
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the Quarter Ended September 30, 2002

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.)

1765 Waterview Parkway
Dallas, Texas 75252
(Address of Principal Executive Office, including zip code)

(972) 348-5100
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (i) 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 (ii) has been subject to such filing requirements for the past 90 days. Yes No

As of October 31, 2002, 74,860,724 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

ALLIANCE DATA SYSTEMS CORPORATION

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Part I.—Financial Information**Item 1. Financial Statements****ALLIANCE DATA SYSTEMS CORPORATION****UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS**

(amounts in thousands, except per share amounts)

	December 31, 2001	September 30, 2002
ASSETS		
Cash and cash equivalents	\$ 117,535	\$ 80,451
Due from card associations	46,554	28,530
Trade receivables, net	88,444	90,094
Seller's interest and credit card receivables, net	128,793	194,459
Other current assets	82,177	90,032
	<u>463,503</u>	<u>483,566</u>
Total current assets	463,503	483,566
Redemption settlement assets, restricted	150,330	156,930
Property and equipment, net	112,190	121,585
Other non-current assets	43,058	40,921
Due from securitizations	216,140	173,487
Intangible assets, net	76,886	81,489
Goodwill, net	415,111	436,739
	<u>1,477,218</u>	<u>1,494,717</u>
Total assets	\$ 1,477,218	\$ 1,494,717
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 82,290	\$ 101,617
Accrued expenses	73,135	74,884
Merchant settlement obligations	137,711	98,645
Other liabilities	25,268	33,091
Debt, current portion	111,325	179,710
	<u>429,729</u>	<u>487,947</u>
Total current liabilities	429,729	487,947
Other liabilities	13,112	16,155
Deferred revenue	329,549	349,835
Long-term and subordinated debt	199,100	111,205
	<u>971,490</u>	<u>965,142</u>
Total liabilities	971,490	965,142
Stockholders' equity:		
Common stock, \$0.01 par value; authorized 200,000 shares; issued and outstanding 73,987 shares as of December 31, 2001, 74,783 shares as of	740	748

September 30, 2002		
Additional paid-in capital	509,741	520,353
Treasury stock	(6,151)	(6,151)
Retained earnings	8,138	23,761
Accumulated other comprehensive loss	(6,740)	(9,136)
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Total stockholders' equity	505,728	529,575
	<hr/>	<hr/>
Total liabilities and stockholders' equity	\$ 1,477,218	\$ 1,494,717
	<hr/>	<hr/>

See accompanying notes to unaudited condensed consolidated financial statements.

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ALLIANCE DATA SYSTEMS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(amounts in thousands, except per share amounts)

	For the three months ended September 30,		For the nine months ended September 30,	
	2001	2002	2001	2002
	(as restated see Note 9)		(as restated see Note 9)	
Revenues				
Transaction and marketing services	\$ 121,882	\$ 125,521	\$ 348,086	\$ 372,998
Redemption revenue	29,952	36,817	80,631	101,936
Financing charges, net	41,745	49,157	122,411	144,206
Other income	8,071	7,244	15,381	15,479
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	201,650	218,739	566,509	634,619
Operating expenses				
Cost of operations	153,239	167,631	445,079	490,328
General and administrative	14,342	11,563	29,182	39,240
Depreciation and other amortization	7,948	11,107	21,330	30,274
Amortization of purchased intangibles	10,529	5,520	32,433	18,915
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating expenses	186,058	195,821	528,024	578,757
Operating income	15,592	22,918	38,485	55,862
Fair value loss on interest rate derivative	8,813	5,155	14,634	10,415
Interest expense	6,092	4,969	24,293	16,263
	<hr/>	<hr/>	<hr/>	<hr/>
Income (loss) before extraordinary item and income tax expense	687	12,794	(442)	29,184
Income tax expense	4,942	5,022	6,400	13,019
	<hr/>	<hr/>	<hr/>	<hr/>
Income (loss) before extraordinary items	(4,255)	7,772	(6,842)	16,165
Extraordinary items, net of tax	—	—	(615)	(542)
	<hr/>	<hr/>	<hr/>	<hr/>
Net income (loss)	\$ (4,255)	\$ 7,772	\$ (7,457)	\$ 15,623
	<hr/>	<hr/>	<hr/>	<hr/>
Income (loss) per share before extraordinary items—				
basic	\$ (0.06)	\$ 0.10	\$ (0.17)	\$ 0.22
	<hr/>	<hr/>	<hr/>	<hr/>
diluted	\$ (0.06)	\$ 0.10	\$ (0.17)	\$ 0.21
	<hr/>	<hr/>	<hr/>	<hr/>
Net income (loss) per share—basic	\$ (0.06)	\$ 0.10	\$ (0.18)	\$ 0.21
	<hr/>	<hr/>	<hr/>	<hr/>
Net income (loss) per share—diluted	\$ (0.06)	\$ 0.10	\$ (0.18)	\$ 0.20
	<hr/>	<hr/>	<hr/>	<hr/>
Weighted average shares—basic	73,826	74,557	61,097	74,199
	<hr/>	<hr/>	<hr/>	<hr/>
Weighted average shares—diluted	73,826	76,416	61,097	76,617
	<hr/>	<hr/>	<hr/>	<hr/>

See accompanying notes to unaudited condensed consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands)

	Nine months ended September 30,	
	2001	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash provided by operating activities before change in merchant settlement activity	\$ 67,575	\$ 112,557
Net change in merchant settlement activity	8,736	(21,042)
Net cash provided by operating activities	76,311	91,515
CASH FLOWS FROM INVESTING ACTIVITIES:		
Change in redemption settlement assets	(2,386)	(6,601)
Net cash paid for corporate acquisitions	(88,691)	(35,209)
Change in seller's interest	30,534	(74,000)
Change in due from securitizations	(24,827)	44,292
Capital expenditures	(24,336)	(31,114)
Other investing activities	—	(634)
Net cash used in investing activities	(109,706)	(103,266)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings under debt agreements	316,005	396,400
Repayment of borrowings	(478,110)	(423,413)
Proceeds from issuance of common stock	161,457	7,672
Net cash used in financing activities	(648)	(19,341)
Effect of exchange rate changes	(4,672)	(5,992)
Change in cash and cash equivalents	(38,715)	(37,084)
Cash and cash equivalents at beginning of period	116,941	117,535
Cash and cash equivalents at end of period	\$ 78,226	\$ 80,451
Supplemental cash flow information:		
Interest paid	\$ 28,287	\$ 20,140
Income taxes paid	\$ 17,376	\$ 17,584

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The condensed consolidated financial statements included herein have been prepared by Alliance Data Systems Corporation ("ADSC" or, including its wholly owned subsidiaries, the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's annual report filed on Form 10-K for the year ended December 31, 2001.

The unaudited condensed consolidated financial statements included herein reflect all adjustments (which include only normal, recurring adjustments) which are, in the opinion of management, necessary to state fairly the results for the interim periods presented. The results of operations for the interim periods presented are not necessarily indicative of the operating results to be expected for any subsequent interim period or for the fiscal year.

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

Subsequent to the issuance of the Company's interim financial statements for the three months ended September 30, 2001 and for the nine months ended September 30, 2001 it was determined that an economic hedge on debt related to World Financial Network Credit Card Master Trust did not meet the criteria for hedge accounting under the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, as amended. Accordingly, the previously reported financial information for the three months ended September 30, 2001 and for the nine months ended September 30, 2001 have been restated. Such restatement is further discussed in Note 9 to the Company's financial statements included herein.

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2. COMPREHENSIVE INCOME (LOSS)

The components of comprehensive income (loss), net of tax effect are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2001	2002	2001	2002
	(as restated- see Note 9)		(as restated- see Note 9)	
	(dollars in thousands)			
Net income (loss)	\$ (4,255)	\$ 7,772	\$ (7,457)	\$ 15,623
Cumulative effect of change in accounting for derivatives	—	—	323	—
Change in fair value of derivatives	—	916	—	(99)
Reclassifications into earnings (1)	2,716	(1,538)	2,340	(242)
Unrealized gain (loss) on securities available-for-sale	34	736	(1,466)	950
Foreign currency translation adjustments	(2,155)	(555)	(6,769)	(3,005)
Total comprehensive income (loss)	\$ (3,660)	\$ 7,331	\$ (13,029)	\$ 13,227

- (1) Reclassifications into earnings arise from interest rate swaps, a foreign currency hedge, and amortization of amounts recorded in connection with the adoption of SFAS No. 133.

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3. EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of common shares outstanding, excluding any dilutive effects of options or other dilutive securities. Diluted earnings per share is based on the weighted average number of common shares and potentially dilutive common shares, dilutive stock options and other dilutive securities outstanding during the year. However, as the Company generated net losses attributable to common stockholders for the three months ended September 30, 2001 and the nine months ended September 30, 2001 presented below, the weighted average number of common shares including dilutive securities, composed of incremental common shares issuable upon exercise of stock options and warrants and upon conversion of Series A cumulative convertible preferred stock, is not used in determining diluted net income (loss) per share for the periods because such shares are anti-dilutive. Such potentially dilutive common shares were 1.2 million shares and 7.3 million shares, primarily related to the preferred stock and stock options, for the three and nine months ended September 30, 2001, respectively. The following table sets forth the computation of basic and diluted net income (loss) per share for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2001	2002	2001	2002
	(as restated- see Note 9)		(as restated- see Note 9)	
	(in thousands, except per share amounts)			
NUMERATOR				
Income (loss) before extraordinary item	\$ (4,255)	\$ 7,772	\$ (6,842)	\$ 16,165
Preferred stock dividends	—	—	(3,240)	—
Income (loss) before extraordinary item attributable to common stockholders	(4,255)	7,772	(10,082)	16,165
Extraordinary item, net of tax	—	—	(615)	(542)
Net income (loss) attributable to common stockholders	\$ (4,255)	\$ 7,772	\$ (10,697)	\$ 15,623
DENOMINATOR				

Weighted average shares	73,826	74,557	61,097	74,199
Weighted average effect of dilutive securities:				
Net effect of dilutive stock options	—	1,859	—	2,418
Denominator for diluted calculations	73,826	76,416	61,097	76,617
Income (loss) per share before extraordinary item				
Basic	\$ (0.06)	\$ 0.10	\$ (0.17)	\$ 0.22
Diluted	\$ (0.06)	\$ 0.10	\$ (0.17)	\$ 0.21
Net income (loss) per share				
Basic	\$ (0.06)	\$ 0.10	\$ (0.18)	\$ 0.21
Diluted	\$ (0.06)	\$ 0.10	\$ (0.18)	\$ 0.20

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4. INTANGIBLE ASSETS, NET

On January 1, 2002, the Company adopted SFAS No. 142 "Goodwill and Other Intangible Assets." SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually. The Company has \$426.0 million of goodwill that is no longer being amortized. The Company has selected July 31 as its annual assessment date in accordance with the standard. Accordingly, the Company has completed its annual impairment test for goodwill as of July 31, 2002 and determined that no impairment exists. No further testing of goodwill impairment will be performed until July 31, 2003, unless circumstances exist which indicate an impairment may have occurred. Pro forma net income and net income per share for the three months ended September 30, 2001 and for the nine months ended September 30, 2001, adjusted to eliminate historical amortization of goodwill, net of tax, and comparable amounts for the three months ended September 30, 2002 and for the nine months ended September 30, 2002 are as follows (the weighted average diluted shares for the three and nine months ended September 30, 2001 are 73.8 million and 65.5 million, respectively):

	Three months ended September 30,		Nine months ended September 30,	
	2001	2002	2001	2002
	(as restated- see Note 9)		(as restated- see Note 9)	
	(in thousands, except per share amounts)		(in thousands, except per share amounts)	
Reported net income (loss)	\$ (4,255)	\$ 7,772	\$ (7,457)	\$ 15,623
Add: goodwill amortization, net of tax	3,697	—	10,915	—
Pro forma net income (loss)	\$ (558)	\$ 7,772	\$ 3,458	\$ 15,623
Reported net income (loss) per share:				
Basic	\$ (0.06)	\$ 0.10	\$ (0.18)	\$ 0.21
Diluted	\$ (0.06)	\$ 0.10	\$ (0.18)	\$ 0.20
Pro forma net income (loss) per share:				
Basic	\$ (0.01)	\$ 0.10	\$ 0.06	\$ 0.21
Diluted	\$ (0.01)	\$ 0.10	\$ 0.05	\$ 0.20

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5. SEGMENT INFORMATION

Consistent with prior periods, the Company continues to classify its businesses into three segments: Transaction Services, Credit Services and Marketing Services.

	Transaction Services	Credit Services	Marketing Services	Other/ Elimination	Total
	(in thousands)				
Three months ended September 30, 2001					
Revenues	\$ 131,605	\$ 70,618	\$ 53,427	\$ (54,000)	\$ 201,650
Depreciation and amortization	11,708	529	6,240	—	18,477
Operating income	7,921	6,475	1,196	—	15,592
Three months ended September 30, 2002					
Revenues	\$ 133,916	\$ 84,753	\$ 61,495	\$ (61,425)	\$ 218,739
Depreciation and amortization	11,135	1,756	3,736	—	16,627
Operating income	10,866	6,945	5,107	—	22,918

	Transaction Services	Credit Services	Marketing Services	Other/ Elimination	Total
	(in thousands)				
Nine months ended September 30, 2001					
Revenues	\$ 366,293	\$ 210,163	\$ 149,933	\$ (159,880)	\$ 566,509
Depreciation and amortization	32,459	1,468	19,836	—	53,763
Operating income	18,975	18,031	1,479	—	38,485
Nine months ended September 30, 2002					
Revenues	\$ 396,044	\$ 244,111	\$ 174,219	\$ (179,755)	\$ 634,619
Depreciation and amortization	32,946	4,933	11,310	—	49,189
Operating income	24,721	17,068	14,073	—	55,862

6. ACQUISITIONS

In January 2002, the Company acquired Frequency Marketing, Inc., a small marketing services firm, adding new products for the Company's loyalty and one-to-one marketing offerings in the United States. The preliminary purchase price allocation, which equals the total purchase price of \$23.8 million, resulted in identifiable intangible assets of \$12.2 million, which are being amortized over a two to five year period, goodwill of \$15.0 million and net liabilities of \$3.4 million.

In September 2002, the Company acquired Enlogix Group, formerly wholly owned subsidiaries of Duke Energy Corporation, which provides customer information services to utilities in Canada. The preliminary purchase price allocation, which equals the total purchase price of \$13.5 million, resulted in identifiable intangible assets of \$5.0 million, which are being amortized over a five year period, goodwill of \$7.9 million and net assets of \$0.6 million. In the event that Enlogix Group enters into agreements with three potential customers within eight months of closing of the acquisition, the purchase price will increase by up to \$4.5 million.

7. RECENT DEVELOPMENTS

In March 2002, the Company reached agreement with its bankers to amend its credit agreement to add a short term \$50.0 million revolving loan facility, remove a requirement that Limited Brands, Inc.

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maintain ownership of a stated amount of the Company's common stock, and adjust certain other covenants related to leverage ratios, adjusted consolidated net worth, the interest coverage ratio, and allow for prepayment of certain subordinated debt owed to Limited Commerce Corp. and an affiliate of Welsh, Carson, Anderson & Stowe. The Company uses the credit agreement and free cash flow to support its working capital needs as well as potential acquisitions. The final agreement was signed on May 22, 2002.

During April 2002, the Company repaid \$50.0 million of its subordinated debt held by WCAS Capital Partners II, L.P., an affiliate of Welsh, Carson, Anderson & Stowe, and Limited Commerce Corp. As a result, Limited Commerce Corp. does not hold any of the Company's subordinated debt and an affiliate of Welsh, Carson, Anderson & Stowe holds the remaining \$52 million of the Company's subordinated debt.

In August 2002, the Company extended its client relationships through August 2009 with Limited Brands, Inc. and its retail affiliates, including The Limited, Victoria's Secret Stores, Victoria's Secret Catalogue, Express, Bath & Body Works, Lerner New York, Henri Bendel and Structure, which includes Express for Men. Limited Brands, Inc., indirectly through Limited Commerce Corp., is one of the Company's largest stockholders and together with its retail affiliates, is the Company's largest client, representing approximately 17.2% of the Company's annual 2001 consolidated revenue.

During November 2002, the Company completed a \$600 million offering of five-year asset-backed notes as part of its securitization program for its private label credit card subsidiary. The notes were issued through World Financial Network Credit Card Master Note Trust. The notes are secured by a beneficial interest in a pool of receivables that arise under World Financial's private label revolving credit card accounts. The notes were issued to retire an existing series of investor certificates. Additionally, World Financial Network Credit Card Master Note Trust entered into an interest rate swap, which converts the variable rates on the notes to fixed rate amounts.

8. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2002, the Financial Accounting Standards Board, or FASB, issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections," which is applicable for financial statements issued for fiscal years beginning after December 15, 2002. This omnibus statement (1) eliminates the automatic classification of debt extinguishment as extraordinary, (2) requires certain lease modifications be accounted for in the same manner as sale-leaseback transactions and (3) provides for other corrections to the technical literature that are not substantive. The Company is in the process of determining the impact, if any, of adopting SFAS No. 145.

In June 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities," which is applicable for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. This statement nullifies EITF 94-3 and requires that a liability for a cost associated with an exit or disposal activity be recognized only when the liability is incurred. The Company is in the process of determining the impact, if any, of adopting SFAS No. 146.

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9. RESTATEMENT

Subsequent to the issuance of the Company's condensed consolidated financial statements for the three months and nine months ended September 30, 2001, the Company determined that an economic hedge on debt related to World Financial Network Credit Card Master Trust did not meet the criteria for hedge accounting under the provisions of SFAS No. 133, as amended, which was adopted on January 1, 2001. In its previously issued interim financial statements for 2001, the Company had designated an interest rate swap agreement as a hedge against its cash flow exposures and included the change in fair value of the interest rate swap in other comprehensive income. These changes should have been included in earnings. Accordingly, the condensed consolidated financial statements for the three months ended September 30, 2001 and the nine months ended September 30, 2001 have been restated. A summary of the significant effects of the restatement is as follows (items that were not changed were not affected by the restatement).

	For the three months ended September 30, 2001		For the nine months ended September 30, 2001	
	As originally reported	As restated	As originally reported	As restated
	(in thousands, except per share amounts)			
Revenue	\$ 200,152	\$ 201,650	\$ 563,409	\$ 566,509
Operating expenses	186,058	186,058	528,024	528,024
Fair value loss on interest rate derivative	—	(8,813)	—	(14,634)
Interest expense	6,092	6,092	24,293	24,293
Income (loss) before extraordinary item and income taxes	8,002	687	11,092	(442)
Income tax expense	7,502	4,942	10,437	6,400
Income (loss) before extraordinary item	500	(4,255)	655	(6,842)
Extraordinary item, net of tax	—	—	(615)	(615)
Net income (loss)	\$ 500	\$ (4,255)	\$ 40	\$ (7,457)
Income (loss) per share before extraordinary item—basic and diluted	\$ 0.01	\$ (0.06)	\$ (0.04)	\$ (0.17)
Net income (loss) per share—basic and diluted	\$ 0.01	\$ (0.06)	\$ (0.05)	\$ (0.18)

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes thereto presented elsewhere in this document. The Management's Discussion and Analysis of Financial Condition and Results of Operations presented below reflects the restatement of our condensed consolidated financial statements for the three months ended September 30, 2001 and for the nine months ended September 30, 2001, as discussed in Note 9 to the condensed consolidated financial statements.

Recent Developments

In January 2002, we acquired Frequency Marketing, Inc., a small marketing services firm, adding new products for our loyalty and one-to-one marketing offerings in the United States. The preliminary purchase price allocation, which equals the total purchase price of \$23.8 million, resulted in identifiable intangible assets of \$12.2 million, which are being amortized over a two to five year period, goodwill of \$15.0 million and net liabilities of \$3.4 million.

In March 2002, we reached agreement with our bankers to amend our credit agreement to add a short term \$50.0 million revolving loan facility, remove a requirement that The Limited maintain ownership of a stated amount of our common stock, and adjust certain other covenants related to leverage ratios, adjusted consolidated net worth, the interest coverage ratio, and allow for prepayment of certain subordinated debt owed to Limited Commerce Corp. and an affiliate of Welsh, Carson, Anderson & Stowe. We use the credit agreement and free cash flow to support our working capital needs as well as potential acquisitions. The final agreement was signed on May 22, 2002.

During April 2002, we repaid \$50.0 million of our subordinated debt held by WCAS Capital Partners II, L.P., an affiliate of Welsh, Carson, Anderson & Stowe, and Limited Commerce Corp. As a result, Limited Commerce Corp. does not hold any of our subordinated debt and an affiliate of Welsh, Carson, Anderson & Stowe holds the remaining \$52 million of our subordinated debt.

In August 2002, we extended our client relationships through August 2009 with Limited Brands, Inc. and its retail affiliates, including The Limited, Victoria's Secret Stores, Victoria's Secret Catalogue, Express, Bath & Body Works, Lerner New York, Henri Bendel and Structure, which includes Express Men's. Limited Brands, Inc., indirectly through Limited Commerce Corp., is one of our largest stockholders and together with its retail affiliates, is our largest client, representing approximately 17.2% of our annual 2001 consolidated revenue.

