such entitlement or security interest is legally perfected or otherwise entitled to a priority of distribution or application under applicable law, including insolvency laws, and whether asserted against Transferor or any other Person owned by Transferor), including, the payment of post-petition interest on such other obligations and liabilities. This subordination agreement shall be a subordination agreement within the meaning of Section 510(a) of the Bankruptcy Code. Each Noteholder further acknowledges and agrees that no adequate remedy at law exists for a breach of this Section 12.17, and the terms of this Section 12.17 may be enforced by an action for specific performance.

IN WITNESS WHEREOF, Issuer and Indenture Trustee have caused this Indenture to be duly executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

WORLD FINANCIAL CAPITAL MASTER NOTE TRUST, as Issuer

By: BNY Mellon Trust of Delaware,
not in its individual capacity,
but solely as Owner Trustee

By: /s/ Kristine K. Gullo
Name: Kristine K. Gullo
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as Indenture Trustee

By: /s/ Michelle Moeller
Name: Michelle Moeller
Title: Assistant Vice President

Acknowledged and Accepted:

WORLD FINANCIAL CAPITAL CREDIT COMPANY, LLC,
as Transferor

By: /s/ Peter Justin Crowley
Name: Peter Justin Crowley
Title: Vice President

WORLD FINANCIAL CAPITAL BANK,
as Servicer

By: /s/ Marvin Corne
Name: Marvin Corne
Title: Chief Executive Officer

BNY MELLON TRUST OF DELAWARE,
not in its individual capacity, but solely as Owner Trustee,

By: /s/ Kristine K. Gullo
Name: Kristine K. Gullo
Title: Vice President

Master Indenture Signature Page

ANNEX A TO MASTER INDENTURE

DEFINITIONS

"Account" means each open end credit account designated as an "Account" pursuant to the Transfer and Servicing Agreement. The term "Account" excludes any Account all the Receivables in which are either reassigned or assigned to Transferor or its designee or Servicer in accordance with the Transfer and Servicing Agreement, and any inactive Accounts which in accordance with the Account Guidelines have been removed from the computer records of the Account 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 Account Guidelines and (b) such Transferred Account can be traced or identified, by reference to or by way of the Account Schedule delivered to the Owner Trustee pursuant to Section 2.1 or 2.6(d) of the Transfer and Servicing Agreement, 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 Agreement" means, as to any Account, the agreements between the Account Originator that owns the Account (including WFCB as assignee of an Other Originator) and the related Obligor that govern the Account, as amended or otherwise modified from time to time.

"Account Guidelines" means the written policies and procedures of the Account Originator relating to the operation of its open end credit business, including written policies and procedures for determining the creditworthiness of credit customers, the extension of credit to credit customers and the maintenance of credit accounts and collection of related receivables, as amended or otherwise modified from time to time; provided, however, that if a Successor Servicer assumes the duties of the Servicer, the collection policies of such Successor Servicer shall be the Account Guidelines.

"Account Interchange Amount" has the meaning set forth in Section 5.1(l) of the Receivables Purchase Agreement.

"Account Originator" means (i) WFCB and its successors and assigns or (ii) any other originator of Accounts which is designated from time to time pursuant to Section 2.10 of the Transfer and Servicing Agreement and, directly or indirectly, enters into a receivables purchase agreement with Transferor.

"Account Processing Agreement" means one or more agreements between the Account Originator (including WFCB as assignee of an Other Originator) and a Merchant pursuant to which the Account Originator agrees to extend open end credit 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, Internet site or other channel through which Merchant offers goods and services, under such accounts.

"Account Numbers" means the actual account numbers for the Accounts or account code numbers that can be translated to actual account numbers for the Accounts with a master key that is delivered by the Servicer to, and held by, the Indenture Trustee.

"Account Schedule" means a computer file, compact disc or other written list or electronic file constituting a true and complete list of Accounts, identified by Account Number and setting forth the Receivable balance as of (a) the Closing Date (for the Account Schedule delivered on the 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 the Account Originator from an Other Originator in connection with the Account Originator's acquisition of a portfolio of revolving credit card accounts from such Other Originator (prior to the transfer of such receivable to the Transferor pursuant to the Receivables Purchase Agreement).

"Acquiring Person" is defined in Section 3.10(b) of the Indenture.

"Act" is defined in Section 12.3(a) of the Indenture.

"Addition" means the designation of additional Eligible Accounts to be included as Accounts pursuant to Section 2.6(a), (b) or (c) of the Transfer and Servicing Agreement or of Participation Interests to be included as Trust Assets pursuant to Section 2.6(b) or (c) of the Transfer and Servicing Agreement, 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 2.6(b) or (c) of the Transfer and Servicing Agreement, 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 2.6(b) or (c) of the Transfer and Servicing Agreement.

"Additional Account" means an Automatic Additional Account or a Supplemental Account.

"Additional Limitation Event" means the occurrence of either of the following events on any Determination Date:

(1) the average of the default ratio for that Determination Date and the preceding two Determination Dates is greater than 1.25%, where the "default ratio" for any Determination Date equals the percentage equivalent of a fraction (A) the numerator of which is the aggregate of the Principal Receivables that became Defaulted Receivables during the related Monthly Period and (B) the denominator of which is the total Receivables as of the end of the sixth preceding Monthly Period; or

(2) the average of the payment rate for that Determination Date and the preceding two Determination Dates is less than 10%, where the "payment rate" for any Determination Date equals the percentage equivalent of a fraction (A) the numerator of which is the aggregate Collections received during the related Monthly Period and (B) the denominator of which is equal to the total Receivables held by the Trust at the close of business for the Monthly Period immediately prior to such related Monthly Period.

"Administration Agreement" means the Administration Agreement, September 29, 2008 between the Issuer and the Administrator, as the same may be amended, supplemented or otherwise modified from time to time.

"Administrator" means WFCB, its capacity as administrator, under the Administration Agreement, and any successor in that capacity.

"Adverse Effect" means, with respect to any action, that such action will (a) result in the occurrence of an Early Amortization Event or an Event of Default or (b) materially and adversely affect the amount of distributions to be made to the Noteholders of any Series or Class pursuant to the Transaction Documents.

"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.

"Aggregate Principal Balance" means, as of any time of determination, the sum of (a) the Aggregate Principal Receivables and (b) the amount on deposit in the Excess Funding Account (exclusive of any investment earnings on such amount).

"Aggregate Principal Receivables" means, as of any date of determination, the aggregate amount of Principal Receivables as of such date.

"Allocation Percentage" is defined, for any Series, with respect to Principal Receivables, Finance Charge Receivables and Receivables in Defaulted Accounts, in the related Indenture Supplement.

"Amortization Period" means, as to any Series or any Class within a Series, any period specified in the related Indenture Supplement during which a share of principal collections is set aside to repay the outstanding principal amount of that Series (excluding repayments of a Variable Interest during its revolving period).

"Applicants" is defined in Section 2.9 of the Indenture.

"Approved Portfolio" means any Identified Portfolio and any additional portfolio that is designated as an Approved Portfolio pursuant to Section 2.6(e) of the Transfer and Servicing Agreement. Once a portfolio is designated as an Approved Portfolio, it shall remain an Approved Portfolio notwithstanding a change in the name of the Merchant or rebranding of the retail establishment at which, or a catalogue sales business through which, goods or services may be purchased under an Account.

"Assignment" is defined in Section 2.6(d)(ii) of the Transfer and Servicing Agreement.

"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 customarily published on each business day at such place, whether or not published on Saturdays, Sundays or holidays.

"Authorized Officer" means:

(a) with respect to the Issuer, any officer of the Owner Trustee who is authorized to act for the Owner Trustee in matters relating to the Issuer and who is identified on the list of Authorized Officers, containing the specimen signature of each such Person, delivered by the Owner Trustee to the Indenture Trustee on the Initial Closing Date (as such list may be modified or supplemented from time to time thereafter) and any Vice President or more senior officer of the Administrator who is authorized to act for the Administrator in matters relating to the Issuer and to be acted upon by the Administrator pursuant to the Administration Agreement and who is identified on the list of Authorized Officers (containing the specimen signatures of such officers) delivered by the Administrator to the Indenture Trustee on the Initial Closing Date (as such list may be modified or supplemented from time to time thereafter);

(b) with respect to the Transferor, any officer of the Transferor who is authorized to act for the Transferor in matters relating to the Transferor and who is identified on the list of Authorized Officers, containing the specimen signature of each such Person, delivered by the Transferor to the Indenture Trustee on the Initial Closing Date (as such list may be modified or supplemented from time to time thereafter); and

(c) with respect to the Servicer, any officer of the Servicer who is authorized to act for the Servicer in matters relating to the Servicer and who is identified on the list of Authorized Officers, containing the specimen signature of each such Person, delivered by the Servicer to the Indenture Trustee on the Initial Closing Date (as such list may be modified or supplemented from time to time thereafter).

"Automatic Addition Limitation Event" means the occurrence of either of the following events on any Determination Date:

(1) the average of the default ratio for that Determination Date and the preceding two Determination Dates is greater than 1%, where the "default ratio" for any Determination Date equals the percentage equivalent of a fraction (A) the numerator of which is the amount of Principal Receivables (other than Ineligible Receivables, unless there is an Insolvency Event with respect to WFCB or the Transferor) that became Defaulted Receivables during the related Monthly Period and (B) the denominator of which is the total Receivables held by the Trust as of the end of the sixth preceding Monthly Period; or

(2) the average of the payment rate for that Determination Date and the preceding two Determination Dates is less than 10%, where the "payment rate" for any Determination Date equals the percentage equivalent of a fraction (A) the numerator of which is the aggregate Collections received during the related Monthly Period and (B) the denominator of which is equal to the total Receivables held by the Trust at the close of business for the Monthly Period immediately prior to such related Monthly Period.

"Automatic Addition Suspension Date" is defined in Section 2.6(a) of the Transfer and Servicing Agreement.