In September 2002, we acquired Enlogix Group, formerly wholly owned subsidiaries of Duke Energy Corporation, which provides customer information services to utilities in Canada. The preliminary purchase price allocation, which equals the total purchase price of \$13.5 million, resulted in identifiable intangible assets of \$5.0 million, which are being amortized over a five year period, goodwill of \$7.9 million, and net assets of \$0.6 million. In the event that Enlogix Group enters into agreements with three potential customers within eight months of closing of the acquisition, the purchase price will increase by up to \$4.5 million.

During November 2002, we completed a \$600 million offering of five-year asset-backed notes as part of our securitization program for our private label credit card subsidiary. The notes were issued through World Financial Network Credit Card Master Note Trust. The notes are secured by a beneficial interest in a pool of receivables that arise under World Financial's private label revolving credit card accounts. The notes were issued to retire an existing series of investor

Use of EBITDA. We evaluate operating performance based on several factors of which the primary financial measure is operating income plus depreciation and amortization, or "EBITDA." EBITDA is presented because it is an integral part of our internal reporting and performance evaluation for senior management. EBITDA eliminates the uneven effect across all segments of considerable amounts of non-cash amortization of purchased intangibles recognized in business combinations accounted for under the purchase method. EBITDA is not intended to be a performance measure that should be regarded as an alternative to, or more meaningful than, either operating income or net income as an indicator of operating performance or to the statement of cash flows as a measure of liquidity. In addition, EBITDA is not intended to represent funds available for dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with accounting principles generally accepted in the United States of America. The EBITDA measures presented may not be comparable to similarly titled measures presented by other companies.

Results of Operations

Three months ended September 30, 2001 compared to the three months ended September 30, 2002

	Three months ended September 30,					
	Revenue		EBITDA		Operating income	
	2001	2002	2001	2002	2001	2002
	(amounts in thousands)					
Transaction Services	\$ 131,605	\$ 133,916	\$ 19,629	\$ 22,001	\$ 7,921	\$ 10,866
Credit Services	70,618	84,753	7,004	8,701	6,475	6,945
Marketing Services	53,427	61,495	7,436	8,843	1,196	5,107
Other/Eliminations	(54,000)	(61,425)	—	—	—	—
Total	\$ 201,650	\$ 218,739	\$ 34,069	\$ 39,545	\$ 15,592	\$ 22,918
	Three months ended September 30,					
	Percentage of revenue		EBITDA margin		Operating margin	
	2002	2001	2002	2001	2002	2001
Transaction Services	65.3%	61.2%	14.9%	16.4%	6.0%	8.1%
Credit Services	35.0	38.7	9.9	10.3	9.2	8.2
Marketing Services	26.5	28.1	13.9	14.4	2.2	8.3
Other/Eliminations	(26.8)	(28.0)	—	—	—	—
Total	100.0%	100.0%	16.9%	18.1%	16.9%	18.1%

Revenue. Total revenue increased \$17.0 million, or 8.4%, to \$218.7 million for the three months ended September 30, 2002 from \$201.7 million for the comparable period in 2001. The increase was due to a 1.8% increase in Transaction Services revenue, a 20.0% increase in Credit Services revenue and a 15.1% increase in Marketing Services revenue as follows:

- **Transaction Services.** Transaction Services revenue increased \$2.3 million, or 1.8%, due primarily to an increase in revenue per statement associated with utility and private label clients, offset in part by the loss of certain low margin merchant services clients.
- **Credit Services.** Credit Services revenue increased \$14.1 million, or 20.0%, primarily due to increases in finance charges, net, and merchant fees from higher private label credit sales during the three months ended September 30, 2002. Finance charges, net increased \$7.9 million primarily as a result of a 10.1% increase in average core accounts receivables, lower financing costs and a decrease in charge-offs compared to the same period in 2001.

- **Marketing Services.** Marketing Services revenue increased \$8.1 million, or 15.1%, primarily due to an increase in reward revenue related to a 18.1% increase in the redemption of AIR MILES® reward miles and an increase in the accretion of deferred services revenue. Our deferred revenue balance increased 6.2% to \$349.8 million at September 30, 2002 from the balance at December 31, 2001 due to continued growth in the program, including a 9.3% increase in AIR MILES Reward miles issued during the three months ended September 30, 2002 over the comparable period in 2001.

Operating Expenses and Margins. Total operating expenses, excluding depreciation and amortization, increased \$11.6 million, or 6.9%, to \$179.2 million during the three months ended September 30, 2002 from \$167.6 million during the comparable period in 2001. Total EBITDA margin increased to 18.1% for the three months ended September 30, 2002 from 16.9% for the comparable period in 2001, primarily due to increased margins for Transaction Services and Marketing Services, offset by a lower collected yield in Credit Services.

- *Transaction Services.* Transaction Services operating expenses, excluding depreciation and amortization, decreased \$0.1 million, or 0.1%, to \$111.9 million for the three months ended September 30, 2002 from \$112.0 million for the comparable period in 2001, and EBITDA margin increased to 16.4% for the three months ended September 30, 2002 from 14.9% during the comparable period in 2001. The EBITDA margin improved primarily due to the increasing scale now benefiting our utility services and continued margin improvement in merchant services from the loss of certain low margin clients and issuer services from increased scale as a result of new clients.
- *Credit Services.* Credit Services operating expenses, excluding depreciation and amortization, increased \$12.5 million, or 19.7%, to \$76.1 million for the three months ended September 30, 2002 from \$63.6 million for the comparable period in 2001, and EBITDA margin increased to 10.3% for the three months ended September 30, 2002 from 9.9% for the same period of 2001. The increased margin is the result of favorable revenue trends from increased receivable balances, lower financing costs and lower charge-offs.
- *Marketing Services.* Marketing Services operating expenses, excluding depreciation and amortization, increased \$6.7 million, or 14.6%, to \$52.7 million for the three months ended September 30, 2002 from \$46.0 million for the comparable period in 2001, and EBITDA margin increased to 14.4% for the three months ended September 30, 2002 from 13.9% for the comparable period in 2001. The increase in EBITDA margin is being driven by the AIR MILES Reward miles program from the benefits of increased scale, as the program issued over 500 million AIR MILES Reward miles in the three months ended September 30, 2002.
- *Depreciation and Amortization.* Depreciation and amortization decreased \$1.8 million, or 9.8%, to \$16.6 million for the three months ended September 30, 2002 from \$18.4 million for the comparable period in 2001 due primarily to a \$5.0 million decrease in the amortization of goodwill relating to the implementation of SFAS No. 142, offset by an increase in depreciation and other amortization of \$3.2 million from capital spending.

Operating Income. Operating income increased \$7.3 million, or 46.8%, to \$22.9 million for the three months ended September 30, 2002 from \$15.6 million during the comparable period in 2001. Operating income increased due to increases in EBITDA from each of the segments. Transaction Services and Marketing Services operating income were favorably impacted by decreases in amortization of goodwill as a result of SFAS No. 142. Credit Services has no goodwill and therefore was neither positively or negatively impacted by SFAS No. 142 but had an increase in depreciation and amortization from capital spending.

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Interest Expense. Interest expense decreased \$1.1 million, or 18.0%, to \$5.0 million for the three months ended September 30, 2002 from \$6.1 million for the comparable period in 2001 due to a decrease in average debt outstanding, lower interest rates and reduced debt issuance amortization expense.

Taxes. Income tax expense increased \$0.1 million to \$5.0 million for the three months ended September 30, 2002 from \$4.9 million in 2001 due to an increase in taxable income, offset by a decrease in our effective tax rate. Our tax rate on taxable income of approximately 38% results in an effective book tax rate of approximately 39% due to the impact of non-deductible expenses.

Transactions with Limited Brands. Revenue from Limited Brands and its affiliates, which includes merchant and database marketing fees decreased \$282,000, or 2.6% to \$10.7 million for the three months ended September 30, 2002 from \$11.0 million for the comparable period in 2001, partially as a result of the sale of Lane Bryant by Limited Brands. Excluding the effect of the Lane Bryant sale, there would have been an increase of \$1.1 million. We generate a significant amount of additional revenue (financing charges, net) from our cardholders who are customers of Limited Brands and its affiliates.

Nine months ended September 30, 2001 compared to the nine months ended September 30, 2002

	Nine months ended September 30,					
	Revenue		EBITDA		Operating income	
	2001	2002	2001	2002	2001	2002
	(amounts in thousands)					
Transaction Services	\$ 366,293	\$ 396,044	\$ 51,434	\$ 57,667	\$ 18,975	\$ 24,721
Credit Services	210,163	244,111	19,499	22,001	18,031	17,068
Marketing Services	149,933	174,219	21,315	25,383	1,479	14,073
Other/Eliminations	(159,880)	(179,755)	—	—	—	—
Total	\$ 566,509	\$ 634,619	\$ 92,248	\$ 105,051	\$ 38,485	\$ 55,862
	Nine months ended September 30,					
	Percentage of revenue		EBITDA margin		Operating margin	
	2001	2002	2001	2002	2002	2002
Transaction Services	64.7%	62.4%	14.0%	14.6%	5.2%	6.2%
Credit Services	37.1	38.5	9.3	9.0	8.6	7.0
Marketing Services	26.5	27.5	14.2	14.6	1.0	8.1
Other/Eliminations	(28.3)	(28.4)	—	—	—	—
Total	100.0%	100.0%	16.3%	16.6%	6.8%	8.8%

Revenue. Total revenue increased \$68.1 million, or 12.0%, to \$634.6 million for the nine months ended September 30, 2002 from \$566.5 million for the comparable period in 2001. The increase was due to an 8.1% increase in Transaction Services revenue, a 16.2% increase in Credit Services revenue and a 16.2% increase in Marketing Services revenue as follows:

- *Transaction Services.* Transaction Services revenue increased \$29.8 million, or 8.1%, due primarily to an increase in revenue per statement associated with utility and private label clients, offset in part by the loss of certain low margin merchant services business.
- *Credit Services.* Credit Services revenue increased \$33.9 million, or 16.2%, primarily due to increases in finance charges, net, during the nine months ended September 30, 2002 over the comparable period in 2001. Merchant fees increased by \$6.0 million as a result of a 21.3%

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increase in private label credit sales. Finance charges, net, increased \$21.2 million primarily as a result of a 10.0% increase in core accounts receivables, lower financing costs and a decrease in charge-offs compared to the same period in 2001.

- *Marketing Services.* Marketing Services revenue increased \$24.3 million, or 16.2%, primarily due to an increase in reward revenue related to a 28.1% increase in the redemption of AIR MILES reward miles and an increase in the accretion of deferred services revenue. The increase in the deferred revenue balance is primarily related to the 6.9% increase in AIR MILES reward miles issued during the nine months ended September 30, 2002.

Operating Expenses and Margins. Total operating expenses, excluding depreciation and amortization, increased \$55.3 million, or 11.7%, to \$529.6 million during the nine months ended September 30, 2002 from \$474.3 million during the comparable period in 2001. Total EBITDA margin for the nine months ended September 30, 2002 was 16.6% compared to 16.3% during the comparable period in 2001, primarily due to increased margins for Transaction Services and Marketing Services, offset by a lower collected yield in Credit Services.

- *Transaction Services.* Transaction Services operating expenses, excluding depreciation and amortization, increased \$23.5 million, or 7.5%, to \$338.4 million for the nine months ended September 30, 2002 from \$314.9 million for the comparable period in 2001, and EBITDA margin increased to 14.6% for the nine months ended September 30, 2002 from 14.0% for the comparable period in 2001, as higher margin accounts were partially offset by the wind down of a low margin customer.
- *Credit Services.* Credit Services operating expenses, excluding depreciation and amortization, increased \$31.4 million, or 16.5%, to \$222.1 million for the nine months ended September 30, 2002 from \$190.7 million for the comparable period in 2001, and EBITDA margin decreased to 9.0% for the nine months ended September 30, 2002 from 9.3% during the comparable period in 2001. The decrease in EBITDA margin is attributed to a lower collected yield and higher charge-offs in the first quarter of 2002, as compared to the same quarter of the prior year. The decrease was offset partially by improving trends in net charge offs during the second and third quarter of 2002
- *Marketing Services.* Marketing Services operating expenses, excluding depreciation and amortization, increased \$20.2 million, or 15.7%, to \$148.8 million for the nine months ended September 30, 2002 from \$128.6 million for the comparable period in 2001, and EBITDA margin increased to 14.6% for the nine months ended September 30, 2002 from 14.2% during the comparable period in 2001 due to operating efficiencies as scale continues to increase.
- *Depreciation and Amortization.* Depreciation and amortization decreased \$4.6 million, or 8.6%, to \$49.2 million for the nine months ended September 30, 2002 from \$53.8 million for the comparable period in 2001 due primarily to a \$13.5 million decrease in the amortization of goodwill relating to the implementation of SFAS No. 142, offset by an increase in depreciation and other amortization of \$8.9 million.

Operating Income. Operating income increased \$17.4 million, or 45.2%, to \$55.9 million for the nine months ended September 30, 2002 from \$38.5 million during the comparable period in 2001. Operating income increased primarily from increases in EBITDA from each of the segments. Transaction Services and Marketing Services operating income were favorably impacted by decreases in amortization of goodwill as a result of SFAS No. 142. Credit Services has no goodwill and therefore was neither positively or negatively impacted by SFAS No. 142 but had an increase in depreciation and amortization from capital spending.

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Interest Expense. Interest expense decreased \$8.0 million, or 32.9%, to \$16.3 million for the nine months ended September 30, 2002 from \$24.3 million for the comparable period in 2001 due to a decrease in average debt outstanding and lower interest rates.

Taxes. Income tax expense increased \$6.6 million to \$13.0 million for the nine months ended September 30, 2002 from \$6.4 million in 2001 due to an increase in taxable income, offset by a decrease in our effective tax rate. Our tax rate on taxable income of approximately 38% results in an effective book tax rate of approximately 45% due to the impact of non-deductible expenses.

Extraordinary Items. During the nine months ended September 30, 2002, we repaid \$50.0 million of our subordinated debt resulting in a \$0.5 million, net of tax, charge. During the nine months ended September 30, 2001, we repaid our outstanding term loan as part of our initial public offering, resulting in a \$0.6 million, net of tax, charge.

Transactions with Limited Brands. Revenue from Limited Brands and its affiliates, which includes merchant and database marketing fees, decreased \$688,000, or 2.2%, to \$30.7 million for the nine months ended September 30, 2002 from \$31.4 million for the comparable period in 2001, partially as a result of the sale of Lane Bryant by Limited Brands. Excluding the effect of the Lane Bryant sale, there would have been an increase of \$2.5 million. We generate a significant amount of additional revenue (financing charges, net) from our cardholders who are customers of Limited Brands and its affiliates.

Our delinquency and net charge-off rates reflect, among other factors, the credit risk of credit card receivables, the average age of our various credit card account portfolios, the success of our collection and recovery efforts, and general economic conditions. The average age of our credit card portfolio affects the stability of delinquency and loss rates of the portfolio. We continue to focus our resources on refining our credit underwriting standards for new accounts and on collections and post charge-off recovery efforts to minimize net losses.

Delinquencies. A credit card account is contractually delinquent if we do not receive the minimum payment by the specified due date on the cardholder's statement. It is our policy to continue to bill interest and fee income on all credit card accounts, except in limited circumstances, until the account balance and all related interest and other fees are charged off or paid. However, accrued interest and fee income on securitized accounts receivable is only recorded in our financial statements when the cash is actually received from the customer. When an account becomes delinquent, we print a message requesting payment on the cardholder's billing statement. After an account becomes 30 days past due, a proprietary collection scoring algorithm automatically scores the risk of the account rolling to a more delinquent status. 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 efforts, we engage collection agencies and outside attorneys to continue those efforts.

The following tables reflect statistics for our securitization trust as reported to the trustee for compliance reporting. Management also uses core receivables to manage and analyze the portfolios.

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Core receivables are defined as securitized receivables less those receivables whereby the Company does not assume any risk of loss. These losses are passed on to the respective client.

	December 31, 2001	% of total	September 30, 2002	% of total
	(dollars in thousands)			
Securitized credit card portfolio	\$ 2,451,006	100.0%	\$ 2,346,046	100.0%
Loan balances contractually delinquent:				
31 to 60 days	59,657	2.4	54,032	2.3
61 to 90 days	34,370	1.4	35,005	1.5
91 or more days	64,175	2.6	61,655	2.6
Total	\$ 158,202	6.4%	\$ 150,692	6.4%

Net Charge-Offs. Net charge-offs comprise the principal amount of losses from cardholders unwilling or unable to pay their account balances, as well as bankrupt and deceased cardholders, less current period recoveries. Net charge-offs exclude accrued finance charges and fees. We believe, consistent with our statistical models and other credit analyses, that our securitized net charge-off ratio will continue to fluctuate. The following table presents our net charge-offs for the periods indicated on a securitized basis. Average credit card portfolio outstanding represents the average balance of the securitized receivables at the beginning of each month for the period indicated.

	Nine months ended September 30,	
	2001	2002
	(dollars in thousands)	
Average securitized credit card portfolio	\$ 2,166,059	\$ 2,352,829
Net charge-offs	135,876	129,708
Net charge-offs as a percentage of average loans outstanding (annualized)	8.4%	7.4%

Liquidity and Capital Resources

Operating Activities.

We have historically generated cash flow from operating activities, as detailed in the table below, although that amount may vary based on fluctuations in working capital and the timing of merchant settlement activity.

	Nine months ended September 30,	
	2001	2002
	(dollars in thousands)	
Cash provided by operating activities before change in merchant settlement activity	\$ 67,575	\$ 112,557
Net change in merchant settlement activity	8,736	(21,042)
Cash provided by operating activities	\$ 76,311	\$ 91,515

We generated cash flow from operating activities before change in merchant settlement activity of \$112.6 million for the nine months ended September 30, 2002 compared to \$67.6 million for the comparable period in 2001. The increase in operating cash flows before change in merchant settlement activity is related

to improved operating results for the nine months ended September 30, 2002, in addition to positive working capital movements. Merchant settlement activity fluctuates significantly depending on the day in which the quarter ends. Additionally, the nine months ended September 30,

2002 were impacted by the loss of merchant settlement activity for a client. We utilize our operating cash flow for ongoing business operations, acquisitions and capital expenditures.

Investing Activities. We utilized cash flow for investing activities of \$103.3 million for the nine months ended September 30, 2002 compared to the utilization of \$109.7 million for the comparable period in 2001. Significant components of investing activities are as follows:

- **Acquisitions.** Net cash outlays, net of cash received, for acquisitions for the nine months ended September 30, 2002 were \$35.2 million compared to \$88.7 million in the comparable period in 2001. The outlay for acquisitions in 2002 relates to the January 2002 purchase of Frequency Marketing, Inc and the September 2002 purchase of Enlogix Group.
- **Securitizations and Receivables Funding.** We generally fund all private label credit card receivables through a securitization program that provides us with both liquidity and lower borrowing costs. As of September 30, 2002, we had over \$2.3 billion of securitized credit card receivables. Securitizations require credit enhancements in the form of cash, spread accounts and additional receivables. The credit enhancement is funded through the use of certificates of deposit issued through our subsidiary, World Financial Network National Bank. We intend to utilize our securitization program for the foreseeable future.

Financing Activities. Net cash used in financing activities was \$19.3 million for the nine months ended September 30, 2002 compared to \$0.6 million of net cash used for the comparable period in 2001. Our financing activities relate primarily to funding working capital requirements, the securitization program, and repayment of subordinated debt during the nine months ended September 30, 2002.

Liquidity Sources. In addition to cash generated from operating activities, we have four main sources of liquidity: securitization program, certificates of deposit, our credit facilities and issuances of equity securities.

Securitization Program. As of September 30, 2002, we had over \$2.3 billion of securitized credit card receivables. Securitizations require credit enhancements, which are principally based on the outstanding balances of the private label credit cards in the securitization trust and their related performance. During the period from November to January, we are required to maintain a credit enhancement level of 5% to 6% as compared to 4% to 5% for the remainder of the year. Accordingly, at December 31, we typically have our highest balance of credit enhancement assets. We intend to utilize our securitization program for the foreseeable future.

Certificates of Deposit. We utilize certificates of deposit to finance the operating activities of our credit card bank subsidiary, World Financial Bank, and to fund securitization requirements. World Financial Bank issues certificates of deposit in denominations of \$100,000 in various maturities ranging between three months and two years and with effective annual fixed rates ranging from 2.3% to 7.3%. As of September 30, 2002, we had \$84.8 million of certificates of deposit outstanding. Certificate of deposit borrowings are subject to regulatory capital requirements.

Credit Facility. We are party to two credit facilities with the same group of lenders. The first facility, which we entered into on July 24, 1998 and have amended on several occasions since then, provides for \$83.5 million of terms loans and a \$100.0 million revolving commitment. The terms loans mature in installments through July 2005, and the revolving commitment matures in July 2003. The second facility, which we entered into on May 22, 2002, provides for a \$50.0 million revolving commitment that matures in May 2003. The covenants contained in the credit facilities are substantially identical. At September 30, 2002, we had \$148.5 million outstanding under our credit facilities, consisting of \$83.5 million of term loans and \$65.0 million under our \$150.0 million of aggregate

revolving loan commitments. Existing borrowings under the term loans and the revolving facilities bear interest at variable rates based on LIBOR plus applicable Euro-dollar margins.