"Automatic Addition Termination Date" is defined in Section 2.6(a) of the Transfer and Servicing Agreement.

"Automatic Additional Account" means each open end credit account in any Approved Portfolio that is established pursuant to an Account Agreement coming into existence after the Addition Cut Off Date relating to the first Addition Date on which Receivables from Accounts in the applicable portfolio are transferred to the Issuer and 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, 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 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 2.6(a), to have been created on the first day after the applicable Addition Cut Off Date on which they are Eligible Accounts.

"Bankruptcy Code" means the provisions of Title 11 of the United States Code, 11 U.S.C. §§ 101 et seq.

"Base Rate" is defined, with respect to any Series, in the related Indenture Supplement.

"Bearer Note" is defined in Section 2.1 of the Indenture.

"Beneficiary" means any of the Holders of a Note and any Enhancement Provider.

"Book-Entry Notes" means beneficial interests in the Notes, ownership and transfers of which shall be made through book entries by a Clearing Agency or Foreign Clearing Agency as described in Section 2.13 of the Indenture.

"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, Columbus, Ohio, Salt Lake City, Utah, St. Paul, Minnesota or Wilmington, Delaware 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 Indenture Supplement.

"Certificate of Trust" shall mean the Certificate of Trust in the form attached to the Trust Agreement as Exhibit A, which has been filed for the Issuer pursuant to Section 3810(a) of the Statutory Trust Act.

"Class" means, with respect to any Series, any one of the classes of Notes of that Series.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Securities Exchange Act of 1934.

"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.

"Clearstream" means Clearstream Banking, société anonyme, a professional depository incorporated under the laws of Luxembourg, and its successors.

"Closing Date" means, with respect to any Series, the closing date specified in the related Indenture Supplement.

"Co-Branded Program" means any arrangement in which RPA Seller agrees to extend general purpose credit card accounts to customers of a Merchant.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" is defined in the Granting Clause of the Indenture.

"Collateral Amount" is defined, with respect to any Series, in the related Indenture Supplement.

"Collection Account" is defined in Section 8.3(a) of the Indenture.

"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. If so specified in any Indenture Supplement, Collections shall also include any payments received by Servicer with respect to Participation Interests. Collections of Finance Charge Receivables for any Monthly Period include (i) Recoveries for such Monthly Period, (ii) the amount of Interchange (if any) allocable to the Accounts in accordance with Section 5.1(l) of the Receivables Purchase Agreement and (iii) the amount realized by RPA Seller on account of merchant fees and discounts relating to credit sales with respect to the Accounts.

"Commission" means the Securities and Exchange Commission.

"Conveyance Papers" is defined in Section 4.1(a)(iii) of the Receivables Purchase Agreement.

"Corporate Trust Office" means

(a) for the Indenture Trustee, the principal office at which at any particular time its corporate trust business shall be administered, which office at date of the execution of the Indenture is located at 60 Livingston Avenue, EP-MN-WS3D, St. Paul, MN 55107, or at such other address as the Indenture Trustee may designate from time to time by notice to the Noteholders and the Transferor, or the principal corporate trust office of any successor Indenture Trustee (the address of which the successor Indenture Trustee will notify the Noteholders and the Transferor);

(b) for the Owner Trustee, the principal office at which at any particular time its corporate trust business shall be administered, which office at date of the execution of the Indenture is located at 100 White Clay Center, Route 273, P.O. Box 6995 Newark, DE 19714.

"Coupon" is defined in Section 2.1 of the Indenture.

"Credit Adjustment" is defined in the Section 3.2 of the Receivables Purchase Agreement.

"Daily Report" is defined in Section 3.4(a) of the Transfer and Servicing Agreement.

"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).

"DBRS" means DBRS, Inc.

"Debtor" means the party designated in the Specified Agreement as the "Debtor" for purposes of the Perfection Representations and Warranties.

"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.

"Default" means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

"Defaulted Receivable" means, as to any date of determination, all Principal Receivables in any Account which are charged off (i) as uncollectible or (ii) as having been created through a fraudulent or counterfeit charge, in each case, on that date in accordance with the Account 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 Account Guidelines.

"Definitive Notes" means Notes in definitive, fully registered form.

"Demand Note" is defined in Section 2.9 of the Transfer and Servicing Agreement.

"Determination Date" means, unless otherwise specified in any Indenture 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 2.8 of the Transfer and Servicing Agreement takes effect, the sum of (a) the aggregate Discount Option Receivables at the end of the prior Date of Processing (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 Date of Processing, 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 2.8 of the Transfer and Servicing Agreement 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 2.8 of the Transfer and Servicing Agreement.

"Distribution Date" means, with respect to any Series, the date specified in the related Indenture Supplement.

"Document Delivery Date" means the Addition Date in the case of Supplemental Accounts and the Removal Date in the case of Removed Accounts.

"Dollars," "$" or "U.S. $" means United States dollars.

"DTC" means The Depository Trust Company.

"Early Amortization Event" means, as to any Series, each event, if any, specified in the relevant Indenture Supplement as an Early Amortization Event for that Series or a Trust Early Amortization Event.

"Effective Date" means September 29, 2008.

"Eligible Account" means each Account which, as of 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) or the Initial Cut Off Date (in the case of each Initial Account), respectively:

(a) is in existence and is serviced by the Account Originator or any Affiliate of the Account 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 Account 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 a Account Originator, by a Account Originator to the Transferor or otherwise pursuant to the Transfer and Servicing Agreement), unless any such pledge or assignment is released on or before the Addition Date;

(e) except as provided below, none of the Receivables in which are Defaulted Receivables or have been identified by the Account Originator or the related Other Originator (if any), or by the relevant Obligor to the Account Originator or the related Other Originator (if any), as having been incurred as a result of fraud; 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 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 Account 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 Account 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 Account Originator (and is treated for purposes of the Transaction Documents) 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, DBRS, if rated by DBRS 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 the Owner Trustee or the Indenture Trustee or an affiliate thereof) 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, (iv) that, if rated by DBRS, has a certificate of deposit rating of at least "R-1 (middle)" by DBRS and (v) 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 and S&P, which in the case of S&P means A-1+, if rated by Fitch, Fitch, and, if rated by DBRS, a minimum of R-1 (middle);

(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 and S&P in its highest investment category, which in the case of S&P means A-1+, if rated by Fitch, Fitch in its highest investment category, and, if rated by DBRS, a minimum of R-1 (middle);

(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 and S&P in its highest investment category, which in the case of S&P means A-1+, if rated by Fitch, Fitch in its highest investment category, and, if rated by DBRS, a minimum of R-1 (middle);

(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 the Owner Trustee or the Indenture Trustee or their affiliates as well as funds for which the Owner Trustee or the Indenture Trustee and their affiliates may receive compensation) rated in the highest investment category by each of Moody's and S&P, which in the case of S&P means A-1+, and, if rated by Fitch, Fitch in its highest investment category, 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 in its highest investment category, from each of Moody's and S&P, which in the case of S&P means A-1+, if rated by Fitch, Fitch in its highest investment category, and, if rated by DBRS, a minimum of R-1 (middle); or

(h) any other investments as to which the Rating Agency Condition is satisfied, 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 Investments may be purchased by or through the Indenture Trustee and its Affiliates.

"Eligible Receivable" means a Receivable:

(a) that has arisen under an Eligible Account;

(b) that was created in compliance, in all material respects, with the Account Guidelines and all Requirements of Law applicable to the Account 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 the Noteholders, and pursuant to a Account Agreement that complies, in all material respects, with all Requirements of Law applicable to the Account 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 the Account Originator), the failure to comply with which would have a material adverse effect on the Noteholders;

(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 Account 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 the Account Originator) in connection with the creation of such Receivable or the execution, delivery and performance by the Account 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 the Account Originator) of the related Account 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 Noteholders;

(d) as to which, at the time of its transfer to the Trust, the Trust will have good and marketable title free and clear of all Liens (other than any Lien permitted by Section 2.5(b) of the Transfer and Servicing Agreement);

(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 or payment intangible;

(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) of the Transfer and Servicing Agreement;

(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 3.8 of the Transfer and Servicing Agreement; 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 the Indenture Trustee, a wholly owned subsidiary of the Indenture Trustee 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 the Transfer and Servicing Agreement; (d) has, in the reasonable judgment of the Indenture 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 Noteholders 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 benefiting 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 Noteholders of any Class which is subordinated to another Class.

"ERISA" means the Employee Retirement Income Security Act of 1974.

"Euroclear Operator" means Euroclear Bank S.A./N.V.

"Event of Default" is defined in Section 5.2 of the Indenture.

"Excess Allocation Series" means a Series that, pursuant to the Indenture Supplement therefor, is entitled to receive certain excess Collections of Finance Charge Receivables, as more specifically set forth in such Indenture Supplement. If so specified in the Indenture Supplement for a Group of Series, such Series may be Excess Allocation Series only for the Series in such Group.

"Excess Finance Charge Collections" means all amounts that any Indenture Supplement designates as "Excess Finance Charge Collections."

"Excess Funding Account" is defined in Section 8.3 of the Indenture.

"Exchange Act" means the Securities Exchange Act of 1934.

"Expenses" is defined in Section 7.2 of the Trust Agreement.

"FDIA" means the Federal Deposit Insurance Act, 12 U.S.C. § 1811 et seq., as supplemented, amended or otherwise modified from time to time.

"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 in respect of Periodic Finance Charges, (b) Late Fees, return check fees and any other fees that may 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 the Indenture Trustee and (c) Discount Option Receivables.

"Finance Charge Shortfalls" is defined, as to any Series, in the related Indenture Supplement.

"Fitch" means Fitch, Inc.

"Foreign Clearing Agency" means Clearstream and the Euroclear Operator.

"GAAP" means generally accepted accounting principles in the United States of America in effect from time to time.