Our credit facilities allow us to have outstanding funded debt obligations, whether under our credit facilities or otherwise, of up to three times our operating EBITDA. Based on this covenant, our borrowing capacity at September 30, 2002 was approximately \$480.0 million, providing us with remaining borrowing capacity of \$189.1 million based on \$290.9 million of funded debt outstanding at September 30, 2002.

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

Recent Accounting Pronouncements

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections, which is applicable for financial statements issued for fiscal years beginning after December 15, 2002. This omnibus statement (1) eliminates the automatic classification of debt extinguishment as extraordinary, (2) requires certain lease modifications be accounted for in the same manner as sale-leaseback transactions and (3) provides for other corrections to the technical literature that are not substantive. We are in the process of determining the impact, if any, of adopting SFAS No. 145.

In June 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities," which is applicable for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. This statement nullifies EITF 94-3 and requires that a liability for a cost associated with an exit or disposal activity be recognized only when the liability is incurred. We are in the process of determining the impact, if any, of adopting SFAS No. 146.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

There has been no material change from our annual report on Form 10-K related to our exposure to market risk from off-balance sheet risk, interest rate risk, credit risk, foreign currency exchange rate risk and redemption reward risk.

Item 4. Controls and Procedures

Evaluation

Within the 90 days prior to the filing date of this report, 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 our disclosure controls and procedures are effective 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 Securities and Exchange Commission'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.

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There have been no significant changes in our internal controls or in other factors that could significantly affect internal controls subsequent to the date we carried out this evaluation.

Audit Committee Pre-Approval

Our audit committee has resolved to pre-approve all non-audit services performed for us by our independent auditors, Deloitte & Touche LLP.

FORWARD-LOOKING STATEMENTS

This Form 10-Q 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. Such statements may use words such as "anticipate," "believe," "estimate," "expect," "intend," "predict," "project" and similar expressions as they relate to us or our management. When we make forward-looking statements, we are basing them on our management's beliefs and assumptions, using information currently available to us. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these forward-looking statements are subject to risks, uncertainties and assumptions, including those discussed in the "Risk Factors" section in our 2001 Annual Report on 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 quarterly report reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategy and liquidity. We have no intention, and disclaim any obligation, to update or revise any forward-looking statements, whether as a result of new information, future results or otherwise.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are involved in various claims and lawsuits incidental to our business, including claims and lawsuits alleging breaches of contractual obligations.

On November 16, 2000, in the United States District Court, Southern District of Florida, Miami Division, a group of World Financial Bank cardholders filed a putative class action complaint against World Financial Bank. The plaintiffs, individually and on behalf of all others similarly situated, commenced the action alleging that World Financial Bank engaged in a systematic program of false, misleading, and deceptive practices to improperly bill and collect consumer debts from thousands of cardholders. The suit stems from World Financial Bank's alleged practices involved in calculating finance charges and in crediting cardholder payments on the next business day if received after 6:30 a.m. The plaintiffs contend that such practices are deceptive and result in the imposition of excessive finance charges and other penalties to cardholders. The plaintiffs allege that World Financial Bank, through such practices, has violated the federal Fair Credit Billing Act, the federal Truth-In-Lending Act and breached cardholder contracts. The plaintiffs have not specified an amount of damages, but have requested, individually and on behalf of a putative class, monetary and punitive damages for the alleged stated claims and permanent injunctions for alleged statutory violations. The complaint was subsequently amended to include our subsidiary, ADS Alliance Data Systems, Inc., as a defendant. The parties have agreed to a settlement, subject to final acceptance by the court. The terms of the settlement will not have a material impact on us.

Item 2. Changes in Securities and Use of Proceeds.

None

Item 3. Defaults Upon Senior Securities.

None

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

None

Item 5. Other Information.

None

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Item 6. Exhibits and Reports on Form 8-K.

(a) *Exhibits:*

EXHIBIT INDEX

Exhibit No.	Description
2	Purchase and Sale Agreement, dated September 5, 2002, among ADS Alliance data Systems, Inc., Loyalty Management Group Canada, Inc. and Westcoast Energy Inc. carrying on business as Duke Energy Gas Transmission (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on September 10, 2002).
3.1	Second Amended and Restated Certificate of Incorporation of the Registrant. (Incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-1, filed with the SEC on March 3, 2000, Registration No. 333-94623)
3.2	Second Amended and Restated Bylaws of the Registrant. (Incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-1, filed with the SEC on May 7, 2001, Registration No. 333-94623)
3.3	First Amendment to the Second Amended and Restated Bylaws of the Registrant. (Incorporated by reference to Exhibit 3.3 of the Company's Registration Statement on Form S-1, as amended, Registration No. 333-94623)
3.4	Second Amendment to the Second Amended and Restated Bylaws of the Registrant. (Incorporated by reference to Exhibit 3.4 of the Company's 2001 Annual Report on Form 10-K filed with the SEC on April 1, 2002)
4	Specimen Certificate for shares of Common Stock of the Registrant. (Incorporated by reference to Exhibit 4 of the Company's Registration Statement on Form S-1, as amended, Registration No. 333-94623)
10.1	Fifth Amendment to Amended and Restated Credit Agreement, entered into as of May 22, 2002, among the Company, Loyalty Management Group Canada, Inc., the banks party thereto and Harris Trust and Savings Bank as a bank and in its capacity as the administrative agent and collateral agent.
10.2	364-Day Credit Agreement, dated as of May 22, 2002, among the Company and Loyalty Management Group Canada, Inc., the guarantors party thereto, the banks party thereto and Harris Trust and Savings Bank, as administrative agent.
*10.3	Private Label Credit Card Program Agreement between World Financial Network National Bank, Bath & Body Works, Inc. and Tri-State Factoring, Inc., dated as of August 29, 2002.
*10.4	Private Label Credit Card Program Agreement between World Financial Network National Bank, Victoria's Secret Direct, LLC, and Far West Factoring Inc., dated as of August 29, 2002.
*10.5	Private Label Credit Card Program Agreement between World Financial Network National Bank, Victoria's Secret Stores, Inc., and Lone Mountain Factoring, Inc., dated as of August 29, 2002.

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*10.6 Private Label Credit Card Program Agreement between World Financial Network National Bank, Lerner New York, Inc., and Nevada Receivable Factoring, Inc., dated as of August 29, 2002.

*10.7 Private Label Credit Card Program Agreement between World Financial Network National Bank, Express, LLC, and Retail Factoring, Inc., dated as of August 29, 2002.

- *10.8 Private Label Credit Card Program Agreement between World Financial Network National Bank, The Limited Stores, Inc., and American Receivable Factoring, Inc., dated as of August 29, 2002.
- *10.9 Private Label Credit Card Program Agreement between World Financial Network National Bank, Structure, Inc., and Mountain Factoring, Inc., dated as of August 29, 2002.
- *10.10 Private Label Credit Card Program Agreement between World Financial Network National Bank, Henri Bendel, Inc., and Western Factoring, Inc., dated as of August 29, 2002.
- *10.11 First Amendment to Amended and Restated Credit Agreement, dated as of July 6, 1999, among Alliance Data Systems Corporation, Loyalty Management Group Canada, Inc., the Banks party thereto and Morgan Guaranty Trust Company of New York.
- *10.12 Form of 2001 Term Promissory Note, issued to ADS Alliance Data Systems, Inc. by executive officers participating in the restricted stock plan.
- *10.13 Form of 2002 Term Promissory Note, issued to ADS Alliance Data Systems, Inc. by executive officers participating in the restricted stock plan.
- *10.14 Form of Canadian Term Promissory Note for 2001 and 2002 issued to Loyalty Management Group Canada, Inc. by Canadian executive officers participating in the restricted stock plan.
- *99.1 Certification of Chief Executive Officer of Alliance Data Systems Corporation Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- *99.2 Certification of Chief Financial Officer of Alliance Data Systems Corporation Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

(b) *Reports on Form 8-K:*

On September 5, 2002, we filed with the SEC a Current Report on Form 8-K, dated September 4, 2002. The Current Report on Form 8-K reporting an Item 9. related to the extension of our relationship with Limited Brands through August 2009, and confirming our 2002 guidance and 2003 outlook.

On September 10, 2002, we filed with the SEC a Current Report on Form 8-K, dated September 5, 2002. The Current Report on Form 8-K relates to our acquisition of the Enlogix Group.

On October 17, 2002, we filed with the SEC a Current Report on Form 8-K, dated October 16, 2002. The Current Report on Form 8-K relates to our earnings for the third quarter of 2002.

SIGNATURES

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

ALLIANCE DATA SYSTEMS CORPORATION

Date: November 12, 2002

By: /s/ EDWARD J. HEFFERNAN

Edward J. Heffernan
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Date: November 12, 2002

By: /s/ MICHAEL D. KUBIC

Michael D. Kubic
Senior Vice President and Corporate Controller
(Principal Accounting Officer)

I, J. Michael Parks, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alliance Data Systems Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ J. MICHAEL PARKS

J. Michael Parks
Chief Executive Officer

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**CERTIFICATION OF THE
CHIEF FINANCIAL OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION**

I, Edward J. Heffernan, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alliance Data Systems Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

- a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ EDWARD J. HEFFERNAN

Edward J. Heffernan
Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
2	Purchase and Sale Agreement, dated September 5, 2002, among ADS Alliance data Systems, Inc., Loyalty Management Group Canada, Inc. and Westcoast Energy Inc. carrying on business as Duke Energy Gas Transmission (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed with the SEC on September 10, 2002).
3.1	Second Amended and Restated Certificate of Incorporation of the Registrant. (Incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form S-1, filed with the SEC on March 3, 2000, Registration No. 333-94623)
3.2	Second Amended and Restated Bylaws of the Registrant. (Incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form S-1, filed with the SEC on May 7, 2001, Registration No. 333-94623)
3.3	First Amendment to the Second Amended and Restated Bylaws of the Registrant. (Incorporated by reference to Exhibit 3.3 of the Company's Registration Statement on Form S-1, as amended, Registration No. 333-94623)
3.4	Second Amendment to the Second Amended and Restated Bylaws of the Registrant.(Incorporated by reference to Exhibit 3.4 of the Company's 2001 Annual Report on Form 10-K filed with the SEC on April 1, 2002)
4	Specimen Certificate for shares of Common Stock of the Registrant. (Incorporated by reference to Exhibit 4 of the Company's Registration Statement on Form S-1, as amended, Registration No. 333-94623)
10.1	Fifth Amendment to Amended and Restated Credit Agreement, entered into as of May 22, 2002, among the Company, Loyalty Management Group Canada, Inc., the banks party thereto and Harris Trust and Savings Bank as a bank and in its capacity as the administrative agent and collateral agent
10.2	364-Day Credit Agreement, dated as of May 22, 2002, among the Company and Loyalty Management Group Canada, Inc., the guarantors party thereto, the banks party thereto and Harris Trust and Savings Bank, as administrative agent
*10.3	Private Label Credit Card Program Agreement between World Financial Network National Bank, Bath & Body Works, Inc. and Tri-State Factoring, Inc., dated as of August 29, 2002.
*10.4	Private Label Credit Card Program Agreement between World Financial Network National Bank, Victoria's Secret Direct, LLC, and Far West Factoring Inc., dated as of August 29, 2002.
*10.5	Private Label Credit Card Program Agreement between World Financial Network National Bank, Victoria's

Secret Stores, Inc., and Lone Mountain Factoring, Inc., dated as of August 29, 2002.

- *10.6 Private Label Credit Card Program Agreement between World Financial Network National Bank, Lerner New York, Inc., and Nevada Receivable Factoring, Inc., dated as of August 29, 2002.
- *10.7 Private Label Credit Card Program Agreement between World Financial Network National Bank, Express, LLC, and Retail Factoring, Inc., dated as of August 29, 2002.
- *10.8 Private Label Credit Card Program Agreement between World Financial Network National Bank, The Limited Stores, Inc., and American Receivable Factoring, Inc., dated as of August 29, 2002.
- *10.9 Private Label Credit Card Program Agreement between World Financial Network National Bank, Structure, Inc., and Mountain Factoring, Inc., dated as of August 29, 2002.
- *10.10 Private Label Credit Card Program Agreement between World Financial Network National Bank, Henri Bendel, Inc., and Western Factoring, Inc., dated as of August 29, 2002.

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- *10.11 First Amendment to Amended and Restated Credit Agreement, dated as of July 6, 1999, among Alliance Data Systems Corporation, Loyalty Management Group Canada, Inc., the Banks party thereto and Morgan Guaranty Trust Company of New York.
- *10.12 Form of 2001 Term Promissory Note, issued to ADS Alliance Data Systems, Inc. by executive officers participating in the restricted stock plan.
- *10.13 Form of 2002 Term Promissory Note, issued to ADS Alliance Data Systems, Inc. by executive officers participating in the restricted stock plan.
- *10.14 Form of Canadian Term Promissory Note for 2001 and 2002 issued to Loyalty Management Group Canada, Inc. by Canadian executive officers participating in the restricted stock plan.
- *99.1 Certification of Chief Executive Officer of Alliance Data Systems Corporation Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- *99.2 Certification of Chief Financial Officer of Alliance Data Systems Corporation Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

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PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

BETWEEN

WORLD FINANCIAL NETWORK NATIONAL BANK

AND

BATH & BODY WORKS, INC.

AND

TRI-STATE FACTORING, INC.

DATED AS OF AUGUST 29, 2002

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PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

THIS PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT is made as of this 29th day of August, 2002 (the "Effective Date") by and between Bath & Body Works, Inc., a Delaware corporation, with its principal office at Seven Limited Parkway East, Reynoldsburg, Ohio 43068, (hereinafter referred to as "Division"), Tri-State Factoring, Inc., a Nevada corporation, with its principal office at 4441 South Polaris Avenue, Las Vegas, Nevada 89103, a Nevada

corporation ("Factoring") (the Division and Factoring being collectively referred to herein as "Company") and WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association, with its principal office at 800 TechCenter Drive, Gahanna, Ohio 43230, (hereinafter referred to as "Bank").

WITNESSETH:

WHEREAS the Bank, Division and Factoring entered a certain Credit Card Processing Agreement, effective as of January 31, 1996 (the "Credit Card Processing Agreement"), to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Division's retail or catalogue business, which allows the customers of the Division to purchase goods from the Division using funds advanced by the Bank; and

WHEREAS the parties to this Agreement wish to terminate the Credit Card Processing Agreement as of the Effective Date and enter into this Private Label Credit Card Program Agreement, the terms of which shall supersede and replace the Credit Card Processing Agreement; and

NOW THEREFORE, in consideration of the terms and conditions hereof, and for other good and valuable consideration, the receipt of which is hereby mutually acknowledged by the parties, Bank and Company agree as follows.

SECTION 1. DEFINITIONS

1.1 *Certain Definitions.* As used herein and unless otherwise required by the context, the following terms shall have the following respective meanings.

"Account" shall mean an individual open-end revolving line of credit established by Bank for a Customer pursuant to the terms of a Credit Card Agreement, including without limitation, each of the Existing Accounts.

"Affiliate" shall mean with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing. In addition, (i) Aura Science, LLC (and its successors by way of change of organizational form) and (ii) any other similar joint venture or Person (of which Company notifies Bank in writing) formed for the purposes of pursuing a joint venture with Limited Brands, Inc. or any Affiliate (as otherwise defined above) of Limited Brands, Inc. shall be deemed an Affiliate of Company for all purposes (other than for the purposes of Section 3.11 hereof) so long as Limited Brands, Inc. and its Affiliates (as otherwise defined above) possess the power to elect not less than 25% of the whole number of the board of directors of such entity or own not less than 25% of the assets or equity thereof. Company and Bank shall not be deemed to be Affiliates for purposes of this Agreement.

"Agreement" shall mean this Private Label Credit Card Program Agreement and any future amendments or supplements thereto.

"Applicable Law" shall mean any applicable federal, state or local law, rule, or regulation.

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"Applicant" shall mean an individual who is a Customer of Company who applies for an Account under the Plan.

"Authorized User" shall mean an individual authorized by the primary Cardholder(s) to use an Account and as established in accordance with the Operating Procedures.

"Batch Prescreen Application" shall mean a process where Bank's offer of credit is made to certain Customers prequalified by Bank, in a batch mode typically within a catalog environment.

"Business Day" shall mean any day, except Saturday, Sunday or a day on which banks in Ohio are required to be closed.

"Cardholder" shall mean any natural person to whom an Account has been issued by Bank and/or any Authorized User of the Account.

"Charge Slip" shall mean a sales receipt, register receipt tape, invoice or other documentation, whether in hard copy or electronic form, in each case evidencing a Purchase that is to be charged to a Cardholder's Account.

"Company Deposit Account" shall mean a deposit account maintained by Company as set forth in Section 3.6 (a).

"Company's Stores" shall mean those certain retail locations selling Goods and/or Services, which are owned and operated by Company.

"Consumer Laws" shall mean all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws.

"Credit Card" shall mean the plastic credit card bearing one or more of the Marks issued by Bank to Cardholders for purchasing Goods and Services pursuant to the Plan.

"Credit Card Agreement" shall mean the open-end revolving credit agreement between a Cardholder and Bank governing the Account and Cardholder's use of the Credit Card, together with any modifications or amendments which may be made to such agreement as permitted in this Agreement.

"Credit Card Processing Agreement" shall have the meaning set forth in the first recital.

"Credit Sales Day" shall mean any day, whether or not a Business Day, on which Goods and/or Services are sold by Company.

"Credit Slip" shall mean a sales credit receipt or other documentation, whether in hard copy or electronic form, evidencing a return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder.

"Customer" shall mean any individual consumer who is a customer or potential customer of Company.

"Deferred Billing Programs" shall mean any special Cardholder payment terms mutually agreed to by Bank and Company for certain Purchases, including without limitation deferred finance charges and deferred payments and subject to any terms and conditions set forth in writing by Bank.

"Discount Fee" shall mean an amount to be charged by Bank equal to Net Sales multiplied by the Discount Rate. Notwithstanding the foregoing, Bank shall not include taxes for Purchases (and correspondingly Net Sales) when calculating the Discount Fee for Purchases made on or before July 31, 2002.

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"Discount Rate" shall have the meaning set forth in Schedule 1.1.

"Effective Date" shall mean the date set forth in the first paragraph on page one of this Agreement.

"Existing Accounts" shall mean all of the Accounts in existence as of the Effective Date opened under and/or subject to the Plan provided by Bank pursuant to the Credit Card Processing Agreement.

"Forms" shall have the meaning set forth in Section 2.4.

"Goods and/or Services" shall mean those goods and/or services sold at retail by Company to the general public through stores, catalog, the Internet or any other method mutually agreed upon by the Company and Bank, where such goods and/or services are intended by Company for individual, personal, family or household use.

"Initial Term" shall have the meaning set forth in Section 9.1.

"Instant Credit Application" shall mean an in store or catalog application procedure designed to open Accounts at point of sale or order entry whereby an application for credit is communicated to Bank either verbally at point of sale or systemically during the catalog order entry process according to the Operating Procedures.

"Mark" shall mean a trademark or service mark owned by or licensed to Company and designated by Company to Bank for use in connection with the Plan.

"Name Rights" shall have the meaning set forth in Section 2.10.

"Net Proceeds" shall mean Purchases less: (i) credits to Accounts for the return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder, all as shown in the Transaction Records (as corrected by Bank in the event of any computational error), calculated each Business Day; (ii) payments from Cardholders received by Company from Cardholders on Bank's behalf; and (iii) any applicable Discount Fees in effect on the date of calculation. Notwithstanding the foregoing, if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, the credits payable to Bank pursuant to clause (i) above and the payments received by Company in clause (ii) above shall no longer be netted against the Net Proceeds payable by Bank pursuant to Section 3.6 but instead Company shall transfer the amount of each credit and payment to Bank by ACH of immediately available funds not later than the second Business Day following the date on which the events giving rise to such credit or payment occur (and the Net Proceeds payable by the Bank pursuant to Section 3.6 shall be made without deduction for such credits or payments).

"Net Sales" shall mean Purchases less shipping and handling and less credits or refunds for Goods and/or Services, all as shown in the Transaction Records received by the Bank each Business Day (as corrected by Bank in the event of any computational error), and calculated each Business Day.

"On-Line Prescreen" shall mean a process where a pre-screened offer of credit is made to credit-worthy Customers in a real-time pre-approved process according to Bank's Operating Procedures. The process utilizes traditional order entry data elements to build Customer records. The Customer records are pre-screened by a credit bureau using Bank's established criteria to determine if an offer of credit is appropriate. Customer records passing the Bank's pre-screening credit criteria are returned to the point of order entry where the pre-approved offer to open an Account is made. Records not passing the credit criteria are not returned and no offer is made.

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"Operating Procedures" shall mean Bank's Company's catalog procedures, Company Store's procedures, Internet or e-commerce procedures and any amendments to the same or additional or different procedures which satisfy the requirements of Section 2.3, to be followed by Company in connection with the Plan.