"Global Note" is defined in Section 2.15 of the Indenture.

"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.

"Grant" means to mortgage, pledge, bargain, warrant, alienate, remise, release, convey, assign, transfer, grant a lien upon and a security interest in, create a right of set-off against, deposit, set over and confirm pursuant to this Indenture. A Grant of the Collateral or of any other agreement or instrument shall include all rights, powers and options (but none of the obligations) of the Granting party thereunder, including if available the immediate and continuing right to claim for, collect, receive and give receipt for principal and interest payments in respect of the Collateral and all other moneys payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the Granting party or otherwise and generally to do and receive anything that the Granting party is or may be entitled to do or receive thereunder or with respect thereto.

"Group" means, with respect to any Series, the group of Series, if any, in which the related Indenture Supplement specifies such Series is to be included.

"Holder" means a Noteholder or a Person in whose name the Transferor Interest is registered.

"Holding" means Alliance Data Systems Corporation, a Delaware corporation.

"Identified Portfolio" means any Accounts owned from time to time by WFCB and included in the private label credit card programs of Blair Corporation, Carter-Jones Lumber Company, Gardner White Furniture Co. Inc. and Orchard Supply Hardware LLC.

"In-Store Payments" is defined in Section 2.1 of the Transfer and Servicing Agreement.

"Indemnified Parties" is defined in Section 7.2 of the Trust Agreement.

"Indenture" means the Master Indenture, September 29, 2008, between the Issuer and the Indenture Trustee, as the same may be amended, supplemented or otherwise modified from time to time.

"Indenture Supplement" means, with respect to any Series, a supplement to this Indenture, executed and delivered in connection with the original issuance of the Notes of such Series pursuant to Section 2.12 of the Indenture, and an amendment to this Indenture executed pursuant to Sections 10.1 or 10.2 of the Indenture, and, in either case, including all amendments thereof and supplements thereto.

"Indenture Trustee" means U.S. Bank National Association, a national banking association, in its capacity as trustee under this Indenture, its successors in interest and any successor indenture trustee under this Indenture.

"Independent" means, when used with respect to any specified Person, that the Person (a) is in fact independent of the Issuer, any other obligor upon the Notes, the Transferor and any Affiliate of any of the foregoing Persons, (b) does not have any direct financial interest or any material indirect financial interest in the Issuer, any such other obligor, the Transferor or any Affiliate of any of the foregoing Persons and (c) is not connected with the Issuer, any such other obligor, the Transferor or any Affiliate of any of the foregoing Persons as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

"Independent Certificate" means a certificate or opinion to be delivered to the Indenture Trustee under the circumstances described in, and otherwise complying with, the applicable requirements of Section 12.1 of the Indenture, made by an Independent appraiser or other expert appointed by an Issuer Order, and such opinion or certificate shall state that the signer has read the definition of "Independent" in this Indenture and that the signer is Independent within the meaning thereof.

"Independent Director" is defined in Section 2.5(o)(vii) of the Transfer and Servicing Agreement.

"Indirect Participant" means other Persons such as securities brokers and dealers, banks and trust companies that clear or maintain a custodial relationship with a participant of DTC, either directly or indirectly.

"Ineligible Receivables" is defined in Section 2.4(d) of the Transfer and Servicing Agreement.

"Initial Accounts" means each revolving credit account identified in the Account Schedule delivered on the Effective Date.

"Initial Closing Date" means September 29, 2008.

"Initial Collateral Amount" with respect to any Series, shall have the meaning specified in the related Indenture Supplement.

"Initial Cut Off Date" means September 30, 2008

"Insolvency Event" means, with respect to any Person, that such person shall consent or fail to object to the appointment of a bankruptcy trustee or conservator, receiver or liquidator in any bankruptcy proceeding or other insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to such Person or relating to all or substantially all of such Person's property, or the commencement of an action seeking a decree or order of a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a bankruptcy trustee or conservator, receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up, insolvency, bankruptcy, reorganization, conservatorship, receivership or liquidation of such entity's affairs, or notwithstanding an objection by such Person any such action shall have remained undischarged or unstayed for a period of sixty (60) days or upon entry of any order or decree providing for such relief; or such Person shall admit in writing its inability to pay its debts generally as they become due, file, or consent or fail to object (or object without dismissal of any such filing within sixty (60) days of such filing) to the filing of, a petition to take advantage of any applicable bankruptcy, insolvency or reorganization, receivership or conservatorship statute, make an assignment for the benefit of its creditors or voluntarily suspend payment of its obligations.

"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 the Account Originator in its capacity as credit card issuer, through VISA USA, Inc., MasterCard International Incorporated, American Express & Co., Discover Financial Services Inc. and any other payment card network.

"Interest Payment Date" is defined in Section 3.1(c) of the Receivables Purchase Agreement.

"Investment Company Act" means the Investment Company Act of 1940.

"Involuntary Removal" is defined in Section 2.7(a) of the Transfer and Servicing Agreement.

"Issuer" means the World Financial Capital Master Note Trust, which is established by the Trust Agreement.

"Issuer Order" and "Issuer Request" means a written order or request signed in the name of the Issuer by any one of its Authorized Officers and delivered to the Indenture Trustee.

"Late Fees" means the fees specified in the Account 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 the Indenture; provided that any assignment or transfer pursuant to Section 3.4 of the Trust Agreement or Section 7.2 of the Transfer and Servicing Agreement shall not constitute a Lien.

"Majority Holders" means the Holders of Notes evidencing more than 50% of the Outstanding Amount.

"Merchant" means each of Blair, Carter-Jones Lumber, Gardner White Furniture and Orchard Supply Hardware and any other merchant reflected in an Assignment or associated with an Approved Portfolio identified after the Closing Date.

"Merchant Adjustment Payment" is defined in Section 3.2 of the Receivables Purchase Agreement.

"Minimum Transferor Amount" means, as of any date of determination, the sum of (a) the product of (i) the Aggregate Principal Receivables and (ii) the Required Retained Transferor Percentage plus (b) any additional amounts specified in the Indenture Supplement for any outstanding Series.

"Monthly Period" means as to each Distribution Date, the immediately preceding calendar month, unless otherwise defined in any Indenture 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.

"New Issuance" is defined in Section 2.11(a) of the Indenture.

"Note" means one of the Notes issued by the Issuer pursuant to the Indenture and an Indenture Supplement, substantially in the form attached to the related Indenture Supplement.

"Note Interest Rate" means, as of any particular date of determination and with respect to any Series or Class, the interest rate as of such date specified therefor in the related Indenture Supplement.

"Note Owner" means, with respect to a Book-Entry Note, the Person who is the owner of such Book-Entry Note, as reflected on the books of the Clearing Agency, or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency Participant or as an Indirect Participant, in accordance with the rules of such Clearing Agency).

"Note Principal Balance" means, as of any particular date of determination and with respect to any Series or Class, the amount specified in the related Indenture Supplement.

"Note Register" is defined in Section 2.5 of the Indenture.

"Noteholder" means the Person in whose name a Note is registered on the Note Register and, if applicable, the holder of any Global Note, or Coupon, as the case may be, or such other Person deemed to be a "Noteholder" or "Holder" in any related Indenture Supplement.

"Noteholder Servicing Fee" is defined in Section 3.2 of the Transfer and Servicing Agreement.

"Notes" means all Series of Notes issued by the Issuer pursuant to the Indenture and the applicable Indenture Supplements.

"Notice Date" is defined in Section 2.6(d) of the Transfer and Servicing Agreement.

"Notices" is defined in Section 9.4(a) of the Transfer and Servicing Agreement.

"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 the Indenture Trustee or Owner 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.

"Original Trust Agreement" is defined in the Recitals to the Trust Agreement.

"Other Assets" is defined in Section 12.17 of the Indenture.

"Other Originator" means any Person from which the Account Originator acquires a portfolio of credit card accounts any or all of which are subsequently designated as Additional Accounts.

"Outstanding" means, as of the date of determination, all Notes theretofore authenticated and delivered under this Indenture except:

(i) Notes theretofore canceled by the Note Registrar or delivered to the Note Registrar for cancellation;

(ii) Notes or portions thereof the payment for which money in the necessary amount has been theretofore deposited with the Indenture Trustee or any Paying Agent in trust for the Holders of such Notes (provided, however, that if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor, satisfactory to the Indenture Trustee, has been made); and

(iii) Notes in exchange for or in lieu of other Notes which have been authenticated and delivered pursuant to the Indenture unless proof satisfactory to the Indenture Trustee is presented that any such Notes are held by a protected purchaser;

provided that in determining whether the Holders of Notes representing the requisite Outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Notes owned by the Issuer, any other obligor upon the Notes, the Transferor, the Servicer or any Affiliate of any of the foregoing Persons shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that a Responsible Officer of the Indenture Trustee actually knows to be so owned shall be so disregarded. Notes so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Indenture Trustee the pledgee's right so to act with respect to such Notes and that the pledgee is not the Issuer, any other obligor upon the Notes, the Transferor, the Servicer or any Affiliate of any of the foregoing Persons. In making any such determination, the Indenture Trustee may conclusively rely on the representations of the pledgee and shall not be required to undertake any independent investigation.

"Outstanding Amount" means the aggregate principal amount of all Notes Outstanding at the date of determination.

"Owner Trustee" means BNY Mellon Trust of Delaware, a Delaware banking corporation, not in its individual capacity but solely in its capacity as owner trustee under the Trust Agreement, its successors in interest and any successor owner trustee under the Trust Agreement.

"Participation Interests" is defined in Section 2.6(b) of the Transfer and Servicing Agreement.

"Paying Agent" means any paying agent appointed pursuant to Section 2.8 of the Indenture and shall initially be the Indenture Trustee; provided that if the Indenture Supplement for a Series so provides, a separate or additional Paying Agent may be appointed with respect to such Series.