"Person" shall mean an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" shall mean the private label credit card program established and administered by Bank for Customers of Company by virtue of this Agreement.

"Plan Year" shall mean each consecutive twelve (12) month period commencing on the Effective Date and each anniversary thereof.

"Purchase" shall mean a purchase of Goods and/or Services, including without limitation all applicable taxes and shipping costs, with a specific extension of credit by Bank to a Cardholder using an Account as provided for under this Agreement.

"Quick Credit" shall mean an in-store application procedure designed to open Accounts as expeditiously as possible at point of sale, whereby an application for an Account is processed without a paper application being completed by an Applicant. An Applicant's credit card (Visa, MasterCard, American Express, Discover or other Bank approved private label card) is electronically read by a terminal that captures the Applicant's name and credit card account number. Other data shall be entered into that same terminal by the Company's Store associate as specified in the Operating Procedures. This data is used by Bank to request a credit bureau report and make a decision whether to approve or decline the Applicant.

"Regular Revolving Purchases" shall mean Purchases which are not subject to any Deferred Billing Programs or Equal Payment Purchases.

"Renewal Term" shall have the meaning set forth in Section 9.1.

"Season" shall mean (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January. For the purposes hereof, a "fiscal month" is a monthly period defined by Company in writing to Bank from time to time to coincide with Company's fiscal calendar.

"Service Event" shall mean a failure by Bank to meet a Base Level (as identified in Schedule 2.1) for a single Service Standard during one calendar month; provided that such failure was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

"Service Standard" shall mean the performance or quantitative levels of performance set forth in Schedule 2.1.

"Service Standards Termination Event" shall have the meaning given in Section 9.7.

"Statemented Account" shall mean each Account for which a billing statement is generated within a particular billing cycle.

"Term" shall mean the Initial Term and any Renewal Terms.

"Transaction Record" shall mean, with respect to each Purchase of Goods or Services by a Cardholder from Company, each credit or return applicable to a Purchase of Goods or Services, and each payment received by Company from a Cardholder on Bank's behalf: (a) the Charge Slip

or Credit Slip corresponding to the Purchase, credit or return; or (b) a computer readable tape/cartridge or electronic transmission containing the following information: the Account number of the Cardholder, the Company's Store number at which the Purchase, credit or return was made, the total of (i) the Purchase price of Goods or Services purchased or amount of the credit, as applicable, plus (ii) the date of the transaction, a description of the Goods or Services purchased, credited or returned and the authorization code, if any, obtained by Company's Store prior to completing the transaction; or (c) electronic record whereby Company's Store electronically transmits the information described in subsection (b) hereof to a network provider (selected by Company at its expense), which in turn transmits such information to Bank by a computer tape/cartridge or electronic tape or transmission.

1.2 *Other Definitions.* As used herein, terms defined in the introductory paragraph hereof and in other sections of this Agreement shall have such respective defined meanings. Defined terms stated in the singular shall include reference to the plural and vice versa.

SECTION 2. THE PLAN

2.1 *Establishment and Operation of the Plan.* (a) The Plan is established for the primary purpose of providing Customer financing for Goods and Services purchased from Company. Qualified Applicants desiring to use the Plan shall be granted an Account by Bank with a credit line in an amount to be determined by Bank in its discretion for each individual Applicant. Subject to Section 3.6 (d), Bank shall determine the terms and conditions of the Account to be contained in a Credit Card Agreement, which Credit Card Agreement shall be subject to change upon notice given by Bank to the Cardholders in accordance with Applicable Law. All Existing Accounts are deemed provided under the Plan.

(b) Bank shall operate the Plan in accordance with the Service Standards set forth in Schedule 2.1, as such performance standards may be modified from time to time at the reasonable request of Bank or Company and with the consent of the other party. Within fifteen (15) days after the end of each calendar month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards.

(c) Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

(d) Not later than one hundred and twenty (120) days following the Effective Date, Bank will design a Cardholder satisfaction survey process to be administered in accordance with the procedures already in place at the Bank, at a cost comparable to its existing cost. This survey should be an on-going, real-time process by which Bank and Company can measure Cardholder satisfaction. Bank will solicit Company's review and approval of the methodology used to analyze and assess the results of the survey (such approval not to be unreasonably withheld or delayed) and will provide the raw and analyzed survey results to Company. The results will be presented in a mutually agreed format. Bank will deliver Cardholder satisfaction survey results to Company on a quarterly basis and will on a monthly basis discuss the trends based on the prior month's results.

(e) From time to time during the Term, Company may request that Bank provide to Company new products, services or technology in connection with the Plan, identified by Company, which are then commercially available from the top tier of well-managed private label credit card services vendors ("Competitive Vendors") and offered generally to such Competitive Vendors' clients and potential clients. Bank will exert its good faith reasonable efforts to provide such services on terms reasonably competitive to those offered in the marketplace by Competitive Vendors.

2.2 *Applications for Credit Under the Plan; Billing Statements.* (a) Applicants who wish to apply for an Account under the Plan must submit a completed application on a form or in an electronic format approved by Bank, and Bank shall grant or deny the request for credit based solely upon Bank's credit criteria as specified in Section 2.7. Company shall provide a copy of the Credit Card Agreement to the Applicant to be retained for the Applicant's records. The application shall be submitted to Bank by the Applicant or submitted by Company on behalf of the Applicant, as required in the Operating Procedures. If Bank grants the request for an Account, Bank will issue a Credit Card to the Applicant which accesses an individual line of credit in an amount determined by Bank.

(b) Bank shall make available to Company and Company shall utilize primarily a Quick Credit application procedure. Bank shall also make available to Company and Company may elect to utilize in its discretion, Instant Credit, pre-approved solicitations, Batch Prescreen and On-Line Prescreen application procedures as mutually agreed upon.

(c) Subject to Section 2.8, Company agrees that it will keep confidential the information on such applications and shall not disclose the information to anyone other than authorized representatives of Bank.

(d) All Cardholders will receive from Bank a periodic statement (the "Billing Statement") listing the amounts of Purchases made and credits received and other information as required by Applicable Law or deemed desirable by Bank. Company may if desired put text messages on the statements as approved by Bank.

(e) Bank shall make available to Company Internet application procedures and Charge Slip processing. In such event, Company shall be responsible for integrating and maintaining on its website at its sole expense a link to the Bank's Internet application processing website. The parties shall work together on implementing such links from the Bank's Internet application processing website back to Company's Internet site. Bank shall take reasonable efforts to ensure that navigation back to Company's Internet site from the Bank's Internet application processing website, whether through a particular pointer or link, the "back" button on an Internet browser, the closing of an active window, or any other return mechanism, shall not be interrupted by Bank through the use of any intermediate screen or other device not specifically requested by the user, including without limitation through the use of any html pop-up window or any other similar device.

2.3 *Operating Procedures.* Company shall observe and comply with the Operating Procedures. Company shall ensure that Company's Stores personnel are trained regarding the Operating Procedures and shall ensure their compliance with them. The Operating Procedures may be supplemented, amended or modified by Bank from time to time in its reasonable discretion; provided, however, a copy of any such supplement, amendment or modification shall be provided to Company at least ninety (90) days before its effective date (the "Notice Date") unless otherwise required by Applicable Law, and for those changes required by Applicable Law, notice shall be given as soon as practicable. For changes that are (A) required by Applicable Law, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices (both (A) and (B) being referred to herein as the "Required Changes"), where Bank implements such Required Changes with all of its other clients that are also affected by such change in Applicable Law or operate in circumstances similarly requiring changes from the standpoint of safe and sound banking practices, Bank shall identify the changes as Required Changes in the notice to Company. Unless such change is a Required Change, Company shall have the right within thirty (30) days after the Notice Date to object to such change and the parties' representatives will promptly thereafter meet to discuss such change in good faith in order to agree upon such change or a mutually agreeable alternative to such change. In the event the parties are unable to agree upon such change or an alternative within sixty (60) days after the Notice Date, then a senior executive from both Company and Bank shall meet to negotiate in good faith in order to agree upon such change or a mutually agreeable alternative to such change. If the parties' senior

executives are unable to mutually agree within ninety (90) days after the Notice Date, then Bank shall have the right to implement the initially proposed change so long as (i) Bank implements such change with all or substantially all of its other similar clients, (ii) such change does not change the chargebacks section of the Operating Procedures, and (iii) such change does not impose a material adverse financial or operational burden on Company.

2.4 *Plan Documents.* Subject to and in compliance with the requirements of Applicable Law, Bank shall solely author any content, format or other aspect of the Credit Card Agreement, application, Credit Card, card mailer, letters, and other documents and forms and billing statements (collectively, "Forms") to be used under the Plan which (i) relate to the Plan, (ii) relate to the Bank's or the Cardholder's rights or obligations under the Account, or (iii) are required by Applicable Law. Bank and Company shall jointly design all other aspects of the Forms (except for Cardholder letters and other documents and forms used by Bank in maintaining and servicing the Accounts, which Bank shall solely design), subject to and in compliance with the requirements of Applicable Law. Bank will provide Company with copies of the template of any Forms which are to be provided by Bank in a mass mailing or distribution to all Cardholders as a whole or to all Cardholders in a particular state. Bank shall provide at Bank's expense consistent with Bank's standard costs for such documents (any excess costs due to Company's special requests for non-standard documents shall be borne by Company) appropriate quantities of the Credit Card Agreements, Credit Card plastics, card mailer and billing statements. Bank shall notify Company in advance if any form is not consistent with Bank's standard costs and will provide Company with a written estimate of the excess costs to be borne by Company for such form. Company shall pay the costs of all other Plan documentation including, without limitation, applications, promotional material (i.e. collateral), pre-approved solicitations, Instant and Quick Credit contracts and special offers, reissued Credit Card plastics, including but not limited to embossing and encoding, card carriers, envelopes, Credit Card Agreements and postage related to any reissuances requested by Company for any reissuance of Credit Cards to Cardholders (other than replacements made by Bank from time to time at a Cardholder's request on an individual basis). Bank shall have the right to review and approve all materials prepared by Company (or an Affiliate or third party) that refer in any way to the Plan, such approval not to be unreasonably withheld or delayed. In the event any Forms become obsolete as a result of changes requested by Company, Company shall reimburse Bank for the direct costs associated with any unused obsolete Forms. Company shall pay the actual and direct costs associated with any Forms changes or Cardholder notices required as a result of any additions or deletions of Company honored credit cards requested by Company pursuant to Section 3.1. Only one design shall be used for each form.

2.5 *Marketing.* Company agrees to use its reasonable efforts to promote the use of Credit Cards for Purchases and to acquire new Cardholders through such methods mutually agreed upon by Bank and Company. Company agrees to use reasonable marketing efforts to support the Plan. Company and Bank shall annually agree upon a minimum target number of Applicants to be sourced by Company. Bank and Company will jointly agree upon programs to market the Plan, both initially and on a continuing basis. When using any trademarks, logos, service marks or tradenames of the other party, each party will comply with all written guidelines provided to it by the other party related to use of the other party's marks.

2.6 *Administration of Accounts.* Bank shall perform, at its expense and in compliance with Applicable Law, all functions necessary to administer and service the Accounts, including but not limited to: making all necessary credit investigations; notifying Applicants in writing of acceptance or rejection of credit under the Plan; preparing and mailing billing statements; making collections; handling Cardholder inquiries; and processing payments. The Bank is solely responsible for determining the requirements, the method, and the content of any notices to Cardholders required by Applicable Law.

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2.7 *Credit Decision.* The decision to extend credit to any Applicant under the Plan shall be Bank's decision. Bank will work in good faith with Company to develop business strategies with respect to the issuance of Credit Cards which are intended to maximize the potential of the Plan, and which are mutually beneficial to Bank and Company. Company may from time to time request Bank to consider offering certain types of special credit programs. Bank shall reasonably consider Company's requests and negotiate with Company in good faith. However, Bank shall, in its sole discretion, subject to Applicable Laws and safety and soundness considerations, determine whether or not to offer any of such programs. In the event Bank agrees to any special credit program, Bank and Company shall mutually agree upon any special terms and fees associated with the program. Notwithstanding the foregoing, (i) the credit standards established by Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Plan shall be consistent with past practices (as described in Schedule 2.7), with such changes as shall be (A) approved by Company in its reasonable discretion, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices. Bank shall conduct, at least once during each Plan Year, a meeting with Company to review the credit standards being applied by Bank in reaching its credit decisions.

2.8 *Ownership of and Rights in Information.* (a) Bank shall provide to Company free of charge from time to time (generally no more frequently than monthly) at Company's request master file tapes initially containing the information set forth on Schedule 2.8 for Company to the extent such information is available to Bank, and any other information agreed to by Bank and Company (collectively, the "Master File Information"), to the extent permitted by Applicable Law, which Company may use solely in connection with maintaining and servicing the Accounts and for the purpose of marketing goods and services to the Cardholders, as permitted by Applicable Law. The Master File Information may include, at Company's request, the information set forth on Schedule 2.8 for Affiliates of Company, to the extent permitted by Applicable Law.

(b) To the extent permitted by Applicable Law and without undue burden, cost or expense to Bank, Bank intends and will exert its diligent good faith efforts to maintain during the Term a privacy policy, which will permit Bank to allow Company to use the Master File Information for purposes in addition to those set forth in Section 2.8(a) above (the "Additional Purposes") and to share such information with third parties for the Additional Purposes subject to Cardholder opt out and Applicable Law. To the extent permitted by and in accordance with Applicable Law and subject to Cardholder opt out, Company may so provide the Master File Information to third parties for the Additional Purposes and/or use such information for the Additional Purposes.

(c) The Bank is the owner of all information relating to the Cardholders (including names and addresses) as collected by or on behalf of Bank or as set forth in Bank's records, the Accounts and the Credit Cards, the copyright to all written material contained in any Credit Card Agreements, applications, billing statements and other Forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; provided, however, that Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of Company, (ii) persons who, in the sole judgment of Limited Brands, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates, (iii) in the case of disclosure, credit agencies, (iv) as otherwise permitted by this Agreement, and (v) as required by Applicable Law.

(d) The Transaction Records (except for any Account payment information received by Company on Bank's behalf) are the sole property of Company. Bank may use the Transaction Records solely for the purposes permitted by this Agreement (provided that this limitation shall not limit Bank's rights with respect to any Account information). Account payment information received by Company on Bank's behalf shall be the sole property of Bank, provided that Company may use such information solely for the purposes permitted by this Agreement.

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(e) Company is the owner of the names and addresses of Customers, as set forth in Company's records and collected by Company from a source other than Bank. Upon request of Bank and consent of Company, not to be unreasonably withheld, Company shall make the names and addresses of Customers available to Bank, as permitted by Applicable Law, during the Term of this Agreement to be used only for purposes of solicitation of such Customers to become Cardholders of Bank and in connection with the administration of the Plan in accordance with the terms of this Agreement. Names, addresses and other information of Customers obtained by Company from the Customer (and not on Bank's behalf) in connection with point-of-sale, mail order, telephone, internet or other sale (regardless of whether the Customer makes payment for such sale through the use of a Credit Card) are "collected by Company from a source other than Bank".

(f) For the avoidance of doubt, the parties acknowledge that the items of information allocated to each party in this Section 2.8 may overlap, and that each party may independently possess and own the same specific items of information, such as but not limited to, names and addresses of persons who are both Customers and Cardholders. The allocation of ownership of a class of information to one party in this Section 2.8 is not inconsistent with ownership by the other party of the same items of information if so allocated in this Section 2.8.

2.9 *Insurance and Account Enhancement Services.* (a) Bank and Company agree that Bank will exclusively make available to Cardholders various types of insurance products, the premiums for which are based on the Cardholder's account balance, ("Insurance Products") offered by Bank and/or its vendors or Affiliates. Such products shall include credit life, debt cancellation, accidental death and disability and unemployment insurance. The solicitations and offerings shall not contain Company's endorsement. Bank may make at least two (2) and no more than four (4) offers per Plan Year or two (2) times per Season at its expense. The monthly charges for Insurance Products shall be charged to the applicable Cardholder's Account.

(b) Bank and Company agree that Bank may make available to Cardholders various types of other insurance, products and services ("Account Enhancement Services") at its expense through solicitations made in connection with their Accounts, subject to Company's approval as provided in Section 2.9(d). Such Account Enhancement Services may include but are not limited to insurance of types not listed in Section 2.9(a), travel clubs, legal services, card registration programs and merchandise products. Such Account Enhancement Services will be offered through various direct marketing channels including but not limited to direct mail, telemarketing, statement inserts, statement messaging, call transfer and IVR. The charges for the products and services will be billed to the applicable Cardholder's Account when appropriate. The solicitations and offerings shall not contain Company's endorsement.

(c) Company shall receive from Bank fifty percent (50%) of the net profit (Bank's revenues from commissions and other incentives from the vendor minus Bank's total expenses) generated by Account Enhancement Services, payment to be made on a monthly basis, together with a statement setting forth the revenues, expenses and profits in reasonable detail.

(d) Each and every Account Enhancement Service and the related advertising materials shall be subject to the prior approval of Company, which approval shall not be unreasonably withheld or delayed (it being understood that Company may withhold such approval if it determines in its reasonable discretion that the advertising of such products or services is inconsistent with the image of Company's business). With ninety (90) days prior written notice to Bank, Company may reasonably withdraw its approval for an Account Enhancement Service.

2.10 *Ownership of Company Name.* Anything in this Agreement to the contrary notwithstanding, Company shall retain all rights in and to Company's name and the name selected by Company for use on the Credit Card and all trademarks, service marks and other rights pertaining to such names (collectively, the "Name Rights") and all goodwill associated with the use of the Name Rights whether

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under this Agreement or otherwise shall inure to the benefit of the Company. Company shall have the right, in its sole and absolute discretion, to prohibit the use of any of its Name Rights in any Forms, advertisements or other materials proposed to be used by Bank which Company in its reasonable business judgment deems objectionable, improper or undesirable. However, no use, which use is consistent with this Agreement, of the name selected by Company for use on the Credit Card and in the Forms for the purpose of identifying the Accounts in connection with maintaining and servicing such Accounts will be deemed objectionable, improper or undesirable by Company. Bank shall cease all use of the Name Rights upon the termination of this Agreement for any reason unless Bank retains the Accounts after termination of the Agreement, in which case Bank may use the Name Rights solely in connection with the administration and collection of the balance due on the Accounts. Provided, however, that Company grants Bank the right to use Company's Name Rights on a case by case basis and with thirty (30) days advance notice of each category of use in connection with Bank and its Affiliates' product marketing and promotional materials and literature in written and electronic form and their business client lists until such time as this Agreement is terminated or Company chooses to revoke this right for any or all product marketing, promotional materials, literature or client list purposes. All uses of Company's Name Rights are subject to the terms and conditions of this Agreement, including this Section 2.10 and Section 2.5.

2.11 *Payment of Fees Other than Discount Fees.* Bank will invoice Company monthly in arrears for all fees or charges other than Discount Fees properly imposed by Bank pursuant to this Agreement. All such amounts payable by Company under this Section 2.11 shall be paid within thirty (30) days after receipt of the Bank's invoice for such amounts.

SECTION 3. OPERATION OF THE PLAN

3.1 *Honoring Credit Cards.* Company agrees that Company and Company's Stores will honor any Credit Card, and to the extent permitted by Applicable Law Bank will permit Company, at Company's option, to honor other credit cards for Company's Affiliates issued by Bank provided that Company will provide Bank with at least thirty (30) days advance written notice of its intent to honor such other credit cards, (and the Authorized Users of such Credit Cards) properly issued and currently authorized by Bank. In addition, if mutually agreed by Bank and Company, Company agrees that Company and Company's Stores will honor any credit card for Company's former Affiliates issued by Bank (and the Authorized Users of such credit cards) properly issued and currently authorized by Bank. Company agrees that it shall deliver to Bank all Transaction Records evidencing transactions made under the Plan, in accordance with the provisions of this Agreement and the Operating Procedures.

3.2 *Additional Operating Procedures.* In addition to the procedures, instructions and practices contained in the Operating Procedures, Company agrees that Company will comply with the following procedures:

(a) In each Credit Card transaction Company must obtain all the information contained in clause (b) of the definition of Transaction Record. The date which appears on the Charge Slip or Credit Slip will be prima facie evidence of the transaction date, and Company shall be required to transmit all Transaction Records relating to such Charge Slip and/or Credit Slip so that Bank receives such Transaction Records no later than the second Business Day after the transaction date; provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. The "Cardholder Copy" of each Charge Slip shall be delivered to the Cardholder at the time of the transaction if the Cardholder is in the store.

(b) All Charge Slips will evidence the total price of the sale minus any cash down payment. Company shall retain the "Merchant Copy" of all Company generated Charge and Credit Slips for

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each transaction for a period of six (6) months from the date of presentation to Bank or in the case of Deferred Billing Programs, six (6) months from the end of the applicable Deferred Billing Program.

(c) Company will maintain a fair policy for the exchange and return of Goods and adjustment for Services rendered and for that purpose will give credit to Accounts upon such exchange, return or adjustment. Company will not make cash refunds to Cardholders on Credit Card Purchases. If any Goods are returned, price adjustment is allowed, or debt for Services is adjusted, Company will notify the Bank and provide appropriate documentation thereof to the Cardholder. Upon receipt of Transaction Records reflecting a credit to which there has been a corresponding debit, Bank will net against amounts payable by Bank to Company the total shown on the Credit Slip, and credit the Cardholder's Account in the amount of such Credit Slip. If on any day the total amount of the Net Proceeds is a negative amount, Company shall remit the difference to Bank immediately upon written demand.

(d) Company's Stores shall not, when the Cardholder is present in the store, accept a transaction to be charged to an Account without either: presentation of a Credit Card and following any additional identification outlined in the Operating Procedures; or following such proper identification procedures for transactions where a Credit Card is not presented as outlined in the Operating Procedures.

3.3 *Cardholder Disputes Regarding Goods or Services.* Company shall act promptly to investigate and work to resolve disputes with Cardholders regarding Goods or Services obtained through Company pursuant to the Plan. Company shall timely process credits or refunds for Cardholders utilizing the Plan.

3.4 *No Special Agreements.* Company will not extract any special agreement, condition or security from Cardholders in connection with their use of a Credit Card, unless approved in advance by Bank in writing.

3.5 *Cardholder Disputes Regarding Violations of Law or Regulation.* Company shall assist Bank in further investigating and using its reasonable efforts to help resolve any Applicant or Cardholder claim, dispute, or defense which may be asserted under Applicable Law.

3.6 *Payment to Company; Ownership of Accounts; Fees; Accounting.* (a) Company shall electronically transmit all Transaction Records from Company to Bank in a format acceptable to Bank. Upon receipt, Bank shall use commercially reasonable efforts to promptly verify and process such Transaction Records, and in the time frames specified herein, Bank will remit to Company an amount equal to the Net Proceeds indicated by such Transaction Records for the Credit Sales Day(s) for which such remittance is made. In the event Bank discovers any discrepancies in the amount of Transaction Records submitted by Company or paid by Bank to Company, Bank shall notify Company in detail of the discrepancy, and credit Company, or net against amounts owed to Company, as the case may be, in a subsequent daily settlement. Bank will transfer funds via Automated Clearing House ("ACH") to an account designated in writing by Company to Bank (the "Company Deposit Account"). From the Effective Date through January 31, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer on the next Business Day thereafter and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the second Business Day thereafter. Commencing on February 1, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer the same day and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the following Business Day. Bank shall remit funds to one Company designated account and shall not remit funds to individual Company Stores. The term "initiate" shall mean that Bank shall transmit an ACH file to Bank's financial institution for settlement on the next Business Day.

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(b) Bank shall own all the Accounts under the Plan from the time of establishment, and except as otherwise provided herein, Company shall not have any right to any indebtedness on an Account or to any Account payment from a Cardholder arising out of or in connection with any Purchases under the Plan. Effective upon payment to Company by Bank pursuant to Section 3.6(a), with respect to each Charge Slip Company shall be deemed to have transferred, conveyed, assigned and surrendered to Bank all right, title or interest in all such Charge Slips and in all other rights and writings evidencing such Purchases, if any.

(c) All Transaction Records are subject to review and acceptance by Bank. In the event of a computational or similar error of an accounting or record keeping nature with respect to such Transaction Records, Bank may credit to the Company's Deposit Account or net against the Net Proceeds (as the case may be) the proper amount as corrected. If the Net Proceeds are insufficient, Company shall remit the proper amount to Bank immediately upon written demand. Upon any such correction Bank shall give prompt notice and explanation thereof to Company.

(d) Bank may make any changes in the terms of the Credit Card Agreement at any time as required by Applicable Law and will notify Company of such changes with notice to Company reasonable under the circumstances, or on an individual Account by Account basis, without notice to Company, in connection with its servicing of the Accounts. With respect to any other changes in the terms of the Credit Card Agreement affecting the repayment terms, APR or fees charged by Bank, Bank will, prior to making any changes, notify Company of such changes and discuss such changes with Company.

(e) Company shall obtain and maintain at their own expense such point of sale terminals, cash registers, network (electronic communication interchange system), telephone or other communication lines, software, hardware and other items of equipment as are necessary for it to request and receive authorizations, transmit Charge Slip and Credit Slip information, process Credit Card Applications and perform its obligations under this Agreement. The computer programs and telecommunications protocols necessary to facilitate communications between Bank and Company and Company's Stores shall be determined by Bank from time to time subject to reasonable prior notice of any change in such programs, equipment or protocols.

(f) Company may from time to time offer Deferred Billing Programs to Cardholders. Company shall be responsible for ensuring that all Purchases subject to any Deferred Billing Programs are properly designated as such on the Transaction Record in accordance with Bank's instructions.

(g) Bank may if Company fails to pay Bank any amounts due (and such amounts are not subject to a good faith dispute of which Bank has been notified) to Bank pursuant to this Agreement for more than thirty (30) days after the due date, offset such amounts against the Net Proceeds or any other amounts owed by Bank to Company under this Agreement.

3.7 *Insertion of Company's Promotional Materials.* Bank will upon request of Company from time to time insert Company's promotional materials for Company's Goods and Services, which are provided by Company at Company's expense, into the Account billing statements and new Credit Card mailers, so long as: (a) the materials are provided to Bank at least two (2) Business Days prior to the scheduled mailing date of such statements or notices; (b) if the materials reference Bank or the Plan in any manner, are approved by Bank as to content, in Bank's reasonable discretion; (c) the materials meet all size, weight, or other specifications for such inserts as shall be set forth in the Operating Procedures; (d) there is sufficient space in Bank's standard envelope for the insert in addition to any legally required material, Cardholder notices and other materials which Bank is including in the mailing; and (e) Company pays any and all additional postage costs caused by Bank's insertion of materials provided by Company, provided that Bank shall first notify Company of any additional postage cost and Bank will include the materials only if instructed by Company to insert regardless of the additional postage costs.

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3.8 *Payments.* (a) Except as provided in this Section 3.8, all payments to be made by Cardholders with respect to any amounts outstanding on the Accounts shall be made in accordance with the instructions of Bank and at the location or address specified by Bank. Company hereby authorizes Bank, or any of its employees or agents, to endorse "WORLD FINANCIAL NETWORK NATIONAL BANK" upon all or any checks, drafts, money orders or other evidence of payment, made payable to Company and intended as payment on an Account, that may come into Bank's possession from Cardholders and to credit said payment against the appropriate Cardholder's Account. Company further agrees that where, consistent with Section 3.8(b), or such other circumstance authorized by Bank,

Company is permitted by Bank to receive any payment made with respect to the Plan, Company will on Bank's behalf hold such payment in trust for Bank and will include the amount of such payment in the Transaction Records sent to Bank pursuant to this Agreement within two (2) Business Days after receipt provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. Bank will charge the amount of such payment against the settlement amount, or, if the settlement amount is insufficient to cover such payments, Company shall remit the amount of such payment, or any unpaid portion thereof, to Bank immediately upon written demand. Payments made by Cardholders at Company's Stores shall not be deemed received by Bank until Bank receives and accepts the Transaction Records. Bank has the sole right to receive and retain all payments made with respect to all Accounts and to pursue collection of all amounts outstanding, unless an Account or Purchase is charged back to Company pursuant to the provisions of Sections 3.9 and 3.10 hereof. Should any payment made by Cardholders at Company's Stores be made by check and such check is subsequently returned unpaid, Company will include a debit for the face amount of the check plus any actual return check fees paid by Company to its third party depository bank to which the check is first deposited or third party re-presentation vendor in the Transaction Records sent to Bank pursuant to this Agreement. Company will process such returned check in accordance with the procedures mutually agreed upon in writing by Bank and Company. In the event the return check fees imposed by or through any third party vendor retained by Company for re-presentation of such checks for payment following any initial return increase after the Effective Date, Company shall give Bank written notice of the increase in such fees and Bank shall have the right to discontinue paying the fees imposed by or through such third party re-presentation vendor, in which event, Company may discontinue processing such returned checks through the re-presentation vendor and shall submit checks returned unpaid by the bank of first deposit to Bank.

(b) Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Card Accounts ("**In-Store Payments**"). Any In-Store Payments received by Company will be held in trust for Bank and its assigns and netted against amounts payable by Bank pursuant to this Section 3.8 (provided that Company shall not be required to keep In-Store Payments separate from other payments received by Company) and evidence of such payments will be transmitted to Bank on a daily basis, provided that (i) if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such evidence relating to such store locations as soon as reasonably practicable after polling is completed or (ii) if transmittal is not possible due to a force majeure event, such transmittal will be completed within a time reasonable under the circumstances. Notwithstanding the foregoing:

(1) if any bankruptcy or other insolvency proceeding has been commenced against Company (and so long as the same has not been dismissed), Company shall promptly comply with any written instruction (a "**Store Payment Notice**") received by Company from Bank or any successor

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to Bank (Bank or any such successor being the "Servicer") to take either of the following actions (as specified in such instruction):

(i) cease accepting In-Store Payments and thereafter inform Cardholders who wish to make In-Store Payments that payment should instead be sent to Servicer (but only if the Servicer is required to give such notice); or

(ii) (A) deposit an amount equal to all In-Store Payments received by each retail location operated by Company, not later than the Business Day following receipt, into a segregated trust account (the "Store Account") established by Company for this purpose and, pending such deposit, to hold all In-Store Payments in trust for Bank and its assigns, (B) use commercially reasonable efforts not to permit any amounts or items not constituting In-Store Payments to be deposited in the Store Account and (C) cause all available funds in each Store Account to be transferred on a daily basis to an account designated in the Store Payment Notice;

provided that Company need not take the actions specified in clause (i) or clause (ii) if Company or any of its Affiliates provides the Servicer with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all required conditions with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(2) if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, In-Store Payments shall no longer be netted against amounts payable by Bank pursuant to subsection 3.8(a), but instead Company shall transfer to Bank by ACH of immediately available funds not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as Company complies with instructions delivered in accordance with paragraph (1) or (2), any amounts payable by Bank to Company pursuant to Section 3.6 shall be made without deduction for In-Store Payments.

3.9 *Chargebacks.* Bank shall have the right to demand immediate purchase by Company of any Purchase and charge back to Company the unpaid principal balance relating to any such Purchase, for any chargeback reason as set forth in the Operating Procedures.

3.10 *Assignment of Title in Charged Back Purchases.* With respect to any amount of a Purchase to be charged back to and to be purchased by Company, Company shall either pay such amount directly to Bank in immediately available funds or Bank will offset such amount as part of the Net Proceeds to be paid to Company, to the extent the balance thereof is sufficient. Upon payment of such amount by Company to Bank, or off-setting, as the case may be, Bank shall assign and transfer to Company, without recourse, all of Bank's right, title and interest in and to such Purchase and will deliver all documentation (or copies) in Bank's possession, including but not limited to, Cardholder correspondence regarding such Purchase. Company further consents to all extensions or compromises given any Cardholder with respect to any such Purchase, and agrees that such shall not affect any liability of Company hereunder or right of Bank to charge back any Purchase as provided in this Agreement; provided, however, that Bank shall not have the right to charge back for any Purchase the amount of any reductions, or compromises of amounts owed by a Cardholder to Bank. Company shall not resubmit or re-transmit any charged back Purchases to Bank, without Bank's prior written consent.

3.11 *Promotion of Program and Card Plan; Non-Competition.* (a) Throughout the Term of this Agreement, Company shall use its reasonable efforts to market, promote, participate in and support the Plan as set forth in this Agreement. Company agrees that in consideration and as an inducement for Bank to make the Plan available to Company as outlined in this Agreement and the Operating Procedures, from the Effective Date and for as long as this Agreement is in existence, Company will

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not (nor will Company permit any Affiliate to do so on Company's behalf), without the prior written consent of Bank, contract or establish with any other credit card processor/provider or provide or process on its own behalf any "private label" or "co-brand" revolving credit or other credit card issuance or processing arrangement or programs similar in purpose to the Plan or to the services and transactions contemplated under this Agreement, except that if either party provides notice of termination pursuant to Section 9.1 of this Agreement or if Company terminates under Sections 9.3 or 9.5, Company may enter into a contract with another credit card processor/provider effective on or after termination of this Agreement (provided that an agreement for preliminary or planning services related thereto shall not violate this provision).

(b) Notwithstanding the foregoing, nothing contained in this Agreement will be construed to prohibit or prevent Company from: (i) accepting any major general purpose credit card (including without limitation, American Express (and Optima) Card, MasterCard, Visa, or NOVUS), any form of general purpose debit card or fixed payment (installment) credit programs for Applicants declined by Bank, as a means of payment by Cardholders for purchase of Goods and Services; or (ii) accepting a proprietary credit card issued by Bank for an Affiliate; or (iii) entering into a contract with another credit card provider for a particular state after Bank has terminated (or given notice of such termination) the operation of the Plan in such state pursuant to Section 9.4.

(c) Provided, further, that Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing a Mark or any of Company's other Name Rights and to accept any Bona Fide Offer by such third party if, prior to accepting such Bona Fide Offer, Company provides Bank with an opportunity to submit a competing offer and counteroffer (as outlined below) with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark or Name Right, and Bank's competing offer and counteroffer is not deemed to be "Competitive." Bank's competing offer or counteroffer shall be deemed to be "Competitive" if it has terms which are either (i) at least as favorable to Company as such Bona Fide Offer or (ii) taken as a whole, are reasonably competitive in the reasonable judgment of Company to such Bona Fide Offer. A Competitive offer or counteroffer by Bank shall be accepted by Company in lieu of such Bona Fide Offer. Company will provide to Bank a copy of all materials (such as requests for proposals and the like) provided by Company to all third parties for the purposes of soliciting Bona Fide Offers, such materials to be provided to Bank at the same time Company provides them to the third parties. Bank will be given at least thirty (30) days (or such longer period of time as is given to the third parties) to submit a competing offer to Company. In addition, if Bank submits within the thirty (30) day (or longer) period a competing offer in response to a Bona Fide Offer or solicitation of a Bona Fide Offer, and that competing offer is not deemed to be Competitive, then prior to accepting the Bona Fide Offer Company will identify and quantify to Bank the key terms and assumptions (of Company and the third party) of the Bona Fide Offer (however, Company shall not be required to provide Bank with a copy of the actual Bona Fide Offer) and Bank will have fifteen (15) days after receipt of such key terms to submit a counteroffer to Company and Company will evaluate any counteroffer submitted by Bank within such fifteen (15) day period according to the Competitive standards set forth in clauses (i) and (ii) above and will accept Bank's offer in lieu of such Bona Fide Offer if the Competitive standards are met. For purposes of this Section 3.11, "Bona Fide Offer" means an offer to Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to Company, its Affiliates and other retail or catalogue merchants).

3.12 *Postal Rate Adjustment.* From August 1, 2002 through January 31, 2003, Company shall bear the costs of all increases in the cost of mailing Account billing statements, form letters or new

Credit Cards due to increases in the first class pre-sort cost of postage from the United States Postal Service which increases occurred between February 1, 1996 and June 30, 2002.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF COMPANY

Company hereby represents and warrants to Bank as follows:

4.1 *Organization, Power and Qualification.* Division and Factoring are corporations duly organized, validly existing and in good standing under the laws of the state of Delaware and Nevada, respectively, and have full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Company is duly qualified and in good standing to do business in all jurisdictions where Company is located, except where the failure to so qualify would not have a material adverse effect on the business of the Company, or where the failure to so qualify would not have a material adverse effect on Company's or Bank's ability to continue operation of the Plan.

4.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Company and is a valid and legally binding agreement of Company duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Company is required for, and the absence of which would adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Company hereunder and the compliance by Company with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; and (ii) will not conflict with or result in a breach of or default under any of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Company is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Company, nor will such execution, delivery or compliance violate or result in the violation of the Articles of Incorporation or By-Laws of Company.

4.3 *Accuracy of Information.* All factual information furnished by Company to Bank in writing at any time pursuant to any requirement of, or furnished in response to any written request of Bank under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Company to Bank will be, true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information was or will be stated or certified.

4.4 *Validity of Charge Slips.* (a) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, each Charge Slip relating to such Transaction Records shall represent the obligation of a Cardholder in the respective amount set forth therein for Goods sold or

Services rendered, together with applicable taxes, if any, and shall not involve any element of credit for any other purpose.

(b) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, Company has no knowledge or notice of any fact or matter which would immediately or ultimately impair the validity of any Charge Slip relating to such Transaction Records, the transaction evidenced thereby, or its collectibility.

4.5 *Compliance with Law.* Any action or inaction taken by Company (where Company has a duty to act) in connection with the Plan and the sales of Goods and Services and the use and disclosure of Cardholder information by Company shall be in compliance with all Applicable Law

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except where the failure to comply does not or will not have a material adverse effect on Company, the Bank or the Plan.

4.6 *Company's Name, Trademarks and Service Marks.* Company has the legal right to use and to permit the Bank to use, to the extent set forth herein, the Mark and Name Rights utilized by Company in the conduct of its business.

4.7 *Intellectual Property Rights.* In the event Company provides any software or hardware to Bank, Company has the legal right to such software or hardware and the right to permit Bank to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Company or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Bank's request or to accommodate Bank's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Company and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Bank or any third party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Company and/or its Affiliates.

SECTION 5. COVENANTS OF COMPANY

Company hereby covenants and agrees as follows:

5.1 *Notices of Changes.* Company will as soon as reasonably possible notify Bank of any: (a) change in the name or form of business organization of Company, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Company or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Company; (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on Company; or (d) the planned opening or closing of any Company Store. Company will furnish such additional information with respect to any of the foregoing as Bank may reasonably request for the purpose of evaluating the effect of such change on the financial condition and operations of Company and on the Plan.

5.2 *Financial Statements.* In the event Company ceases to be an Affiliate of a publicly traded company or ceases to be a publicly traded company itself, Company shall make available to Bank as soon as available the following information pertaining to Company (or, at the option of Company's parent, consolidated information pertaining to such parent): (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Company's (or, its parent's, as applicable) independent certified public accountants in connection with such of the financial statements as have been audited.

5.3 *Inspection.* Company will permit, if Bank has reasonable cause to do so, authorized representatives designated by Bank, at Bank's expense, to visit and inspect, to the extent permitted by Applicable Law, any of the Company's books and records pertaining to Transaction Records and the Plan and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

5.4 *Company's Business.* Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the sale of Goods and Services.

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5.5 *Insurance.* Company shall self-insure or at its option maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other companies within Company's industry engaged in similar businesses as Company.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF BANK

Bank hereby represents and warrants to Company as follows:

6.1 *Organization, Power and Qualification.* Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America and has full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Bank is duly qualified and in good standing to do business in all jurisdictions where such qualification is necessary for Bank to carry out its obligations under this Agreement.

6.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Bank and is a valid and legally binding agreement of Bank duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Bank is required for, and the absence of which would materially adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Bank hereunder and the compliance by Bank with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; (ii) will not conflict with or result in a breach of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Bank is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Bank, nor will such execution, delivery or compliance violate or result in the violation of the Charter or By-Laws of Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

6.3 *Accuracy of Information.* All factual information furnished by Bank to Company in writing at any time pursuant to any requirement of, or furnished in response to any written request of Company under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Bank to Company will be true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information has or will be stated or certified.

6.4 *Compliance with Law.* Any action or inaction taken by Bank (where Bank has a duty to act) in connection with the Plan shall be in compliance with all Applicable Law, including, without limitation, all Consumer Laws, except where the failure to so comply does not or will not have a material adverse effect on the Bank, Company or the Plan.

6.5 *Intellectual Property Rights.* In the event Bank provides any software or hardware to Company, Bank has the legal right to such software or hardware and the right to permit Company to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Bank or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Company's request or to accommodate Company's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Bank and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Company or any third

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party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Bank and/or its Affiliates.

SECTION 7. COVENANTS OF BANK

Bank hereby covenants and agrees as follows:

7.1 *Notices of Changes.* Bank will as soon as reasonably possible notify Company of any: (a) change in the name or form of business organization of Bank, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Bank or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Bank; or (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on the Plan. Bank will furnish such additional information with respect to any of the foregoing as Company may reasonably request for the purpose of evaluating the effect of such transaction on the financial condition and operations of Bank and on the Plan.

7.2 *Financial Statement.* Bank shall furnish to Company upon request by Company and as soon as available the following information pertaining to Bank: (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Bank's independent certified public accountants in connection with such of the financial statements as have been audited.

7.3 *Inspection.* (a) Bank will permit, once per Plan Year unless Company has reasonable cause to request more frequent access, authorized representatives designated by Company, at Company's expense, to visit and inspect, to the extent permitted by Applicable Law, any of Bank's books and records pertaining to the Discount Fees, the Account Enhancement Services commission revenues and expenses set forth in Section 2.9, any fees and charges other than the Discount Fees and Purchases and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

(b) Bank shall permit Company, once per Plan Year unless Company has reasonable cause to request more frequent access, during normal business hours and upon reasonable notice, and in a manner which does not disrupt the operations, to visit the offices at which services relating to the Plan are provided, to review and monitor the activities of Bank and its subcontractors with respect to the performance of services hereunder. Bank shall provide Company with a copy of any annual SAS 70 technical audits performed on the servicing of the Accounts by its outside auditors.

7.4 *Bank's Business.* Bank shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the issuance of credit by Bank.