"Perfection Representations and Warranties" means the representations and warranties set forth below:

1. General. The Specified Agreement creates a valid and continuing security interest (as defined in the applicable UCC) in the Receivables and the proceeds thereof in favor of the Secured Party, which, (a) in the case of existing Receivables and the proceeds thereof, is enforceable upon execution of the Specified Agreement against creditors of and purchasers from Debtor, or with respect to then existing Receivables in Additional Accounts, as of the applicable Addition Date, and which will be enforceable with respect to Receivables hereafter and thereafter created and the proceeds thereof upon such creation, in each case 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) and (b) upon filing of the financing statements described in clause 4 below and, in the case of Receivables hereafter created, upon the creation thereof, will be prior to all other Liens (other than Liens permitted pursuant to clause 3 below).

2. General. The Receivables constitute "accounts" within the meaning of UCC Section 9-102.

3. Creation. Immediately prior to the conveyance of the Receivables pursuant to the Specified Agreement, Debtor owns and has good and marketable title to, or has a valid security interest in, the Receivables free and clear of any Lien, claim or encumbrance of any Person; provided that nothing in this clause 3 shall prevent or be deemed to prohibit Debtor from suffering to exist upon any of the Receivables any Liens permitted by Section 2.5(b) of the Transfer and Servicing Agreement.

4. Perfection. Debtor has caused or will have caused, within ten days of the Initial Closing Date, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest granted to the Secured Party under the Specified Agreement in the Receivables arising in the Initial Accounts and Automatic Additional Accounts included in the Identified Portfolio, and (if any additional filing is so necessary) within 10 days of the applicable Addition Date, in the case of such Receivables arising in Supplemental Accounts and related Automatic Additional Accounts.

5. Priority. Other than the security interest granted to the Secured Party pursuant to the Specified Agreement, Debtor has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Receivables. Debtor has not authorized the filing of and is not aware of any financing statements against Debtor that include a description of collateral covering the Receivables other than any financing statement (i) relating to the security interest granted to Secured Party under the Specified Agreement, (ii) that has been terminated, or (iii) that has been granted pursuant to the terms of the Transaction Documents.

"Periodic Finance Charges" means any finance charges (due to periodic rate) applicable to any Account.

"Permitted Assignee" means any Person who, if it were to purchase Receivables (or interests therein) in connection with a sale thereof pursuant to Sections 5.5(a) and 5.16 of the Indenture, would not cause the Issuer to be taxable as a publicly traded partnership for federal income tax purposes.

"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 Reassignment Price" means the amount payable by Purchaser to the Indenture Trustee pursuant to Section 2.4(d) of the Transfer and Servicing Agreement with respect to Receivables previously sold pursuant to the Receivables Purchase Agreement.

"Portfolio Yield" is defined, as to any Series, in the related Indenture 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 Indenture Supplement therefor, is entitled to receive Shared Principal Collections.

"Principal Shortfalls" is defined, as to any Series, in the related Indenture Supplement.

"Principal Terms" means, with respect to any Series, (a) the name or designation; (b) the initial principal amount (or method for calculating such amount) and the Collateral Amount; (c) the Note Interest Rate for each Class of Notes of such Series (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 Series Servicing Fee Percentage; (h) the terms of any form of Enhancement with respect thereto; (i) the terms on which the Notes of such Series may be exchanged for Notes of another Series, repurchased by the Transferor or remarketed to other investors; (j) the Series Termination Date; (k) the number of Classes of Notes of such Series and, if more than one Class, the rights and priorities of each such Class; (l) the extent to which the Notes of such Series will be issuable in temporary or permanent global form (and, in such case, the depositary for such global note or notes, the terms and conditions, if any, upon which such global note or notes may be exchanged, in whole or in part, for Definitive Notes, and the manner in which any interest payable on a temporary or global note will be paid); (m) whether the Notes of such Series may be issued in bearer form and any limitations imposed thereon; (n) the priority of such Series with respect to any other Series; (o) whether such Series will be part of a Group; (p) whether such Series will be a Principal Sharing Series; (q) whether such Series will be an Excess Allocation Series; (r) the Distribution Date; (s) the legal final maturity date on which the rights of the Noteholders of such Series to receive payments from the Issuer will terminate, which shall not be later than the Scheduled Trust Termination Date; and (t) whether such Series will or may act as a paired series with another existing Series and the Series, with which it will be paired, if applicable.

"Proceeding" means any suit in equity, action at law or other judicial or administrative proceeding.

"Purchase Price" is defined in Section 3.1(a) of the Receivables Purchase Agreement.

"Purchaser" means World Financial Capital Credit Company, LLC, as purchaser, under the Receivables Purchase Agreement.

"Purchaser Tangible Equity" means, at any date of determination, an amount equal to:

(a) the Transferor Amount, *plus*

(b) the aggregate of the Note Principal Balances of all Notes owned by the Transferor, *plus*

(c) the aggregate amount on deposit in all cash collateral accounts or spread accounts established for the benefit of any Series or Class of Notes; *minus*

(d) the outstanding balance of the Subordinated Note; *plus*

(e) the "Purchaser Tangible Equity" or other similar amounts for any other transactions to which the Purchaser is a party.

"Rating Agency" means, as to each Series, the rating agency or agencies, if any, specified in the related Indenture Supplement.

"Rating Agency Condition" means, with respect to any action, that each Rating Agency, if any, shall have notified Transferor, Servicer and the Indenture 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 2.7(a) of the Transfer and Servicing Agreement.

"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 cash advances, 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.

"Receivables Purchase Agreement" means the Receivables Purchase Agreement dated as of September 29, 2008, between WFCB, as Seller, and World Financial Capital Credit Company, LLC, as purchaser.

"Record Date" means, with respect to any Distribution Date, the last Business Day of the calendar month immediately preceding such Distribution Date unless otherwise specified for a Series in the related Indenture 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.

"Redemption Date" means, with respect to any Series, the date or dates specified in the related Indenture Supplement.

"Registered Notes" is defined in Section 2.1 of the Indenture.

"Related Assets" means, with respect to any Receivable, all monies due or to become due with respect thereto, all Collections, all Recoveries, all Insurance Proceeds, all rights, remedies, powers and privileges with respect to such Receivables, and all proceeds of the foregoing, and without limiting the generality of the foregoing, all of the RPA Seller's rights to receive In-Store Payments, and all proceeds of such rights.

"Removal Date" is defined in Section 2.7(a) of the Transfer and Servicing Agreement.

"Removal Notice Date" is defined in Section 2.7(a) of the Transfer and Servicing Agreement.

"Removed Accounts" is defined in Section 2.7(a) of the Transfer and Servicing Agreement.

"Required Designation Date" is defined in Section 2.6(b) of the Transfer and Servicing Agreement.

"Required Principal Balance" means, as of any date of determination, the sum of the numerators used at such date to calculate the Allocation Percentages 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 Purchaser Tangible Equity" means, at any date of determination, the sum of:

(a) the product of (i) the sum of the Transferor Amount plus the aggregate of the Note Principal Balances of all Notes owned by the Transferor, multiplied by (ii) the higher of (A) 5.5% and (B) the highest required enhancement percentage then in effect for any outstanding Class of Notes that was rated BBB (or an equivalent rating) by any of Moody's, S&P, DBRS or Fitch at the time of its issuance, which shall be calculated as the quotient (expressed as a percentage) of (x) the amount of Enhancement (including any cash collateral account, the subordination of other Classes of Notes or the subordination of other interests in the Receivables) that is available or junior to such Class in covering Defaulted Receivables allocated to the related Series, divided by (y) the Initial Collateral Amount for the Series of Notes of which such Class is a part; *plus*

(b) the aggregate amount on deposit in all cash collateral accounts or spread accounts established for the benefit of any Series or Class of Notes, *plus*

(c) the "Required Purchaser Tangible Equity" or other similar amounts for any other transactions to which the Purchaser is a party.

"Required Retained Transferor Percentage" means the highest of the Required Retained Transferor Percentages specified in the Indenture 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, with respect to the Issuer, the Chairman or any Vice Chairman of the Board of Directors or Trustees of the Administrator; the Chairman or Vice Chairman of the Executive or Standing Committee of the Board of Directors or Trustees of the Administrator; and the President, any Executive Vice President, Senior Vice President, Vice President, any Assistant Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant or Deputy Cashier, the Controller and any Assistant Controller or any other officer of the Administrator customarily performing functions similar to those performed by any of the above-designated officers. With respect to the Indenture Trustee, the term "Responsible Officer" means (i) any officer assigned to the Corporate Trust Office, including any vice president, assistant vice president, assistant treasurer, or (ii) any other officer of the Indenture Trustee customarily performing functions similar to those performed by any of the above designated officers and, in each case, having direct responsibility for the administration of the applicable Transaction Documents. With respect to the Owner Trustee, the term "Responsible Officer" means any officer within the Corporate Trust Office of the Owner Trustee with direct responsibility for the administration of the Trust, or any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject. The term "Responsible Officer", when used herein with respect to any Person other than the Issuer, the Indenture Trustee or the Owner Trustee, means an officer or employee of such Person corresponding to any officer or employee described in the preceding sentence.

"Restart Date" is defined in Section 2.6(a) of the Transfer and Servicing Agreement.

"RPA Seller" means World Financial Capital Bank, as Seller, under the Receivables Purchase Agreement.

"Rule 144A" means Rule 144A under the Securities Act, as such Rule may be amended from time to time.

"S&P" or "Standard & Poor's" means Standard & Poor's Ratings Service, a division of the McGraw Hill Companies, Inc.

"Secured Party" means the party designated in the Specified Agreement as the "Secured Party" for purposes of the Perfection Representations and Warranties.

"Securities Act" means the Securities Act of 1933.

"Series" means any series of Notes, which may include within any such Series a Class or Classes of Notes subordinate to another such Class or Classes of Notes.