7.5 *Insurance.* Bank shall maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other banks engaged in similar businesses as Bank.

SECTION 8. INDEMNIFICATION; CLAIMS AND ACTIONS

8.1 *Indemnification by Company.* Company hereby indemnifies Bank, its Affiliates and the directors, officers, employees and agents of Bank or any Affiliate of Bank (each, a "Related Party") against, and agrees to hold them harmless from, any and all losses, claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("Damages") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or

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nonperformance of any covenant made by Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of Goods or rendering of Services by Company.

8.2. *Indemnification by Bank.* Bank hereby indemnifies Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by Bank under this Agreement.

8.3. *Third Party Claims.* (a) Bank shall not be liable to Company for or in connection with any claim made against Company by any other Person relating in any manner to this Agreement or to any services or any other transactions contemplated hereby (other than (i) claims based upon Bank's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Bank arising from this Agreement (other than claims based upon Company's or any of its Related Parties' negligence or willful misconduct), (iii) claims relating to acts or omissions of Bank and its agents in connection with the collection of amounts owing from Cardholders and (iv) claims relating to the submission by Bank or its agents of data concerning Cardholders to credit agencies), even if Bank has been advised of the possibility of such claims.

(b) Company shall not be liable to Bank for or in connection with any claim made against Bank by any other Person relating in any manner to this Agreement or to any services or other transactions contemplated hereby (other than (i) claims based upon Company's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Company arising from this Agreement and (iii) claims relating to goods purchased from Company), even if Company has been advised of the possibility of such claims.

(c) Each party shall exert its good faith efforts to notify the other of any claims described in clauses (i) through (iv) of subsections (a) and (b) above of which such party receives notice.

8.4. *Dispute Resolution and Actions.* Bank and Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 8.4.

8.5. *Limitation on Actions.* No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than four (4) years after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

8.6. *Reimbursement for Losses.* If, as a result of any claim made by Bank against any third party (including, but not limited to, an insurer), Bank actually receives from such third party cash proceeds (or non-cash proceeds, whether in the form of goods or services) which represent, in whole or in part, compensation for or reimbursement of losses or costs actually incurred by Company, then Bank will hold that portion of such proceeds fairly allocable to Company (taking into consideration all losses or costs actually incurred by all parties for whose benefit such payments have been received) in trust on behalf of Company and will promptly pay over to Company such allocable amount of any such cash proceeds (or, as to non-cash proceeds, the allocable portion or, at the discretion of Bank, the cash equivalent thereof).

8.7. *Survival.* The provisions of this Section 8 shall survive the termination of this Agreement.

SECTION 9. TERM AND TERMINATION

9.1 *Term.* This Agreement shall become effective as of the Effective Date when executed by authorized officers of each of the parties and shall remain in effect until August 31, 2009 (the "Initial Term") and shall automatically renew for successive one-year terms (each a "Renewal Term") thereafter unless either party provides the other with at least twelve (12) month's written notice of its intention to terminate the Agreement prior to the expiration of the Initial or then current Renewal Term, or unless otherwise terminated as provided herein.

9.2 *Termination with Cause by Bank; Bank Termination Events.* Any of the following conditions or events shall constitute a "Bank Termination Event" hereunder, and Bank may terminate this Agreement immediately without further action if Company causes such Bank Termination Event to occur and be continuing:

(a) If Company shall: (i) generally not pay its debts as they become due; (ii) file, or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Company to perform under this Agreement or the Plan; or (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Company, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Company, or if any petition for any such relief shall be filed against Company and such petition shall not be dismissed within sixty (60) days; or

(c) If Company shall default in the performance of or compliance with any material term or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Company shall not have remedied such default within thirty (30) days after written notice thereof shall have been received by Company from Bank.

9.3 *Termination with Cause by Company; Company Termination Events.* Any of the following conditions or events shall constitute a "Company Termination Event" hereunder, and Company may terminate this Agreement immediately without further action if Bank causes such Company Termination Event to occur and be continuing:

(a) If Bank shall: (i) generally not be paying its debts as they become due; (ii) file or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers for itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Bank to perform under this Agreement or the operation of the Plan; (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or (viii) have a materially adverse

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change in its financial condition, including, but not limited to Bank being downgraded by a rating agency to a rating below an investment grade rating; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Bank, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Bank, or if any petition for any such relief shall be filed against Bank and such petition shall not be dismissed within sixty (60) days; or

(c) If Bank shall default in the performance of or compliance with any material term (other than the Service Standards) or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Bank shall not have remedied such default within thirty (30) days (or within five (5) days in the case of failure to pay Company pursuant to Section 3.6(a)) after written notice thereof shall have been received by Bank from Company; or

(d) A Service Standards Termination Event shall have occurred.

9.4 *Termination of Particular State.* In addition, Bank may terminate the operation of the Plan in a particular state if the Applicable Law of the state or jurisdiction is amended or interpreted in such a manner so as to render all or any part of the Plan illegal or unenforceable, and in such event Bank will, if requested, assist Company with finding a new credit provider for such state. Bank will provide Company with as much advance notice of such termination as is reasonable under the circumstances.

9.5 *Termination for Competitive Reasons.* Company may terminate this Agreement upon not less than sixty (60) days' prior written notice to the Bank at any time after the first anniversary of the Effective Date if, based on the application of the matrix set forth in Schedule 1.1, the applicable Discount Rate exceeds the highest Discount Rate in such matrix and the costs to Company under this Agreement are substantially higher than the costs that would be incurred by Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; provided that Company shall not be entitled to terminate this Agreement pursuant to this Section 9.5 unless Company provides Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and Bank is entitled to submit a counter-proposal within thirty (30) days of receipt of such description. If Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in Bank's counter-proposal.

9.6 *Purchase of Accounts.* Upon termination of this Agreement, Company will have the option to purchase the then-outstanding Credit Card Account balances not previously written-off by Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to Bank, and will be provided with all related Account information and other Account data; *provided* that Company will be required to purchase such then-outstanding Credit Card Account balances on such terms if Company objects to any automatic extension of this Agreement pursuant to Section 9.1. All payments by Company pursuant to this Section 9.6 shall be made not later than one (1) Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by Bank to Company not less than two (2) Business Days prior to the payment date. Upon any termination of this Agreement, (i) Company (at its sole expense) shall notify all Cardholders that Bank is no longer the processor of their Credit Card accounts, and (ii) Company and Bank shall cooperate in facilitating the transition to a new processor.

9.7 *Remedies for Failure to Meet Service Standards.* (a) Each time a Service Event occurs, Bank shall: (i) promptly investigate the root cause(s) of the failure and deliver to Company a written report

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identifying such root cause(s); (ii) use commercially reasonable efforts to correct the problem and to begin meeting such Service Standard as soon as practicable; (iii) provide to Company a schedule and plan for correction of the root cause(s) of the Service Events, and (iv) at Company's request, advise Company of the status of such corrective efforts.

(b) In the event more than three (3) Service Events occur during any calendar month, Bank will, in addition to those steps set forth in Section 9.7(a), arrange for a senior executive of Bank to meet with a senior executive of Company or Company's parent company's senior management to discuss the items delivered under Section 9.7(a).

(c) A "Service Standard Termination Event" shall occur in the event:

(i) a Service Event occurs for a specific Service Standard for three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if the same Base Level Service Standard is failed by Bank in the fourth consecutive month, Company may terminate this Agreement; or

(ii) a total of 10 Service Events occur during any three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if a total of 6 Service Events occur at anytime in the three (3) consecutive months following Company's notice to Bank, then Company may terminate this Agreement.

SECTION 10. MISCELLANEOUS

10.1 *Entire Agreement.* This Agreement constitutes the entire Agreement and supersedes all prior agreements and understandings, whether oral or written, among the parties hereto with respect to the subject matter hereof and merges all prior discussions between them, including without limitation the Credit Card Processing Agreement.

10.2 *Coordination of Public Statements.* Bank's parent company, Alliance Data Systems Corporation, as a public company, will issue a news release disclosing this Agreement between Bank and Company, such news release must be approved by both parties prior to its issuance. In all other cases, except as required by Applicable Law, neither party will make any public announcement of the Plan or provide any information concerning the Plan to any representative of any news, trade or other media without the prior approval of the other party, which approval will not be unreasonably withheld. Neither party will respond to any inquiry from any public or governmental authority, except as required by law, concerning the Plan without prior consultation and coordination with the other party. Upon Bank's reasonable request from time to time, Company in its sole discretion may provide references or participate in marketing campaigns or testimonial initiatives for Bank regarding the services provided by Bank in connection with the Plan.

10.3 *Amendment.* Except as otherwise provided for in this Agreement, the provisions herein may be modified only upon the mutual agreement of the parties, however, no such modification shall be effective until reduced to writing and executed by both parties.

10.4 *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party which will not be unreasonably withheld. Notwithstanding the foregoing, (i) Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of Bank, provided that any such assignee of Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to Company, (ii) Company shall assign or otherwise transfer all of its rights and obligations under this Agreement

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(A) to the purchaser of all or substantially all of the assets of Company, or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to Company or any successor (whether by merger, consolidation or otherwise) thereto, and (iii) Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against Company for any reason whatsoever, and (B) Bank hereby indemnifies Company and its Affiliates against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser).

10.5 *Waiver.* No waiver of the provisions hereto shall be effective unless in writing and signed by the party to be charged with such waiver. No waiver shall be deemed to be a continuing waiver in respect of any subsequent breach or default either of similar or different nature unless expressly so stated in writing. No failure or delay on the part of either party in exercising any power or right under this Agreement shall be deemed to be a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise, or the exercise of any other power or right.

10.6 *Severability.* If any of the provisions or parts of the Agreement are determined to be illegal, invalid or unenforceable in any respect under any applicable statute or rule of law, such provisions or parts shall be deemed omitted without affecting any other provisions or parts of the Agreement which shall remain in full force and effect, unless the declaration of the illegality, invalidity or unenforceability of such provision or provisions substantially frustrates the continued performance by, or entitlement to benefits of, either party, in which case this Agreement may be terminated by the affected party, without penalty.

10.7 *Notices.* All communications and notices pursuant hereto to either party shall be in writing and addressed or delivered to it at its address shown below, or at such other address as may be designated by it by notice to the other party, and shall be deemed given when delivered by hand, or two (2) Business Days after being mailed (with postage prepaid) or when received by receipted courier service:

If to Bank:
800 TechCenter Drive
Gahanna, OH 43230
Attn.: Daniel T. Groomes, President

With a Copy to:
Karen Morauski, VP & Counsel

If to Company:
Three Limited Parkway
Columbus, OH 43230
Attn.: Lisa Klinger, Treasurer

With a Copy to:
Senior Vice President and
General Counsel
Limited Brands, Inc.
Three Limited Parkway
Columbus, OH 43230

10.8 *Captions and Cross-References.* The table of contents and various captions in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any Section are to such Section of this Agreement.

10.9 *GOVERNING LAW.* THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OHIO, REGARDLESS OF THE DICTATES OF OHIO CONFLICTS OF LAW, AND THE PARTIES HEREBY SUBMIT TO EXCLUSIVE JURISDICTION AND VENUE IN THE UNITED STATES FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO OR ANY OF THE STATE COURTS LOCATED IN FRANKLIN COUNTY, OHIO.

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10.10 *Counterparts.* This Agreement may be signed in one or more counterparts, all of which shall be taken together as one agreement.

10.11 *Force Majeure.* Neither party will be responsible for any failure or delay in performance of its obligations under this Agreement because of circumstances beyond its reasonable control, and not due to the fault or negligence of such party, including, but not limited to, acts of God, flood, criminal acts, fire, riot, computer viruses, computer hackers, accident, strikes or work stoppage, embargo, sabotage, inability to obtain material, equipment or phone lines, government action (including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement), and other causes whether or not of the same class or kind as specifically named above. In the event a party is unable to perform substantially for any of the reasons described in this Section, it will notify the other party promptly of its inability so to perform, and if the inability continues for at least ninety (90) consecutive days (fifteen (15) days in the cases of credit authorizations and processing of new Accounts), the party so notified may then terminate this Agreement forthwith. This provision shall not, however, release the party unable to perform from using its best efforts to avoid or remove such circumstance and such party unable to perform shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

10.12 *Relationship of Parties.* This Agreement does not constitute the parties as partners or joint venturers and neither party will so represent itself.

10.13 *Survival.* No termination of this Agreement shall in any way affect or impair the powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring prior to such termination. No powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring after termination shall survive termination except for the following Sections: Section 2.10, Section 2.11, Section 3.3, Section 3.5, Section 3.6, Section 3.8, Section 3.9, Section 3.10, Section 8, Section 9.5, Section 10.7, Section 10.9, Section 10.11, Section 10.17 and Section 10.18.

10.14 *Mutual Drafting.* This Agreement is the joint product of Bank and Company and each provision hereof has been subject to mutual consultation, negotiation and agreement of Bank and Company; therefore to the extent any language in this Agreement is determined to be ambiguous, it shall not be construed for or against any party based on the fact that either party controlled the drafting of the document.

10.15 *Independent Contractor.* The parties hereby declare and agree that Bank is engaged in an independent business, and shall perform its obligations under this Agreement as an independent contractor; that any of Bank's personnel performing the services hereunder are agents, employees, Affiliates, or subcontractors of Bank and are not agents, employees, Affiliates, or subcontractors of Company; that Bank has and hereby retains the right to exercise full control of and supervision over the performance of Bank's obligations hereunder and full control over the employment, direction, compensation and discharge of any and all of the Bank's agents, employees, Affiliates, or subcontractors, including compliance with workers' compensation, unemployment, disability insurance, social security, withholding and all other federal, state and local laws, rules and regulations governing such matters; that Bank shall be responsible for Bank's own acts and those of Bank's agents, employees, Affiliates, and subcontractors; and that except as expressly set forth in this Agreement, Bank does not undertake by this Agreement or otherwise to perform any obligation of Company, whether regulatory or contractual, or to assume any responsibility for Company's business or operations.

10.16 *No Third Party Beneficiaries.* The provisions of this Agreement are for the benefit of the parties hereto and not for any other person or entity.

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10.17 *Confidentiality.* (a) Neither party shall disclose any information not of a public nature concerning the business or properties of the other party which it learns as a result of negotiating or implementing this Agreement, including, without limitation, the terms and conditions of this Agreement, Customer names, Cardholder personal or Account information, sales volumes, test results, and results of marketing programs, Plan reports generated by Bank, trade secrets, business and financial information, source codes, business methods, procedures, know-how, computer software and computer systems (including software licensed from third parties) and other information of every kind that relates to the business of either party except to the extent disclosure is required by Applicable Law, is necessary for the performance of the disclosing party's obligation under this Agreement, or is agreed to in writing by the other party; provided that: (i) prior to disclosing any confidential information to any third party, the party making the disclosure shall give notice to the other party of the nature of such disclosure and of the fact that such disclosure will be made; and (ii) prior to filing a copy of this Agreement with any governmental authority or agency, the filing party will consult with the other party with respect to such filing and shall redact such portions of this Agreement which the other party requests be redacted, unless, in the filing party's reasonable judgment based on the advice of its counsel (which advice shall have been discussed with counsel of the other party), the filing party concludes that such request is inconsistent with the filing party's obligations under Applicable Laws. Neither party shall acquire any property or other right, claim or interest, including any patent right or copyright interest, in any of the systems, procedures, processes, equipment, computer programs and/or information of the other by virtue of this Agreement. Neither party shall use the other party's name for advertising or promotional purposes without such other party's written consent.

(b) The obligations of this Section, shall not apply to any information:

- (i) which is generally known to the trade or to the public at the time of such disclosure; or
- (ii) which becomes generally known to the trade or the public subsequent to the time of such disclosure; provided, however, that such general knowledge is not the result of a disclosure in violation of this Section; or
- (iii) which is obtained by a party from a source other than the other party, without breach of this Agreement or any other obligation of confidentiality or secrecy owed to such other party or any other person or organization; or
- (iv) which is independently conceived and developed by the disclosing party and proven by the disclosing party through tangible evidence not to have been developed as a result of a disclosure of information to the disclosing party, or any other person or organization which has entered into a confidential arrangement with the non-disclosing party.

(c) If any disclosure is made pursuant to the provisions of this Section, to any Affiliate or third party, the disclosing party shall be responsible for ensuring that such Affiliate or third party keeps all such information in confidence and that any third party executes a confidentiality agreement provided by the non-disclosing party. Each party covenants that at all times it shall have in place procedures designed to assure that each of its employees who is given access to the other party's confidential information shall protect the privacy of such information. Each party acknowledges that any breach of the confidentiality provisions of

this Agreement by it will result in irreparable damage to the other party and therefore in addition to any other remedy that may be afforded by law any breach or threatened breach of the confidentiality provisions of this Agreement may be prohibited by restraining order, injunction or other equitable remedies of any court. The provisions of this Section will survive termination or expiration of this Agreement.

10.18 *Taxes.* Company will be responsible for, and agrees to pay, all sales, use, excise, and value-added taxes, or taxes of a similar nature (excluding personal property taxes and taxes based on Bank's income which shall be borne by Bank), imposed by the United States, any state or local government, or

other taxing authority, on all goods and/or services provided by Bank under this Agreement. The parties agree to cooperate with each other to minimize any applicable sales, use, or similar tax and, in connection therewith, the parties shall provide each other with any relevant tax information as reasonably requested (including without limitation, resale or exemption certificates, multi-state exemption certificates, information concerning the use of assets, materials and notices of assessments). All amounts set forth in this Agreement are expressed and shall be paid in lawful U.S. dollars.

(Signature block on following page.)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in manner and form sufficient to bind them as of the date first above written.

BATH & BODY WORKS, INC.

WORLD FINANCIAL NETWORK NATIONAL BANK

By: /s/ TIM FABER

By: /s/ DANIEL T. GROOMES

Title: Vice President

Daniel T. Groomes
Title: President

Date: August 30, 2002

Date: August 30, 2002

TRI-STATE FACTORING, INC.

By: /s/ DAVID HASSON

Title: Vice President

Date: August 30, 2002

**Schedule 2.8
Master File Information**

Account Number
Month Account Opened
Year Account Opened
Store Account Opened
Cardholder Name
Cardholder's Street Address
Cardholder's City
Cardholder's State
Cardholder's Zip Code
Cardholder's Home Phone Number
Date of Last Purchase
Cardholder's Open to Buy
Number of Purchases Monthly
Amount of Purchases Monthly, YTD
Number of Returns Monthly
Amount of Returns Monthly
Date of Birth
Items Purchased

**Schedule 2.7
Credit Standards**

The new Account cut-off score is based upon the projected sixty (60) month profitability of Accounts within each score range. Account profitability is based upon projected Discount Fees (the current fee percentage), finance charge income, variable billing expenses and write-offs. The projections are derived from actual results to date using historical trends. The cut-off score is established at the score range where Bank's profit for the score range equals zero.

Schedule 2.8
Master File Information

Account Number
Month Account Opened
Year Account Opened
Store Account Opened
Cardholder Name
Cardholder's Street Address
Cardholder's City
Cardholder's State
Cardholder's Zip Code
Cardholder's Home Phone Number
Date of Last Purchase
Cardholder's Open to Buy
Number of Purchases Monthly
Amount of Purchases Monthly, YTD
Number of Returns Monthly
Amount of Returns Monthly
Date of Birth
Items Purchased

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PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

BETWEEN

WORLD FINANCIAL NETWORK NATIONAL BANK

AND

VICTORIA'S SECRET DIRECT, LLC

AND

FAR WEST FACTORING, INC.

DATED AS OF AUGUST 29, 2002

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PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

THIS PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT is made as of this 29th day of August, 2002 (the "Effective Date") by and between Victoria's Secret Direct, LLC, a Delaware limited liability company, with its principal office at 3425 Morse Crossing, Columbus, Ohio 43219, (hereinafter referred to as "Division"), Far West Factoring, Inc., a Nevada corporation, with its principal office at 4441 South Polaris Avenue, Las Vegas, Nevada 89103, a

WITNESSETH:

WHEREAS the Bank, Division and Factoring entered a certain Credit Card Processing Agreement, effective as of January 31, 1996 (the "Credit Card Processing Agreement"), to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Division's retail or catalogue business, which allows the customers of the Division to purchase goods from the Division using funds advanced by the Bank; and

WHEREAS the parties to this Agreement wish to terminate the Credit Card Processing Agreement as of the Effective Date and enter into this Private Label Credit Card Program Agreement, the terms of which shall supersede and replace the Credit Card Processing Agreement; and

NOW THEREFORE, in consideration of the terms and conditions hereof, and for other good and valuable consideration, the receipt of which is hereby mutually acknowledged by the parties, Bank and Company agree as follows.

SECTION 1. DEFINITIONS

1.1 *Certain Definitions.* As used herein and unless otherwise required by the context, the following terms shall have the following respective meanings.

"Account" shall mean an individual open-end revolving line of credit established by Bank for a Customer pursuant to the terms of a Credit Card Agreement, including without limitation, each of the Existing Accounts.

"Affiliate" shall mean with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing. In addition, (i) Aura Science, LLC (and its successors by way of change of organizational form) and (ii) any other similar joint venture or Person (of which Company notifies Bank in writing) formed for the purposes of pursuing a joint venture with Limited Brands, Inc. or any Affiliate (as otherwise defined above) of Limited Brands, Inc. shall be deemed an Affiliate of Company for all purposes (other than for the purposes of Section 3.11 hereof) so long as Limited Brands, Inc. and its Affiliates (as otherwise defined above) possess the power to elect not less than 25% of the whole number of the board of directors of such entity or own not less than 25% of the assets or equity thereof. Company and Bank shall not be deemed to be Affiliates for purposes of this Agreement.

"Agreement" shall mean this Private Label Credit Card Program Agreement and any future amendments or supplements thereto.

"Applicable Law" shall mean any applicable federal, state or local law, rule, or regulation.

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"Applicant" shall mean an individual who is a Customer of Company who applies for an Account under the Plan.

"Authorized User" shall mean an individual authorized by the primary Cardholder(s) to use an Account and as established in accordance with the Operating Procedures.

"Batch Prescreen Application" shall mean a process where Bank's offer of credit is made to certain Customers prequalified by Bank, in a batch mode typically within a catalog environment.

"Business Day" shall mean any day, except Saturday, Sunday or a day on which banks in Ohio are required to be closed.

"Cardholder" shall mean any natural person to whom an Account has been issued by Bank and/or any Authorized User of the Account.

"Charge Slip" shall mean a sales receipt, register receipt tape, invoice or other documentation, whether in hard copy or electronic form, in each case evidencing a Purchase that is to be charged to a Cardholder's Account.

"Company Deposit Account" shall mean a deposit account maintained by Company as set forth in Section 3.6 (a).

"Company's Stores" shall mean those certain retail locations selling Goods and/or Services, which are owned and operated by Company.

"Consumer Laws" shall mean all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws.

"Credit Card" shall mean the plastic credit card bearing one or more of the Marks issued by Bank to Cardholders for purchasing Goods and Services pursuant to the Plan.

"Credit Card Agreement" shall mean the open-end revolving credit agreement between a Cardholder and Bank governing the Account and Cardholder's use of the Credit Card, together with any modifications or amendments which may be made to such agreement as permitted in this Agreement.

"Credit Card Processing Agreement" shall have the meaning set forth in the first recital.

"Credit Sales Day" shall mean any day, whether or not a Business Day, on which Goods and/or Services are sold by Company.

"Credit Slip" shall mean a sales credit receipt or other documentation, whether in hard copy or electronic form, evidencing a return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder.

"Customer" shall mean any individual consumer who is a customer or potential customer of Company.

"Deferred Billing Programs" shall mean any special Cardholder payment terms mutually agreed to by Bank and Company for certain Purchases, including without limitation deferred finance charges and deferred payments and subject to any terms and conditions set forth in writing by Bank.

"Discount Fee" shall mean an amount to be charged by Bank equal to Net Sales multiplied by the Discount Rate. Notwithstanding the foregoing, Bank shall not include taxes for Purchases (and correspondingly Net Sales) when calculating the Discount Fee for Purchases made on or before July 31, 2002.

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"Discount Rate" shall have the meaning set forth in Schedule 1.1.

"Effective Date" shall mean the date set forth in the first paragraph on page one of this Agreement.

"Existing Accounts" shall mean all of the Accounts in existence as of the Effective Date opened under and/or subject to the Plan provided by Bank pursuant to the Credit Card Processing Agreement.

"Forms" shall have the meaning set forth in Section 2.4.

"Goods and/or Services" shall mean those goods and/or services sold at retail by Company to the general public through stores, catalog, the Internet or any other method mutually agreed upon by the Company and Bank, where such goods and/or services are intended by Company for individual, personal, family or household use.

"Initial Term" shall have the meaning set forth in Section 9.1.

"Instant Credit Application" shall mean an in store or catalog application procedure designed to open Accounts at point of sale or order entry whereby an application for credit is communicated to Bank either verbally at point of sale or systemically during the catalog order entry process according to the Operating Procedures.

"Mark" shall mean a trademark or service mark owned by or licensed to Company and designated by Company to Bank for use in connection with the Plan.

"Name Rights" shall have the meaning set forth in Section 2.10.

"Net Proceeds" shall mean Purchases less: (i) credits to Accounts for the return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder, all as shown in the Transaction Records (as corrected by Bank in the event of any computational error), calculated each Business Day; (ii) payments from Cardholders received by Company from Cardholders on Bank's behalf; and (iii) any applicable Discount Fees in effect on the date of calculation. Notwithstanding the foregoing, if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, the credits payable to Bank pursuant to clause (i) above and the payments received by Company in clause (ii) above shall no longer be netted against the Net Proceeds payable by Bank pursuant to Section 3.6 but instead Company shall transfer the amount of each credit and payment to Bank by ACH of immediately available funds not later than the second Business Day following the date on which the events giving rise to such credit or payment occur (and the Net Proceeds payable by the Bank pursuant to Section 3.6 shall be made without deduction for such credits or payments).

"Net Sales" shall mean Purchases less shipping and handling and less credits or refunds for Goods and/or Services, all as shown in the Transaction Records received by the Bank each Business Day (as corrected by Bank in the event of any computational error), and calculated each Business Day.

"On-Line Prescreen" shall mean a process where a pre-screened offer of credit is made to credit-worthy Customers in a real-time pre-approved process according to Bank's Operating Procedures. The process utilizes traditional order entry data elements to build Customer records. The Customer records are pre-screened by a credit bureau using Bank's established criteria to determine if an offer of credit is appropriate. Customer records passing the Bank's pre-screening credit criteria are returned to the point of order entry where the pre-approved offer to open an Account is made. Records not passing the credit criteria are not returned and no offer is made.

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"Operating Procedures" shall mean Bank's Company's catalog procedures, Company Store's procedures, Internet or e-commerce procedures and any amendments to the same or additional or different procedures which satisfy the requirements of Section 2.3, to be followed by Company in connection with the Plan.

"Person" shall mean an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" shall mean the private label credit card program established and administered by Bank for Customers of Company by virtue of this Agreement.

"Plan Year" shall mean each consecutive twelve (12) month period commencing on the Effective Date and each anniversary thereof.

"Purchase" shall mean a purchase of Goods and/or Services, including without limitation all applicable taxes and shipping costs, with a specific extension of credit by Bank to a Cardholder using an Account as provided for under this Agreement.

"Quick Credit" shall mean an in-store application procedure designed to open Accounts as expeditiously as possible at point of sale, whereby an application for an Account is processed without a paper application being completed by an Applicant. An Applicant's credit card (Visa, MasterCard, American Express, Discover or other Bank approved private label card) is electronically read by a terminal that captures the Applicant's name and credit card account number. Other data shall be entered into that same terminal by the Company's Store associate as specified in the Operating Procedures. This data is used by Bank to request a credit bureau report and make a decision whether to approve or decline the Applicant.

"Regular Revolving Purchases" shall mean Purchases which are not subject to any Deferred Billing Programs or Equal Payment Purchases.

"Renewal Term" shall have the meaning set forth in Section 9.1.

"Season" shall mean (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January. For the purposes hereof, a "fiscal month" is a monthly period defined by Company in writing to Bank from time to time to coincide with Company's fiscal calendar.

"Service Event" shall mean a failure by Bank to meet a Base Level (as identified in Schedule 2.1) for a single Service Standard during one calendar month; provided that such failure was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

"Service Standard" shall mean the performance or quantitative levels of performance set forth in Schedule 2.1.

"Service Standards Termination Event" shall have the meaning given in Section 9.7.

"Statemented Account" shall mean each Account for which a billing statement is generated within a particular billing cycle.

"Term" shall mean the Initial Term and any Renewal Terms.

"Transaction Record" shall mean, with respect to each Purchase of Goods or Services by a Cardholder from Company, each credit or return applicable to a Purchase of Goods or Services, and each payment received by Company from a Cardholder on Bank's behalf: (a) the Charge Slip

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or Credit Slip corresponding to the Purchase, credit or return; or (b) a computer readable tape/cartridge or electronic transmission containing the following information: the Account number of the Cardholder, the Company's Store number at which the Purchase, credit or return was made, the total of (i) the Purchase price of Goods or Services purchased or amount of the credit, as applicable, plus (ii) the date of the transaction, a description of the Goods or Services purchased, credited or returned and the authorization code, if any, obtained by Company's Store prior to completing the transaction; or (c) electronic record whereby Company's Store electronically transmits the information described in subsection (b) hereof to a network provider (selected by Company at its expense), which in turn transmits such information to Bank by a computer tape/cartridge or electronic tape or transmission.

1.2 *Other Definitions.* As used herein, terms defined in the introductory paragraph hereof and in other sections of this Agreement shall have such respective defined meanings. Defined terms stated in the singular shall include reference to the plural and vice versa.

SECTION 2. THE PLAN

2.1 *Establishment and Operation of the Plan.* (a) The Plan is established for the primary purpose of providing Customer financing for Goods and Services purchased from Company. Qualified Applicants desiring to use the Plan shall be granted an Account by Bank with a credit line in an amount to be determined by Bank in its discretion for each individual Applicant. Subject to Section 3.6 (d), Bank shall determine the terms and conditions of the Account to be contained in a Credit Card Agreement, which Credit Card Agreement shall be subject to change upon notice given by Bank to the Cardholders in accordance with Applicable Law. All Existing Accounts are deemed provided under the Plan.

(b) Bank shall operate the Plan in accordance with the Service Standards set forth in Schedule 2.1, as such performance standards may be modified from time to time at the reasonable request of Bank or Company and with the consent of the other party. Within fifteen (15) days after the end of each calendar month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards.

(c) Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

(d) Not later than one hundred and twenty (120) days following the Effective Date, Bank will design a Cardholder satisfaction survey process to be administered in accordance with the procedures already in place at the Bank, at a cost comparable to its existing cost. This survey should be an on-going, real-time process by which Bank and Company can measure Cardholder satisfaction. Bank will solicit Company's review and approval of the methodology used to analyze and assess the results of the survey (such approval not to be unreasonably withheld or delayed) and will provide the raw and analyzed survey results to Company. The results will be presented in a mutually agreed format. Bank will deliver Cardholder satisfaction survey results to Company on a quarterly basis and will on a monthly basis discuss the trends based on the prior month's results.

(e) From time to time during the Term, Company may request that Bank provide to Company new products, services or technology in connection with the Plan, identified by Company, which are then commercially available from the top tier of well-managed private label credit card services vendors ("Competitive Vendors") and offered generally to such Competitive Vendors' clients and potential clients. Bank will exert its good faith reasonable efforts to provide such services on terms reasonably competitive to those offered in the marketplace by Competitive Vendors.

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2.2 *Applications for Credit Under the Plan; Billing Statements.* (a) Applicants who wish to apply for an Account under the Plan must submit a completed application on a form or in an electronic format approved by Bank, and Bank shall grant or deny the request for credit based solely upon Bank's credit criteria as specified in Section 2.7. Company shall provide a copy of the Credit Card Agreement to the Applicant to be retained for the Applicant's records. The application shall be submitted to Bank by the Applicant or submitted by Company on behalf of the Applicant, as required in the Operating Procedures. If Bank grants the request for an Account, Bank will issue a Credit Card to the Applicant which accesses an individual line of credit in an amount determined by Bank.

(b) Bank shall make available to Company and Company shall utilize primarily a Quick Credit application procedure. Bank shall also make available to Company and Company may elect to utilize in its discretion, Instant Credit, pre-approved solicitations, Batch Prescreen and On-Line Prescreen application procedures as mutually agreed upon.

(c) Subject to Section 2.8, Company agrees that it will keep confidential the information on such applications and shall not disclose the information to anyone other than authorized representatives of Bank.

(d) All Cardholders will receive from Bank a periodic statement (the "Billing Statement") listing the amounts of Purchases made and credits received and other information as required by Applicable Law or deemed desirable by Bank. Company may if desired put text messages on the statements as approved by Bank.

(e) Bank shall make available to Company Internet application procedures and Charge Slip processing. In such event, Company shall be responsible for integrating and maintaining on its website at its sole expense a link to the Bank's Internet application processing website. The parties shall work together on implementing such links from the Bank's Internet application processing website back to Company's Internet site. Bank shall take reasonable efforts to ensure that navigation back to Company's Internet site from the Bank's Internet application processing website, whether through a particular pointer or link, the "back" button on an Internet browser, the closing of an active window, or any other return mechanism, shall not be interrupted by Bank through the use of any intermediate screen or other device not specifically requested by the user, including without limitation through the use of any html pop-up window or any other similar device.

2.3 *Operating Procedures.* Company shall observe and comply with the Operating Procedures. Company shall ensure that Company's Stores personnel are trained regarding the Operating Procedures and shall ensure their compliance with them. The Operating Procedures may be supplemented, amended or modified by Bank from time to time in its reasonable discretion; provided, however, a copy of any such supplement, amendment or modification shall be provided to Company at least ninety (90) days before its effective date (the "Notice Date") unless otherwise required by Applicable Law, and for those changes required by Applicable Law, notice shall be given as soon as practicable. For changes that are (A) required by Applicable Law, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices (both (A) and (B) being referred to herein as the "Required Changes"), where Bank implements such Required Changes with all of its other clients that are also affected by such change in Applicable Law or operate in circumstances similarly requiring changes from the standpoint of safe and sound banking practices, Bank shall identify the changes as Required Changes in the notice to Company. Unless such change is a Required Change, Company shall have the right within thirty (30) days after the Notice Date to object to such change and the parties' representatives will promptly thereafter meet to discuss such change in good faith in order to agree upon such change or a mutually agreeable alternative to such change. In the event the parties are unable to agree upon such change or an alternative within sixty (60) days after the Notice Date, then a senior executive from both Company and Bank shall meet to negotiate in good faith in order to agree upon such change or a mutually agreeable alternative to such change. If the parties' senior

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executives are unable to mutually agree within ninety (90) days after the Notice Date, then Bank shall have the right to implement the initially proposed change so long as (i) Bank implements such change with all or substantially all of its other similar clients, (ii) such change does not change the chargebacks section of the Operating Procedures, and (iii) such change does not impose a material adverse financial or operational burden on Company.

2.4 *Plan Documents.* Subject to and in compliance with the requirements of Applicable Law, Bank shall solely author any content, format or other aspect of the Credit Card Agreement, application, Credit Card, card mailer, letters, and other documents and forms and billing statements (collectively, "Forms") to be used under the Plan which (i) relate to the Plan, (ii) relate to the Bank's or the Cardholder's rights or obligations under the Account, or (iii) are required by Applicable Law. Bank and Company shall jointly design all other aspects of the Forms (except for Cardholder letters and other documents and forms used by Bank in maintaining and servicing the Accounts, which Bank shall solely design), subject to and in compliance with the requirements of Applicable Law. Bank will provide Company with copies of the template of any Forms which are to be provided by Bank in a mass mailing or distribution to all Cardholders as a whole or to all Cardholders in a particular state. Bank shall provide at Bank's expense consistent with Bank's standard costs for such documents (any excess costs due to Company's special requests for non-standard documents shall be borne by Company) appropriate quantities of the Credit Card Agreements, Credit Card plastics, card mailer and billing statements. Bank shall notify Company in advance if any form is not consistent with Bank's standard costs and will provide Company with a written estimate of the excess costs to be borne by Company for such form. Company shall pay the costs of all other Plan documentation including, without limitation, applications, promotional material (i.e. collateral), pre-approved solicitations, Instant and Quick Credit contracts and special offers, reissued Credit Card plastics, including but not limited to embossing and encoding, card carriers, envelopes, Credit Card Agreements and postage related to any reissuances requested by Company for any reissuance of Credit Cards to Cardholders (other than replacements made by Bank from time to time at a Cardholder's request on an individual basis). Bank shall have the right to review and approve all materials prepared by Company (or an Affiliate or third party) that refer in any way to the Plan, such approval not to be unreasonably withheld or delayed. In the event any Forms become obsolete as a result of changes requested by Company, Company shall reimburse Bank for the direct costs associated with any unused obsolete Forms. Company shall pay the actual and direct costs associated with any Forms changes or Cardholder notices required as a result of any additions or deletions of Company honored credit cards requested by Company pursuant to Section 3.1. Only one design shall be used for each form.

2.5 *Marketing.* Company agrees to use its reasonable efforts to promote the use of Credit Cards for Purchases and to acquire new Cardholders through such methods mutually agreed upon by Bank and Company. Company agrees to use reasonable marketing efforts to support the Plan. Company and Bank shall annually agree upon a minimum target number of Applicants to be sourced by Company. Bank and Company will jointly agree upon programs to market the Plan, both initially and on a continuing basis. When using any trademarks, logos, service marks or tradenames of the other party, each party will comply with all written guidelines provided to it by the other party related to use of the other party's marks.

2.6 *Administration of Accounts.* Bank shall perform, at its expense and in compliance with Applicable Law, all functions necessary to administer and service the Accounts, including but not limited to: making all necessary credit investigations; notifying Applicants in writing of acceptance or rejection of credit under the Plan; preparing and mailing billing statements; making collections; handling Cardholder inquiries; and processing payments. The Bank is solely responsible for determining the requirements, the method, and the content of any notices to Cardholders required by Applicable Law.

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2.7 *Credit Decision.* The decision to extend credit to any Applicant under the Plan shall be Bank's decision. Bank will work in good faith with Company to develop business strategies with respect to the issuance of Credit Cards which are intended to maximize the potential of the Plan, and which are mutually beneficial to Bank and Company. Company may from time to time request Bank to consider offering certain types of special credit programs. Bank shall reasonably consider Company's requests and negotiate with Company in good faith. However, Bank shall, in its sole discretion, subject to Applicable Laws and safety and soundness considerations, determine whether or not to offer any of such programs. In the event Bank agrees to any special credit program, Bank and Company shall mutually agree upon any special terms and fees associated with the program. Notwithstanding the foregoing, (i) the credit standards established by Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Plan shall be consistent with past practices (as described in Schedule 2.7), with such changes as shall be (A) approved by Company in its reasonable discretion, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices. Bank shall conduct, at least once during each Plan Year, a meeting with Company to review the credit standards being applied by Bank in reaching its credit decisions.

2.8 *Ownership of and Rights in Information.* (a) Bank shall provide to Company free of charge (from time to time (generally no more frequently than monthly) at Company's request master file tapes initially containing the information set forth on Schedule 2.8 for Company to the extent such information is available to Bank, and any other information agreed to by Bank and Company (collectively, the "Master File Information"), to the extent permitted by Applicable Law, which Company may use solely in connection with maintaining and servicing the Accounts and for the purpose of marketing goods and services to the Cardholders, as permitted by Applicable Law. The Master File Information may include, at Company's request, the information set forth on Schedule 2.8 for Affiliates of Company, to the extent permitted by Applicable Law.

(b) To the extent permitted by Applicable Law and without undue burden, cost or expense to Bank, Bank intends and will exert its diligent good faith efforts to maintain during the Term a privacy policy, which will permit Bank to allow Company to use the Master File Information for purposes in addition to those set forth in Section 2.8(a) above (the "Additional Purposes") and to share such information with third parties for the Additional Purposes subject to Cardholder opt out and Applicable Law. To the extent permitted by and in accordance with Applicable Law and subject to Cardholder opt out, Company may so provide the Master File Information to third parties for the Additional Purposes and/or use such information for the Additional Purposes.

(c) The Bank is the owner of all information relating to the Cardholders (including names and addresses) as collected by or on behalf of Bank or as set forth in Bank's records, the Accounts and the Credit Cards, the copyright to all written material contained in any Credit Card Agreements, applications, billing statements and other Forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; provided, however, that Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of Company, (ii) persons who, in the sole judgment of Limited Brands, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates, (iii) in the case of disclosure, credit agencies, (iv) as otherwise permitted by this Agreement, and (v) as required by Applicable Law.

(d) The Transaction Records (except for any Account payment information received by Company on Bank's behalf) are the sole property of Company. Bank may use the Transaction Records solely for the purposes permitted by this Agreement (provided that this limitation shall not limit Bank's rights with respect to any Account information). Account payment information received by Company on Bank's behalf shall be the sole property of Bank, provided that Company may use such information solely for the purposes permitted by this Agreement.

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(e) Company is the owner of the names and addresses of Customers, as set forth in Company's records and collected by Company from a source other than Bank. Upon request of Bank and consent of Company, not to be unreasonably withheld, Company shall make the names and addresses of Customers available to Bank, as permitted by Applicable Law, during the Term of this Agreement to be used only for purposes of solicitation of such Customers to become Cardholders of Bank and in connection with the administration of the Plan in accordance with the terms of this Agreement. Names, addresses and other information of Customers obtained by Company from the Customer (and not on Bank's behalf) in connection with point-of-sale, mail order, telephone, internet or other sale (regardless of whether the Customer makes payment for such sale through the use of a Credit Card) are "collected by Company from a source other than Bank".

(f) For the avoidance of doubt, the parties acknowledge that the items of information allocated to each party in this Section 2.8 may overlap, and that each party may independently possess and own the same specific items of information, such as but not limited to, names and addresses of persons who are both Customers and Cardholders. The allocation of ownership of a class of information to one party in this Section 2.8 is not inconsistent with ownership by the other party of the same items of information if so allocated in this Section 2.8.