"Series Account" means any deposit, trust, escrow or similar account maintained for the benefit of the Noteholders of any Series or Class, as specified in any Indenture Supplement.

"Series Servicing Fee Percentage" is defined, as to any Series, in the related Indenture Supplement.

"Series Termination Date" means, with respect to any Series, the termination date for such Series specified in the related Indenture Supplement.

"Service Transfer" is defined in Section 7.1 of the Transfer and Servicing Agreement.

"Servicer" means WFCB, in its capacity as Servicer pursuant to the Transfer and Servicing Agreement, and, after any Service Transfer, the Successor Servicer.

"Servicer Default" is defined in Section 7.1 of the Transfer and Servicing Agreement.

"Servicing Fee" means, as to any Series, the servicing fee specified in Section 3.2 of the Transfer and Servicing Agreement.

"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 Indenture Trustee by Servicer, as such list may from time to time be amended.

"Settlement Statement" is defined in Section 3.3 of the Receivables Purchase Agreement.

"Shared Principal Collections" means all amounts that any Indenture Supplement designates as "Shared Principal Collections."

"Specified Agreement" means the agreement specified in a Transaction Document as the "Specified Agreement" for purposes of the Perfection Representations and Warranties.

"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 Indenture Supplement for any outstanding Series.

"Statutory Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. § 3801, et seq.

"Subordinated Note" shall mean a note substantially in the form of Exhibit B to the Receivables Purchase Agreement evidencing borrowings made by Purchaser from RPA Seller pursuant to the Receivables Purchase Agreement.

"Subordinated Note Maturity Date" is defined in Section 3.1(c) of the Receivables Purchase Agreement.

"Subordinated Note Rate" is defined in Section 3.1(c) of the Receivables Purchase Agreement.

"Successor Servicer" is defined in Section 7.2(a) of the Transfer and Servicing Agreement.

"Supplemental Account" is defined in Section 2.6(b) of the Transfer and Servicing Agreement.

"Supplemental Conveyance" is defined in Section 2.2(e) of the Receivables Purchase Agreement.

"Supplemental Interest" is defined in Section 3.4 of the Trust Agreement.

"Surviving Person" is defined in Section 3.10(a) of the Indenture.

"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 Notes of any outstanding Series or Class with respect to which an Opinion of Counsel was delivered at the time of their issuance that such Notes 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 Noteholder.

"Termination Notice" is defined in Section 7.1 of the Transfer and Servicing Agreement.

"Transaction Documents" means the Master Indenture, Indenture Supplements, Transfer and Servicing Agreement, Receivables Purchase Agreement, Trust Agreement and Administration Agreement.

"Transfer Agent and Registrar" is defined in Section 2.5 of the Indenture.

"Transfer and Servicing Agreement" means the Transfer and Servicing Agreement, September 29, 2008, among the Transferor, the Servicer and the Issuer as the same may be amended, supplemented or otherwise modified from time to time.

"Transfer Date" means the Business Day immediately preceding each Distribution Date.

"Transferor" means World Financial Capital Credit Company, LLC, a Delaware limited liability company, and additional transferors, if any, designated in accordance with Section 2.9 of the Transfer and Servicing Agreement.

"Transferor Amount" means, on any date of determination, the result 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, minus (b) the sum of the Collateral Amounts with respect to all Series then outstanding plus (c) the principal amount on deposit in the Principal Accounts (as defined in the various Indenture Supplements) for each Series, to the extent not deducted in calculating the Collateral Amount for the related Series.

"Transferor Interest" means the interest of the Transferor or its assigns in the Issuer and the Receivables, which entitles the Transferor or its assigns to receive the various amounts specified in the Transaction Documents to be paid or transferred to the Holder(s) of the Transferor Interest.

"Transferor Percentage" means as to Finance Charge Receivables, Defaulted Receivables and Principal Receivables, 100% less the sum of the applicable Allocation Percentages for all outstanding Series.

"Transferred Account" is defined in the definition of "Account."

"Trust" means World Financial Capital Master Note Trust.

"Trust Agreement" means the Amended and Restated Trust Agreement relating to the Trust, September 29, 2008, between the Transferor and the Owner Trustee, as the same may be amended, supplemented or otherwise modified from time to time.

"Trust Assets" is defined in Section 2.1 of the Transfer and Servicing Agreement.

"Trust Early Amortization Event" is defined, with respect to each Series, in Section 5.1 of the Indenture.

"Trust Estate" means all right, title and interest of the Issuer in and to the property and rights assigned to the Issuer pursuant to Section 2.5 of the Trust Agreement and Section 2.1 of the Transfer and Servicing Agreement, all monies, investment property, instruments and other property on deposit from time to time in the Collection Account, the Series Accounts and the Excess Funding Account and all other property of the Issuer or in which the Issuer has rights from time to time, including any rights of the Owner Trustee and the Issuer pursuant to the Transaction Documents.

"Trust Indenture Act" or "TIA" means the Trust Indenture Act of 1939.

"Trust Termination Date" is defined in Section 8.1 of the Trust Agreement.

"UCC" means the Uniform Commercial Code, as in effect in any applicable 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 any Note that is designated as a variable funding note in the related Indenture Supplement.

"WFCB" means World Financial Capital Bank, a Utah industrial bank.

SUPPLEMENTAL INDENTURE NO. 1 TO MASTER INDENTURE

This SUPPLEMENTAL INDENTURE NO. 1 TO MASTER INDENTURE, dated as of August 17, 2012 (this "Supplemental Indenture") is made between the World Financial Capital Master Note Trust, as Issuer (the "Issuer") and U.S. Bank National Association, as Indenture Trustee (the "Indenture Trustee"), to the Master Indenture, dated as of September 29, 2008, between the Issuer and the Indenture Trustee (the "Master Indenture"). Capitalized terms used and not otherwise defined in this Supplemental Indenture are used as defined in the Master Indenture.

WHEREAS, the Issuer and the Indenture Trustee desire to amend the Master Indenture in certain respects as set forth below;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

SECTION 1. Amendment to the Master Indenture. The phrase "the Closing Date" shall be replaced with the phrase "the Effective Date" in the definitions of "Account Schedule" and "Merchant" in Appendix A of the Master Indenture.

SECTION 2. Conditions to Effectiveness. This Supplemental Indenture shall become effective, as of the date hereof (the "Effective Date"), upon (i) receipt by each of the parties hereto of counterparts duly executed and delivered by each of the parties hereto and (ii) satisfaction of each of the conditions precedent described in Section 10.1(a) of the Master Indenture, and thereafter shall be binding on the parties hereto and their respective successors and assigns.

SECTION 3. Effect of Amendment; Ratification. (a) On and after the Effective Date, this Supplemental Indenture shall be a part of the Master Indenture and each reference in the Master Indenture to "this Agreement" or "hereof", "hereunder" or words of like import, and each reference in any other Transaction Document to the Master Indenture shall mean and be a reference to the Master Indenture as amended hereby.

b. Except as expressly amended hereby, the Master Indenture shall remain in full force and effect and is hereby ratified and confirmed by the parties hereto.

SECTION 4. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAWS PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 5. Section Headings. Headings used herein are for convenience of reference only and shall not affect the meaning of this Supplemental Indenture.

SECTION 6. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, and by the parties hereto on separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

SECTION 7. Limitation of Liability. Notwithstanding any other provision herein or elsewhere, this Supplemental Indenture has been executed and delivered by BNY Mellon Trust of Delaware, not in its individual capacity, but solely in its capacity as Owner Trustee of the Issuer. Nothing herein contained shall be construed as creating any liability on BNY Mellon Trust of Delaware, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, and in no event shall BNY Mellon Trust of Delaware in its individual capacity have any liability in respect of the representations, warranties, or obligations of the Issuer hereunder or under any other document, as to all of which recourse shall be had solely to the assets of the Issuer, and for all purposes of this Supplemental Indenture and each other document, the Owner Trustee (as such or in its individual capacity) shall be subject to, and entitled to the benefits of, the terms and provisions of the Trust Agreement.

SECTION 8. Rights of the Indenture Trustee. The Indenture Trustee shall have herein the same rights, protections, indemnities and immunities as specified in the Master Indenture.

[*Signature Page Follows*]

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

U.S. BANK NATIONAL ASSOCIATION, as Indenture Trustee

By: /s/ Michelle Moeller
Name: Michelle Moeller
Title: Vice President

WORLD FINANCIAL CAPITAL MASTER NOTE TRUST, as Issuer

By: BNY Mellon Trust of Delaware, not in its individual capacity, but solely as Owner Trustee on behalf of Issuer

By: /s/ Kristine K. Gullo
Name: Kristine K. Gullo
Title: Vice President

SUPPLEMENTAL INDENTURE NO. 2 TO MASTER INDENTURE

This SUPPLEMENTAL INDENTURE NO. 2 TO MASTER INDENTURE, dated as of January, 4, 2013 (this "Supplemental Indenture") is made between the World Financial Capital Master Note Trust, as Issuer (the "Issuer"), and Deutsche Bank Trust Company Americas, successor in interest to U.S. Bank National Association, as Indenture Trustee (the "Indenture Trustee"), to the Master Indenture, dated as of September 29, 2008, between the Issuer and the Indenture Trustee (as amended by Supplemental Indenture No. 1, dated as of August 17, 2012, the "Master Indenture"). Capitalized terms used and not otherwise defined in this Supplemental Indenture are used as defined in the Master Indenture.

WHEREAS, the Issuer and the Indenture Trustee desire to amend the Master Indenture in certain respects as set forth below;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

SECTION 1. Amendment to the Master Indenture. Clause (i) of Section 6.13 is deleted in its entirety and replaced with the following:

"(i) Indenture Trustee is a New York banking corporation duly organized and existing under the laws of the State of New York;"

SECTION 2. Conditions to Effectiveness. This Supplemental Indenture shall become effective, as of the date hereof (the "Effective Date"), upon (i) receipt by each of the parties hereto of counterparts duly executed and delivered by each of the parties hereto and (ii) satisfaction of each of the conditions precedent described in Section 10.1(a) of the Master Indenture, and thereafter shall be binding on the parties hereto and their respective successors and assigns.

SECTION 3. Effect of Amendment; Ratification. (a) On and after the Effective Date, this Supplemental Indenture shall be a part of the Master Indenture and each reference in the Master Indenture to "this Agreement" or "hereof", "hereunder" or words of like import, and each reference in any other Transaction Document to the Master Indenture shall mean and be a reference to the Master Indenture as amended hereby.

b. Except as expressly amended hereby, the Master Indenture shall remain in full force and effect and is hereby ratified and confirmed by the parties hereto.

SECTION 4. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAWS PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 5. Section Headings. Headings used herein are for convenience of reference only and shall not affect the meaning of this Supplemental Indenture.

SECTION 6. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, and by the parties hereto on separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

SECTION 7. Limitation of Liability. Notwithstanding any other provision herein or elsewhere, this Supplemental Indenture has been executed and delivered by BNY Mellon Trust of Delaware, not in its individual capacity, but solely in its capacity as Owner Trustee of the Issuer. Nothing herein contained shall be construed as creating any liability on BNY Mellon Trust of Delaware, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, and in no event shall BNY Mellon Trust of Delaware in its individual capacity have any liability in respect of the representations, warranties, or obligations of the Issuer hereunder or under any other document, as to all of which recourse shall be had solely to the assets of the Issuer, and for all purposes of this Supplemental Indenture and each other document, the Owner Trustee (as such or in its individual capacity) shall be subject to, and entitled to the benefits of, the terms and provisions of the Trust Agreement.

SECTION 8. Rights of the Indenture Trustee. The Indenture Trustee shall have herein the same rights, protections, indemnities and immunities as specified in the Master Indenture.

[*Signature Page Follows*]

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

DEUTSCHE BANK TRUST COMPANY AMERICAS, as Indenture Trustee

By: /s/ Louis Bodi
Name: Louis Bodi
Title: Vice President

By: /s/ Mark Esposito
Name: Mark Esposito
Title: Vice President

WORLD FINANCIAL CAPITAL MASTER NOTE TRUST, as Issuer

By: BNY Mellon Trust of Delaware, not in its individual capacity, but solely as Owner Trustee on behalf of Issuer

By: /s/ Kristine Gullo
Name: Kristine Gullo
Title: Vice President

SUPPLEMENTAL INDENTURE NO. 3 TO MASTER INDENTURE

This SUPPLEMENTAL INDENTURE NO. 3 TO MASTER INDENTURE, dated as of September 1, 2017 (this "Supplemental Indenture") is made between the World Financial Capital Master Note Trust, as Issuer (the "Issuer"), and U.S. Bank National Association, successor in interest to Deutsche Bank Trust Company Americas, as Indenture Trustee (the "Indenture Trustee"), to the Master Indenture, dated as of September 29, 2008, between the Issuer and the Indenture Trustee (as amended by Supplemental Indenture No. 1, dated as of August 17, 2012, and Supplemental Indenture No. 2, dated as of January 4, 2013, the "Master Indenture"). Capitalized terms used and not otherwise defined in this Supplemental Indenture are used as defined in the Master Indenture.

WHEREAS, the Issuer and the Indenture Trustee desire to amend the Master Indenture in certain respects as set forth below;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

SECTION 1. Amendments to the Master Indenture. (a) The first sentence of Section 3.2 is deleted in its entirety and replaced with the following:

> "Issuer will maintain an office or agency at the location of its Corporate Trust Office and such other locations as may be set forth in an Indenture Supplement where Notes may be presented or surrendered for payment, where Notes may be surrendered for registration of transfer or exchange and where notices and demands to or upon Issuer in respect of the Notes and this Indenture may be served."

b. Clause (i) of Section 6.13 is deleted in its entirety and replaced with the following:

> "(i) Indenture Trustee is a national banking association duly organized and existing under the laws of the United States;"

SECTION 2. Conditions to Effectiveness. This Supplemental Indenture shall become effective, as of the date hereof (the "Effective Date"), upon (i) receipt by each of the parties hereto of counterparts duly executed and delivered by each of the parties hereto and (ii) satisfaction of each of the conditions precedent described in Section 10.1(a) of the Master Indenture, and thereafter shall be binding on the parties hereto and their respective successors and assigns.

SECTION 3. Effect of Amendment; Ratification. (a) On and after the Effective Date, this Supplemental Indenture shall be a part of the Master Indenture and each reference in the Master Indenture to "this Agreement" or "hereof", "hereunder" or words of like import, and each reference in any other Transaction Document to the Master Indenture shall mean and be a reference to the Master Indenture as amended hereby.

b. Except as expressly amended hereby, the Master Indenture shall remain in full force and effect and is hereby ratified and confirmed by the parties hereto.

SECTION 4. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAWS PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

SECTION 5. Section Headings. Headings used herein are for convenience of reference only and shall not affect the meaning of this Supplemental Indenture.

SECTION 6. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, and by the parties hereto on separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

SECTION 7. Limitation of Liability. Notwithstanding any other provision herein or elsewhere, this Supplemental Indenture has been executed and delivered by BNY Mellon Trust of Delaware, not in its individual capacity, but solely in its capacity as Owner Trustee of the Issuer. Nothing herein contained shall be construed as creating any liability on BNY Mellon Trust of Delaware, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, and in no event shall BNY Mellon Trust of Delaware in its individual capacity have any liability in respect of the representations, warranties, or obligations of the Issuer hereunder or under any other document, as to all of which recourse shall be had solely to the assets of the Issuer, and for all purposes of this Supplemental Indenture and each other document, the Owner Trustee (as such or in its individual capacity) shall be subject to, and entitled to the benefits of, the terms and provisions of the Trust Agreement.

SECTION 8. Rights of the Indenture Trustee. The Indenture Trustee shall have herein the same rights, protections, indemnities and immunities as specified in the Master Indenture, and shall not be responsible for the validity or sufficiency of this Supplemental Indenture, nor for the recitals contained herein.

[*Signature Page Follows*]

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

U.S. BANK NATIONAL ASSOCIATION, as Indenture Trustee

By: /s/ Mirtza Escobar
Name: Mirtza Escobar
Title: Vice President

WORLD FINANCIAL CAPITAL MASTER NOTE TRUST, as Issuer

By: BNY Mellon Trust of Delaware, not in its individual capacity, but solely as Owner Trustee on behalf of Issuer

By: /s/ Kristine K. Gullo
Name: Kristine K. Gullo
Title: Vice President

SECOND AMENDMENT TO FOURTH AMENDED AND RESTATED SERIES 2009-VFN INDENTURE SUPPLEMENT

This **SECOND AMENDMENT TO FOURTH AMENDED AND RESTATED SERIES 2009-VFN INDENTURE SUPPLEMENT**, dated as of December 1, 2017 (this "*Amendment*"), is made between World Financial Network Credit Card Master Note Trust, as Issuer (the "*Issuer*"), and MUFG Union Bank, N.A. ("*MUFG*"), formerly known as Union Bank, N.A., as successor in interest to The Bank of New York Mellon Trust Company, N.A., formerly known as The Bank of New York Trust Company, N.A., as Indenture Trustee (in such capacity, the "*Indenture Trustee*") under the Master Indenture, dated as of August 1, 2001 (as further amended from time to time prior to the date hereof, the "*Master Indenture*"), between the Issuer and the Indenture Trustee, to the Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of February 28, 2014 (as heretofore amended, the "*Indenture Supplement*"), between the Issuer and the Indenture Trustee, and acknowledged and accepted by WFN Credit Company, LLC, as Transferor and as sole Class M Noteholder, Class B Noteholder and Class C Noteholder. Capitalized terms used and not otherwise defined in this Amendment are used as defined in the Master Indenture.

Background

A. The parties hereto have previously entered into the Indenture Supplement to create and designate a new Series of Notes.

B. The parties hereto wish to amend such Indenture Supplement, all as set out in this Amendment.

Agreement

1. *Amendment to the Indenture Supplement.* (a) Section 2.1 of the Indenture Supplement is hereby amended by inserting the following definitions in appropriate alphabetical order:

> "Regulation RR" means Regulation RR (Credit Risk Retention) promulgated by the Securities and Exchange Commission to implement the credit risk retention requirements of Section 15G of the Securities Exchange Act, as in effect as of the date hereof.
>
> "Required Seller's Interest" means, as of any date of determination, the product of (a) 5% and (b) the result of (i) the excess of the outstanding principal balance of all outstanding Classes of Notes other than Risk Retention Retained Notes minus (ii) the principal balance of all funds held in segregated principal accumulation accounts that meet the requirements of Rule 5(c)(2) of Regulation RR for the repayment of the principal amount of Notes other than Risk Retention Retained Notes.
>
> "Risk Retention Retained Note" means any Note issued by the Issuer that is retained by Comenity Bank, as sponsor, or a Wholly-owned Affiliate thereof upon initial issuance thereof and at all times thereafter; *provided* that no Note issued after December 24, 2016 shall be treated as a Risk Retention Retained Note unless designated as a Risk Retention Retained Note pursuant to the related Indenture Supplement; and *provided further* that the Class B Notes and Class C Notes issued hereunder shall be Risk Retention Retained Notes.

"RR Measurement Date" is defined in Section 9.8(f).

"Securities Exchange Act" means the provisions of the Securities Exchange Act of 1934 15 U.S.C. Sections 78a et seq., and any regulations promulgated thereunder.

"Seller's Interest" means, as of any date of determination, the result of (a) the sum of the aggregate amount of Principal Receivables and the principal amount of any Participations held by the Issuer as of such date of determination, plus (b) the aggregate amount of Principal Collections on deposit in the Collection Account as of such date of determination, minus (c) the aggregate of the principal balances of all outstanding Notes issued by the Issuer as of such date of determination.

"Wholly-owned Affiliate" has the meaning specified in Rule 2 of Regulation RR.

(b) Section 9.8 of the Indenture Supplement is hereby amended by inserting the following new clauses (f), (g) and (h) immediately following clause (e) thereof:

(f) So long as Regulation RR is in effect (x) to the extent that the sum of (i) the Seller's Interest and (ii) amounts on deposit (excluding any investment earnings on deposit) in the Excess Funding Account (to the extent the Excess Funding Account meets the requirements of Rule 5(f) of Regulation RR) is less than the Required Seller's Interest as of the last day of any Monthly Period (each, an "RR Measurement Date"), the Transferor shall cause the Seller's Interest to be increased to an amount such that the sum of (i) the Seller's Interest and (ii) amounts on deposit (excluding any investment earnings on deposit) in the Excess Funding Account (to the extent the Excess Funding Account meets the requirements of Rule 5(f) of Regulation RR) will be equal to or greater than the Required Seller's Interest on or before the following RR Measurement Date; provided, that failure to satisfy the foregoing covenant shall not constitute a breach of this Indenture Supplement if at the time of such failure, the transaction contemplated by the Transaction Documents shall otherwise be in compliance with the requirements of Regulation RR and (y) other than as permitted by Regulation RR, the Transferor shall not sell, transfer or hedge any assets used to satisfy risk retention obligations under Regulation RR.

(g) For the avoidance of doubt, in no event shall either of the Indenture Trustee or the Owner Trustee have any responsibility to monitor compliance with or, subject to their obligations under the Transaction Documents, enforce compliance with, or be charged with knowledge of Regulation RR or any rules or regulations promulgated in connection therewith, nor shall it be liable to any investor or any other party whatsoever for any violation of Regulation RR or any rules or regulations promulgated in connection therewith or any similar provisions in effect or the breach of any related term of this Indenture Supplement, any Transaction Document or any other document made or delivered pursuant hereto or thereto.

(h) The Servicer will include the amount of the Seller's Interest as of the most recent RR Measurement Date on each statement delivered pursuant to Section 6.3(a).

2. *Binding Effect; Ratification.* (a) This Amendment shall become effective, as of the date first set forth above, when (i) counterparts hereof shall have been executed and delivered by the parties hereto and (ii) each of the conditions precedent described in Section 10.2 of the Master Indenture has been satisfied, and thereafter shall be binding on the parties hereto and their respective successors and assigns.

(b) On and after the execution and delivery hereof, this Amendment shall be a part of the Indenture Supplement and each reference in the Indenture Supplement to "this Indenture Supplement" or "hereof", "hereunder" or words of like import, and each reference in any other Transaction Document to the Indenture Supplement shall mean and be a reference to the Indenture Supplement as amended hereby.

(c) Except as expressly amended hereby, the Indenture Supplement shall remain in full force and effect and is hereby ratified and confirmed by the parties hereto.

3. *Miscellaneous**Error! Bookmark not defined.*. (a) THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS. EACH OF THE PARTIES TO THIS AMENDMENT HEREBY AGREES TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY APPELLATE COURT HAVING JURISDICTION TO REVIEW THE JUDGMENTS THEREOF. EACH OF THE PARTIES HEREBY WAIVES ANY OBJECTION BASED ON *FORUM NON CONVENIENS* AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

(b) Headings used herein are for convenience of reference only and shall not affect the meaning of this Amendment.

(c) This Amendment may be executed in any number of counterparts, and by the parties hereto on separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement.

(d) The Indenture Trustee shall not be responsible for the validity or sufficiency of this Amendment nor for the recitals herein.

4. *Limitation on Liability*. It is expressly understood and agreed by the parties that (a) this document is executed and delivered by U.S. Bank Trust National Association, not individually or personally, but solely as Owner Trustee, in the exercise of the powers and authority conferred and vested in it, pursuant to the Trust Agreement, (b) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as personal representations, undertakings and agreements by U.S. Bank Trust National Association but is made and intended for the purpose for binding only the Issuer, (c) nothing herein contained shall be construed as creating any liability on U.S. Bank Trust National Association, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any person claiming by, through or under the parties hereto, and (d) under no circumstances shall U.S. Bank Trust National Association be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Issuer under this Amendment or any other related documents.

[Signature Page Follows]

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

WORLD FINANCIAL NETWORK CREDIT CARD MASTER NOTE TRUST, as Issuer

By: U.S. Bank Trust National Association, not in its individual capacity, but solely as Owner Trustee

By: /s/ Nicole Poole
Name: Nicole Poole
Title: Vice President

MUFG UNION BANK, N.A., as Indenture Trustee

By: /s/ Marion Zinowski
Name: Marion Zinowski
Title: Vice President

Acknowledged and Accepted:

COMENITY BANK,
as Servicer

By: /s/ Randy J. Redcay
Name: Randy J. Redcay
Title: Chief Financial Officer

WFN CREDIT COMPANY, LLC
as Transferor and as sole Class M Noteholder,
Class B Noteholder and Class C Noteholder

By: /s/ Michael Blackham
Name: Michael Blackham
Title: Treasurer

Exhibit 10.96

SEVENTH AMENDMENT TO
AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT

This SEVENTH AMENDMENT TO AMENDED AND RESTATED POOLING AND SERVICING AGREEMENT, dated as of September 1, 2017 (this "*Amendment*") is made among Comenity Bank (formerly known as World Financial Network Bank), a Delaware state chartered bank, as Servicer (the "*Servicer*"), WFN Credit Company, LLC, a Delaware limited liability company, as Transferor (the "*Transferor*"), and U.S. Bank National Association (successor to Deutsche Bank Trust Company Americas, successor to Union Bank, N.A., formerly known as Union Bank of California, N.A., successor to JPMorgan Chase Bank, N.A.), a national banking association, as Trustee (the "*Trustee*") of World Financial Network Credit Card Master Trust III, to the Amended and Restated Pooling and Servicing Agreement, dated as of January 30, 1998, among the Servicer, the Transferor and the Trustee (as amended and restated as of September 28, 2001, as further amended as of April 7, 2004, March 23, 2005, October 26, 2007, March 30, 2010, September 30, 2011 and December 1, 2016, and as modified by a Trust Combination Agreement, dated as of April 26, 2005, as amended, the "*Pooling Agreement*"). Capitalized terms used and not otherwise defined in this Amendment are used as defined in the Pooling Agreement.

WHEREAS, the parties hereto are party to the Pooling Agreement and desire to amend the Pooling Agreement in certain respects as set forth herein;

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

SECTION 1. Amendments. (a) Section 6.4(b) of the Pooling Agreement is hereby amended and restated in its entirety to read as follows:

> "The Transfer Agent and Registrar will maintain at its expense at its Corporate Trust Office 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)."

(b) Section 11.15(a) of the Pooling Agreement is hereby amended and restated in its entirety to read as follows:

> "Trustee is a national banking association, formed and existing under the laws of the United States of America."

SECTION 2. Conditions to Effectiveness. This Amendment shall become effective on the date (the "Effective Date") upon which (i) each of the parties hereto receive counterparts of this Amendment, duly executed and delivered by each of the parties hereto and (ii) each of the conditions precedent described in Section 13.1(b) of the Pooling Agreement are satisfied.

SECTION 3. Effect of Amendment; Ratification. (a) On and after the Effective Date, this Amendment shall be a part of the Pooling Agreement and each reference in the Pooling Agreement to "this Agreement" or "hereof," "hereunder" or words of like import, and each reference in any other Transaction Document to the Pooling Agreement shall mean and be a reference to the Pooling Agreement as amended hereby.

(b) Except as expressly amended hereby, the Pooling Agreement shall remain in full force and effect and is hereby ratified and confirmed by the parties hereto.

SECTION 4. Governing Law. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAWS PROVISIONS.

SECTION 5. Section Headings. Headings used herein are for convenience of reference only and shall not affect the meaning of this Amendment.

SECTION 6. Counterparts. This Amendment may be executed in any number of counterparts, and by the parties hereto on separate counterparts, each of which shall be an original and all of which taken together shall constitute one and the same agreement. Counterparts of this Amendment may be delivered by facsimile or electronic transmission.

SECTION 7. Trustee Disclaimer. Trustee shall not be responsible for the validity or sufficiency of this amendment, nor for the recitals contained herein.

[*Signature Page Follows*]

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

WFN CREDIT COMPANY, LLC

By: /s/ Michael Blackham
Name: Michael Blackham
Title: Treasurer

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: /s/ Mirtza Escobar
Name: Mirtza Escobar
Title: Vice President

COMENITY BANK

By: /s/ Randy J. Redcay
Name: Randy J. Redcay
Title: Chief Financial Officer

Exhibit 12.1

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratios of earnings to fixed charges for the periods indicated. Earnings consist of income before provisions for income taxes plus fixed charges. Fixed charges include interest expense, amortization of debt issuance costs and the portion of rental expense we believe is representative of the interest component of rent expense.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(In millions, except per share amounts)				
Income before income taxes	$ 1,081.1	$ 837.0	$ 931.6	$ 837.9	$ 793.4
Plus					
Fixed charges	633.6	473.0	369.6	294.8	335.6
Total	$ 1,714.7	$ 1,310.0	$ 1,301.2	$ 1,132.7	$ 1,129.0
Earnings to fixed charges ratio	2.7	2.8	3.5	3.8	3.4
Fixed charges:					
Interest expense, including the amortization of debt issuance costs	$ 597.6	$ 439.3	$ 336.4	$ 265.4	$ 309.6
Estimate of interest component of rent expense [(1)]	36.0	33.7	33.2	29.4	26.0
Total fixed charges	$ 633.6	$ 473.0	$ 369.6	$ 294.8	$ 335.6

(1) Estimated at 1/3 of total rent expense.

Subsidiaries of
Alliance Data Systems Corporation
A Delaware Corporation
(as of December 31, 2017)

Subsidiary	Jurisdiction of Organization	Other Business Names
Abacus Direct Europe BV	Netherlands	None
Acorn Direct Marketing Limited	Ireland	Epsilon Epsilon International
ADI, LLC	Delaware	None
ADS Alliance Data Systems, Inc.	Delaware	None
ADS Apollo Holdings B.V.	Netherlands	None
ADS Foreign Holdings, Inc.	Delaware	None
ADS Reinsurance Ltd.	Bermuda	None
ADS Sky Oak LLC	Delaware	None
Alliance Data FHC, Inc.	Delaware	Epsilon International
Alliance Data Foreign Holdings, Inc.	Delaware	None
Alliance Data Lux Financing S.àr.l.	Luxembourg	None
Alliance Data Lux Holdings S.àr.l.	Luxembourg	None
Alliance Data Pte. Ltd.	Singapore	None
Aspen Marketing Services, LLC	Delaware	None
Bach Acquisition Corp	Delaware	None
BeFree Germany GmbH	Germany	None
BeFree International, Inc.	Delaware	None
BeFree France SAS	France	None
BeFree UK, Ltd	England	None
Brand Loyalty Americas BV	Netherlands	None
Brand Loyalty Asia BV	Netherlands	None
Brand Loyalty Australia Pty. Ltd.	Australia	None
Brand Loyalty Brasil Marketing de Promocoes LTDA	Brazil	None
Brand Loyalty BV	Netherlands	Brand Loyalty Ventures Brand Loyalty Benelux Brand Loyalty Spain Brand Loyalty Hungary Brand Loyalty Austria Brand Loyalty France Brand Loyalty Poland Brand Loyalty Turkey Brand Loyalty EMEA
Brand Loyalty Canada Corp.	Nova Scotia, Canada	BrandLoyalty
Brand Loyalty Canada Holding B.V.	Netherlands	None
Brand Loyalty Europe BV	Netherlands	None
Brand Loyalty France Sarl	France	None
Brand Loyalty Germany GmbH	Germany	None
Brand Loyalty Group B.V.	Netherlands	None
Brand Loyalty Holding BV	Netherlands	None
Brand Loyalty International BV	Netherlands	None
Brand Loyalty Italia S.p.A	Italy	None
Brand Loyalty Japan KK	Japan	None
Brand Loyalty Korea Co. Ltd.	South Korea	None
Brand Loyalty Limited (HK)	Hong Kong	None
Brand Loyalty OOO	Russia	None
Brand Loyalty Russia BV	Netherlands	None
Brand Loyalty Sourcing Americas Holding B.V.	Netherlands	None
Brand Loyalty Sourcing Asia Ltd	Hong Kong	None
Brand Loyalty Sourcing BV	Netherlands	Brand Loyalty Sourcing
Brand Loyalty Sourcing USA Inc.	Delaware	None

Brand Loyalty Special Promotions BV	Netherlands	None
Brand Loyalty Switzerland GmbH	Switzerland	None
Brand Loyalty Trading (Shanghai) Co. Ltd	China	None
Brand Loyalty UK Ltd	England	None
Brand Loyalty USA Holding BV	Netherlands	None
Brand Loyalty USA Inc.	Delaware	None
Brand Loyalty Worldwide GmbH	Switzerland	None
Bright Commerce Ltd	United Kingdom	None
Calwood B.V.	Netherlands	None
Catapult Integrated Services, LLC	Delaware	None
CJ Sweden Affiliate AB	Sweden	None
ClickGreener Inc.	Ontario, Canada	None
Comenity LLC	Delaware	None
Comenity Bank	Delaware	None
Comenity Canada L.P.	Ontario, Canada	Comenity Canada
Comenity Capital Bank	Utah	None
Comenity Operating Co., LLC	Delaware	None
Comenity Servicing LLC	Texas	None
Commission Junction Holding BV	Netherlands	None
Commission Junction France SARL	France	None
Commission Junction LLC	Texas	None
Conversant Asia Pacific Limited	Hong Kong	None
Conversant Deutschland GmbH	Germany	None
Conversant ESPANA, S.L.U.	Spain	None
Conversant Europe Ltd	England	None
Conversant International Limited	Ireland	None
Conversant LLC	Delaware	None
Conversant Media Systems, Inc.	Delaware	None
Conversant SARL	France	None
Conversant Software Development and Campaign Management Services LLP	India	None
Conversant South Africa (Pty) Ltd.	South Africa	None
Coupons, LLC	Delaware	None
D. L. Ryan Companies, LLC	Delaware	Catapult eCommerce Nsight Connect
DNCE LLC	Delaware	None
Dotomi, Ltd	Israel	None
Edison International Concept & Agencies BV	Netherlands	None
Eindia, LLC	Delaware	None
Epsilon Communication Solutions, S.L.	Spain	None
Epsilon Data Management, LLC	Delaware	None
Epsilon Email Marketing India Private Limited	India	None
Epsilon Interactive CA, ULC	Nova Scotia, Canada	Aspen of West Chicago Marketing Services Aspen Marketing Services
Epsilon International, LLC	Delaware	None
Epsilon International Consulting Services Private Limited	India	None
Epsilon International UK Ltd.	England	None
Epsilon Software Technology Consulting (Shanghai) Co., Ltd.	Shanghai, People's Republic of China	None
Hyper Marketing Inc International Holdings Limited	Ireland	None
IceMobile Agency BV	Netherlands	IceMobile
ICOM Ltd.	Ontario, Canada	None
ICOM Information & Communications L.P.	Ontario, Canada	Shopper's Voice
IM Digital Group BV	Netherlands	None
Interact Connect LLC	Delaware	None
LoyaltyOne, Co.	Nova Scotia, Canada	AIR MILES airmilesshops.ca AIR MILES Corporate Incentives AIR MILES For Business AIR MILES Incentives AIR MILES My Planet

		AIR MILES Reward Program
		Alliance Data
		Direct Antidote
		GIFTED by AIR MILES
		Loyalty And Marketing Services
		LoyaltyOne
		LoyaltyOne Canada
		Loyalty Services
		My Planet
		Squareknot
		Zero Gravity Labs
LoyaltyOne B.V.	Netherlands	Precima
LoyaltyOne Participacoes Ltda	Brazil	None
LoyaltyOne Rewards Private Limited	India	None
LoyaltyOne (Shanghai) Marketing Limited	Shanghai, People's Republic of China	
LoyaltyOne Travel Services Co.	Nova Scotia, Canada	AIR MILES Travel Services
LoyaltyOne US, Inc.	Delaware	Colloquy
		LoyaltyOne Consulting
		Precima
Lux Fourstar S.àr.l.	Luxembourg	None
Max Holding B.V.	Netherlands	None
Mediaplex Deutschland GmbH	Germany	None
Mediaplex Shanghai Advertising Co. Ltd.	China	None
Mediaplex Systems, Inc.	Kentucky	None
Merison Groep B.V.	Netherlands	None
Merison PTY Ltd	Australia	None
Merison Retail B.V.	Netherlands	Merison
Merison Retail HK Ltd.	Hong Kong	None
Merison UK Ltd	United Kingdom	None
Muse Agency BV	Netherlands	Muse
		Muse Amsterdam
Rhombus Investments L.P.	Bermuda	None
Ryan Partnership, LLC	Delaware	None
Shopping net, Ltd.	England	None
SolutionSet, LLC	California	None
TriVida Corporation	California	None
Triangle Investments L.P.	Bermuda	None
WFC Card Services Holdings Inc.	Ontario, Canada	None
WFN Credit Company, LLC	Delaware	None
World Financial Capital Credit Company, LLC	Delaware	None
World Licenses BV	Netherlands	None
Z Media, Inc.	Delaware	None

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-204759, 333-204758, 333-167525, 333-125770, and 333-65556 on Form S-8 of our reports dated February 27, 2018, relating to the consolidated financial statements and financial statement schedule of Alliance Data Systems Corporation and subsidiaries and the effectiveness of Alliance Data Systems Corporation and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Alliance Data Systems Corporation for the year ended December 31, 2017.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 27, 2018

Exhibit 31.1

CERTIFICATION OF THE
CHIEF EXECUTIVE OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

I, Edward J. Heffernan, certify that:

1. I have reviewed this annual report on Form 10-K of Alliance Data Systems Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ EDWARD J. HEFFERNAN

Edward J. Heffernan
Chief Executive Officer

Date: February 27, 2018

Exhibit 31.2

CERTIFICATION OF THE
CHIEF FINANCIAL OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

I, Charles L. Horn, certify that:

1. I have reviewed this annual report on Form 10-K of Alliance Data Systems Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CHARLES L. HORN

Charles L. Horn
Chief Financial Officer

Date: February 27, 2018

Exhibit 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the annual report on Form 10-K for the year ended December 31, 2017 (the "Form 10-K") of Alliance Data Systems Corporation (the "Registrant").

I, Edward J. Heffernan, certify that to the best of my knowledge:

(i) the Form 10-K fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ EDWARD J. HEFFERNAN
Edward J. Heffernan
Chief Executive Officer

Date: February 27, 2018

Subscribed and sworn to before me
this 27th day of February, 2018.

/s/ JANE BAEDKE
Name: Jane Baedke
Title: Notary Public

My commission expires:
October 23, 2020

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the annual report on Form 10-K for the year ended December 31, 2017 (the "Form 10-K") of Alliance Data Systems Corporation (the "Registrant").

I, Charles L. Horn, certify that to the best of my knowledge:

(i) the Form 10-K fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ CHARLES L. HORN
Charles L. Horn
Chief Financial Officer

Date: February 27, 2018

Subscribed and sworn to before me
this 27th day of February, 2018.

/s/ JANE BAEDKE
Name: Jane Baedke
Title: Notary Public

My commission expires:
October 23, 2020

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.