2.9 *Insurance and Account Enhancement Services.* (a) Bank and Company agree that Bank will exclusively make available to Cardholders various types of insurance products, the premiums for which are based on the Cardholder's account balance, ("Insurance Products") offered by Bank and/or its vendors or Affiliates. Such products shall include credit life, debt cancellation, accidental death and disability and unemployment insurance. The solicitations and offerings shall not contain Company's endorsement. Bank may make at least two (2) and no more than four (4) offers per Plan Year or two (2) times per Season at its expense. The monthly charges for Insurance Products shall be charged to the applicable Cardholder's Account.

(b) Bank and Company agree that Bank may make available to Cardholders various types of other insurance, products and services ("Account Enhancement Services") at its expense through solicitations made in connection with their Accounts, subject to Company's approval as provided in Section 2.9(d). Such Account Enhancement Services may include but are not limited to insurance of types not listed in Section 2.9(a), travel clubs, legal services, card registration programs and merchandise products. Such Account Enhancement Services will be offered through various direct marketing channels including but not limited to direct mail, telemarketing, statement inserts, statement messaging, call transfer and IVR. The charges for the products and services will be billed to the applicable Cardholder's Account when appropriate. The solicitations and offerings shall not contain Company's endorsement.

(c) Company shall receive from Bank fifty percent (50%) of the net profit (Bank's revenues from commissions and other incentives from the vendor minus Bank's total expenses) generated by Account Enhancement Services, payment to be made on a monthly basis, together with a statement setting forth the revenues, expenses and profits in reasonable detail.

(d) Each and every Account Enhancement Service and the related advertising materials shall be subject to the prior approval of Company, which approval shall not be unreasonably withheld or delayed (it being understood that Company may withhold such approval if it determines in its reasonable discretion that the advertising of such products or services is inconsistent with the image of Company's business). With ninety (90) days prior written notice to Bank, Company may reasonably withdraw its approval for an Account Enhancement Service.

2.10 *Ownership of Company Name.* Anything in this Agreement to the contrary notwithstanding, Company shall retain all rights in and to Company's name and the name selected by Company for use on the Credit Card and all trademarks, service marks and other rights pertaining to such names (collectively, the "Name Rights") and all goodwill associated with the use of the Name Rights whether

under this Agreement or otherwise shall inure to the benefit of the Company. Company shall have the right, in its sole and absolute discretion, to prohibit the use of any of its Name Rights in any Forms, advertisements or other materials proposed to be used by Bank which Company in its reasonable business judgment deems objectionable, improper or undesirable. However, no use, which use is consistent with this Agreement, of the name selected by Company for use on the Credit Card and in the Forms for the purpose of identifying the Accounts in connection with maintaining and servicing such Accounts will be deemed objectionable, improper or undesirable by Company. Bank shall cease all use of the Name Rights upon the termination of this Agreement for any reason unless Bank retains the Accounts after termination of the Agreement, in which case Bank may use the Name Rights solely in connection with the administration and collection of the balance due on the Accounts. Provided, however, that Company grants Bank the right to use Company's Name Rights on a case by case basis and with thirty (30) days advance notice of each category of use in connection with Bank and its Affiliates' product marketing and promotional materials and literature in written and electronic form and their business client lists until such time as this Agreement is terminated or Company chooses to revoke this right for any or all product marketing, promotional materials, literature or client list purposes. All uses of Company's Name Rights are subject to the terms and conditions of this Agreement, including this Section 2.10 and Section 2.5.

2.11 *Payment of Fees Other than Discount Fees.* Bank will invoice Company monthly in arrears for all fees or charges other than Discount Fees properly imposed by Bank pursuant to this Agreement. All such amounts payable by Company under this Section 2.11 shall be paid within thirty (30) days after receipt of the Bank's invoice for such amounts.

SECTION 3. OPERATION OF THE PLAN

3.1 *Honoring Credit Cards.* Company agrees that Company and Company's Stores will honor any Credit Card, and to the extent permitted by Applicable Law Bank will permit Company, at Company's option, to honor other credit cards for Company's Affiliates issued by Bank provided that Company will provide Bank with at least thirty (30) days advance written notice of its intent to honor such other credit cards, (and the Authorized Users of such Credit Cards) properly issued and currently authorized by Bank. In addition, if mutually agreed by Bank and Company, Company agrees that Company and Company's Stores will honor any credit card for Company's former Affiliates issued by Bank (and the Authorized Users of such credit cards) properly issued and currently authorized by Bank. Company agrees that it shall deliver to Bank all Transaction Records evidencing transactions made under the Plan, in accordance with the provisions of this Agreement and the Operating Procedures.

3.2 *Additional Operating Procedures.* In addition to the procedures, instructions and practices contained in the Operating Procedures, Company agrees that Company will comply with the following procedures:

(a) In each Credit Card transaction Company must obtain all the information contained in clause (b) of the definition of Transaction Record. The date which appears on the Charge Slip or Credit Slip will be prima facie evidence of the transaction date, and Company shall be required to transmit all Transaction Records relating to such Charge Slip and/or Credit Slip so that Bank receives such Transaction Records no later than the second Business Day after the transaction date; provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. The "Cardholder Copy" of each Charge Slip shall be delivered to the Cardholder at the time of the transaction if the Cardholder is in the store.

(b) All Charge Slips will evidence the total price of the sale minus any cash down payment. Company shall retain the "Merchant Copy" of all Company generated Charge and Credit Slips for

each transaction for a period of six (6) months from the date of presentation to Bank or in the case of Deferred Billing Programs, six (6) months from the end of the applicable Deferred Billing Program.

(c) Company will maintain a fair policy for the exchange and return of Goods and adjustment for Services rendered and for that purpose will give credit to Accounts upon such exchange, return or adjustment. Company will not make cash refunds to Cardholders on Credit Card Purchases. If any Goods are returned, price adjustment is allowed, or debt for Services is adjusted, Company will notify the Bank and provide appropriate documentation thereof to the Cardholder. Upon receipt of Transaction Records reflecting a credit to which there has been a corresponding debit, Bank will net against amounts payable by Bank to Company the total shown on the Credit Slip, and credit the Cardholder's Account in the amount of such Credit Slip. If on any day the total amount of the Net Proceeds is a negative amount, Company shall remit the difference to Bank immediately upon written demand.

(d) Company's Stores shall not, when the Cardholder is present in the store, accept a transaction to be charged to an Account without either: presentation of a Credit Card and following any additional identification outlined in the Operating Procedures; or following such proper identification procedures for transactions where a Credit Card is not presented as outlined in the Operating Procedures.

3.3 *Cardholder Disputes Regarding Goods or Services.* Company shall act promptly to investigate and work to resolve disputes with Cardholders regarding Goods or Services obtained through Company pursuant to the Plan. Company shall timely process credits or refunds for Cardholders utilizing the Plan.

3.4 *No Special Agreements.* Company will not extract any special agreement, condition or security from Cardholders in connection with their use of a Credit Card, unless approved in advance by Bank in writing.

3.5 *Cardholder Disputes Regarding Violations of Law or Regulation.* Company shall assist Bank in further investigating and using its reasonable efforts to help resolve any Applicant or Cardholder claim, dispute, or defense which may be asserted under Applicable Law.

3.6 *Payment to Company; Ownership of Accounts; Fees; Accounting.* (a) Company shall electronically transmit all Transaction Records from Company to Bank in a format acceptable to Bank. Upon receipt, Bank shall use commercially reasonable efforts to promptly verify and process such Transaction Records, and in the time frames specified herein, Bank will remit to Company an amount equal to the Net Proceeds indicated by such Transaction Records for the Credit Sales Day(s) for which such remittance is made. In the event Bank discovers any discrepancies in the amount of Transaction Records submitted by Company or paid by Bank to Company, Bank shall notify Company in detail of the discrepancy, and credit Company, or net against amounts owed to Company, as the case may be, in a subsequent daily settlement. Bank will transfer funds via Automated Clearing House ("ACH") to an account designated in writing by Company to Bank (the "Company Deposit Account"). From the Effective Date through January 31, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer on the next Business Day thereafter and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the second Business Day thereafter. Commencing on February 1, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer the same day and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the following Business Day. Bank shall remit funds to one Company designated account and shall not remit funds to individual Company Stores. The term "initiate" shall mean that Bank shall transmit an ACH file to Bank's financial institution for settlement on the next Business Day.

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(b) Bank shall own all the Accounts under the Plan from the time of establishment, and except as otherwise provided herein, Company shall not have any right to any indebtedness on an Account or to any Account payment from a Cardholder arising out of or in connection with any Purchases under the Plan. Effective upon payment to Company by Bank pursuant to Section 3.6(a), with respect to each Charge Slip Company shall be deemed to have transferred, conveyed, assigned and surrendered to Bank all right, title or interest in all such Charge Slips and in all other rights and writings evidencing such Purchases, if any.

(c) All Transaction Records are subject to review and acceptance by Bank. In the event of a computational or similar error of an accounting or record keeping nature with respect to such Transaction Records, Bank may credit to the Company's Deposit Account or net against the Net Proceeds (as the case may be) the proper amount as corrected. If the Net Proceeds are insufficient, Company shall remit the proper amount to Bank immediately upon written demand. Upon any such correction Bank shall give prompt notice and explanation thereof to Company.

(d) Bank may make any changes in the terms of the Credit Card Agreement at any time as required by Applicable Law and will notify Company of such changes with notice to Company reasonable under the circumstances, or on an individual Account by Account basis, without notice to Company, in connection with its servicing of the Accounts. With respect to any other changes in the terms of the Credit Card Agreement affecting the repayment terms, APR or fees charged by Bank, Bank will, prior to making any changes, notify Company of such changes and discuss such changes with Company.

(e) Company shall obtain and maintain at their own expense such point of sale terminals, cash registers, network (electronic communication interchange system), telephone or other communication lines, software, hardware and other items of equipment as are necessary for it to request and receive authorizations, transmit Charge Slip and Credit Slip information, process Credit Card Applications and perform its obligations under this Agreement. The computer programs and telecommunications protocols necessary to facilitate communications between Bank and Company and Company's Stores shall be determined by Bank from time to time subject to reasonable prior notice of any change in such programs, equipment or protocols.

(f) Company may from time to time offer Deferred Billing Programs to Cardholders. Company shall be responsible for ensuring that all Purchases subject to any Deferred Billing Programs are properly designated as such on the Transaction Record in accordance with Bank's instructions.

(g) Bank may if Company fails to pay Bank any amounts due (and such amounts are not subject to a good faith dispute of which Bank has been notified) to Bank pursuant to this Agreement for more than thirty (30) days after the due date, offset such amounts against the Net Proceeds or any other amounts owed by Bank to Company under this Agreement.

3.7 *Insertion of Company's Promotional Materials.* Bank will upon request of Company from time to time insert Company's promotional materials for Company's Goods and Services, which are provided by Company at Company's expense, into the Account billing statements and new Credit Card mailers, so long as: (a) the materials are provided to Bank at least two (2) Business Days prior to the scheduled mailing date of such statements or notices; (b) if the materials reference Bank or the Plan in any manner, are approved by Bank as to content, in Bank's reasonable discretion; (c) the materials meet all size, weight, or other specifications for such inserts as shall be set forth in the Operating Procedures; (d) there is sufficient space in Bank's standard envelope for the insert in addition to any legally required material, Cardholder notices and other materials which Bank is including in the mailing; and (e) Company pays any and all additional postage costs caused by Bank's insertion of materials provided by Company, provided that Bank shall first notify Company of any additional postage cost and Bank will include the materials only if instructed by Company to insert regardless of the additional postage costs.

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3.8 *Payments.* (a) Except as provided in this Section 3.8, all payments to be made by Cardholders with respect to any amounts outstanding on the Accounts shall be made in accordance with the instructions of Bank and at the location or address specified by Bank. Company hereby authorizes Bank, or any of its employees or agents, to endorse "WORLD FINANCIAL NETWORK NATIONAL BANK" upon all or any checks, drafts, money orders or other evidence of payment, made payable to Company and intended as payment on an Account, that may come into Bank's possession from Cardholders and to credit said payment against the appropriate Cardholder's Account. Company further agrees that where, consistent with Section 3.8(b), or such other circumstance authorized by Bank, Company is permitted by Bank to receive any payment made with respect to the Plan, Company will on Bank's behalf hold such payment in trust for Bank and will include the amount of such payment in the Transaction Records sent to Bank pursuant to this Agreement within two (2) Business Days after receipt provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. Bank will charge the amount of such payment against the settlement amount, or, if the settlement amount is insufficient to cover such payments, Company shall remit the amount of such payment, or any unpaid portion thereof, to Bank immediately upon written demand. Payments made by Cardholders at Company's Stores shall not be deemed received by Bank until Bank receives and accepts the Transaction Records. Bank has the sole right to receive and retain all payments made with respect to all Accounts and to pursue collection of all amounts outstanding, unless an Account or Purchase is charged back to Company pursuant to the provisions of Sections 3.9 and 3.10 hereof. Should any payment made by Cardholders at Company's Stores be made by check and such check is subsequently returned unpaid, Company will include a debit

for the face amount of the check plus any actual return check fees paid by Company to its third party depository bank to which the check is first deposited or third party re-presentation vendor in the Transaction Records sent to Bank pursuant to this Agreement. Company will process such returned check in accordance with the procedures mutually agreed upon in writing by Bank and Company. In the event the return check fees imposed by or through any third party vendor retained by Company for re-presentation of such checks for payment following any initial return increase after the Effective Date, Company shall give Bank written notice of the increase in such fees and Bank shall have the right to discontinue paying the fees imposed by or through such third party re-presentation vendor, in which event, Company may discontinue processing such returned checks through the re-presentation vendor and shall submit checks returned unpaid by the bank of first deposit to Bank.

(b) Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Card Accounts ("**In-Store Payments**"). Any In-Store Payments received by Company will be held in trust for Bank and its assigns and netted against amounts payable by Bank pursuant to this Section 3.8 (provided that Company shall not be required to keep In-Store Payments separate from other payments received by Company) and evidence of such payments will be transmitted to Bank on a daily basis, provided that (i) if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such evidence relating to such store locations as soon as reasonably practicable after polling is completed or (ii) if transmittal is not possible due to a force majeure event, such transmittal will be completed within a time reasonable under the circumstances. Notwithstanding the foregoing:

(1) if any bankruptcy or other insolvency proceeding has been commenced against Company (and so long as the same has not been dismissed), Company shall promptly comply with any written instruction (a "**Store Payment Notice**") received by Company from Bank or any successor

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to Bank (Bank or any such successor being the "Servicer") to take either of the following actions (as specified in such instruction):

(i) cease accepting In-Store Payments and thereafter inform Cardholders who wish to make In-Store Payments that payment should instead be sent to Servicer (but only if the Servicer is required to give such notice); or

(ii) (A) deposit an amount equal to all In-Store Payments received by each retail location operated by Company, not later than the Business Day following receipt, into a segregated trust account (the "Store Account") established by Company for this purpose and, pending such deposit, to hold all In-Store Payments in trust for Bank and its assigns, (B) use commercially reasonable efforts not to permit any amounts or items not constituting In-Store Payments to be deposited in the Store Account and (C) cause all available funds in each Store Account to be transferred on a daily basis to an account designated in the Store Payment Notice;

provided that Company need not take the actions specified in clause (i) or clause (ii) if Company or any of its Affiliates provides the Servicer with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all required conditions with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(2) if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, In-Store Payments shall no longer be netted against amounts payable by Bank pursuant to subsection 3.8(a), but instead Company shall transfer to Bank by ACH of immediately available funds not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as Company complies with instructions delivered in accordance with paragraph (1) or (2), any amounts payable by Bank to Company pursuant to Section 3.6 shall be made without deduction for In-Store Payments.

3.9 **Chargebacks.** Bank shall have the right to demand immediate purchase by Company of any Purchase and charge back to Company the unpaid principal balance relating to any such Purchase, for any chargeback reason as set forth in the Operating Procedures.

3.10 **Assignment of Title in Charged Back Purchases.** With respect to any amount of a Purchase to be charged back to and to be purchased by Company, Company shall either pay such amount directly to Bank in immediately available funds or Bank will offset such amount as part of the Net Proceeds to be paid to Company, to the extent the balance thereof is sufficient. Upon payment of such amount by Company to Bank, or off-setting, as the case may be, Bank shall assign and transfer to Company, without recourse, all of Bank's right, title and interest in and to such Purchase and will deliver all documentation (or copies) in Bank's possession, including but not limited to, Cardholder correspondence regarding such Purchase. Company further consents to all extensions or compromises given any Cardholder with respect to any such Purchase, and agrees that such shall not affect any liability of Company hereunder or right of Bank to charge back any Purchase as provided in this Agreement; provided, however, that Bank shall not have the right to charge back for any Purchase the amount of any reductions, or compromises of amounts owed by a Cardholder to Bank. Company shall not resubmit or re-transmit any charged back Purchases to Bank, without Bank's prior written consent.

3.11 **Promotion of Program and Card Plan; Non-Competition.** (a) Throughout the Term of this Agreement, Company shall use its reasonable efforts to market, promote, participate in and support the Plan as set forth in this Agreement. Company agrees that in consideration and as an inducement for Bank to make the Plan available to Company as outlined in this Agreement and the Operating Procedures, from the Effective Date and for as long as this Agreement is in existence, Company will

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not (nor will Company permit any Affiliate to do so on Company's behalf), without the prior written consent of Bank, contract or establish with any other credit card processor/provider or provide or process on its own behalf any "private label" or "co-brand" revolving credit or other credit card issuance or processing arrangement or programs similar in purpose to the Plan or to the services and transactions contemplated under this Agreement, except that if either party provides notice of termination pursuant to Section 9.1 of this Agreement or if Company terminates under Sections 9.3 or 9.5, Company may enter into a contract with another credit card processor/provider effective on or after termination of this Agreement (provided that an agreement for preliminary or planning services related thereto shall not violate this provision).

(b) Notwithstanding the foregoing, nothing contained in this Agreement will be construed to prohibit or prevent Company from: (i) accepting any major general purpose credit card (including without limitation, American Express (and Optima) Card, MasterCard, Visa, or NOVUS), any form of general purpose debit card or fixed payment (installment) credit programs for Applicants declined by Bank, as a means of payment by Cardholders for purchase of Goods and Services; or (ii) accepting a proprietary credit card issued by Bank for an Affiliate; or (iii) entering into a contract with another credit card provider for a particular state after Bank has terminated (or given notice of such termination) the operation of the Plan in such state pursuant to Section 9.4.

(c) Provided, further, that Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing a Mark or any of Company's other Name Rights and to accept any Bona Fide Offer by such third party if, prior to accepting such Bona Fide Offer, Company provides Bank with an opportunity to submit a competing offer and counteroffer (as outlined below) with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark or Name Right, and Bank's competing offer and counteroffer is not deemed to be "Competitive." Bank's competing offer or counteroffer shall be deemed to be "Competitive" if it has terms which are either (i) at least as favorable to Company as such Bona Fide Offer or (ii) taken as a whole, are reasonably competitive in the reasonable judgment of Company to such Bona Fide Offer. A Competitive offer or counteroffer by Bank shall be accepted by Company in lieu of such Bona Fide Offer. Company will provide to Bank a copy of all materials (such as requests for proposals and the like) provided by Company to all third parties for the purposes of soliciting Bona Fide Offers, such materials to be provided to Bank at the same time Company provides them to the third parties. Bank will be given at least thirty (30) days (or such longer period of time as is given to the third parties) to submit a competing offer to Company. In addition, if Bank submits within the thirty (30) day (or longer) period a competing offer in response to a Bona Fide Offer or solicitation of a Bona Fide Offer, and that competing offer is not deemed to be Competitive, then prior to accepting the Bona Fide Offer Company will identify and quantify to Bank the key terms and assumptions (of Company and the third party) of the Bona Fide Offer (however, Company shall not be required to provide Bank with a copy of the actual Bona Fide Offer) and Bank will have fifteen (15) days after receipt of such key terms to submit a counteroffer to Company and Company will evaluate any counteroffer submitted by Bank within such fifteen (15) day period according to the Competitive standards set forth in clauses (i) and (ii) above and will accept Bank's offer in lieu of such Bona Fide Offer if the Competitive standards are met. For purposes of this Section 3.11, "Bona Fide Offer" means an offer to Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to Company, its Affiliates and other retail or catalogue merchants).

3.12 *Postal Rate Adjustment.* From August 1, 2002 through January 31, 2003, Company shall bear the costs of all increases in the cost of mailing Account billing statements, form letters or new

Credit Cards due to increases in the first class pre-sort cost of postage from the United States Postal Service which increases occurred between February 1, 1996 and June 30, 2002.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF COMPANY

Company hereby represents and warrants to Bank as follows:

4.1 *Organization, Power and Qualification.* Division and Factoring are corporations duly organized, validly existing and in good standing under the laws of the state of Delaware and Nevada, respectively, and have full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Company is duly qualified and in good standing to do business in all jurisdictions where Company is located, except where the failure to so qualify would not have a material adverse effect on the business of the Company, or where the failure to so qualify would not have a material adverse effect on Company's or Bank's ability to continue operation of the Plan.

4.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Company and is a valid and legally binding agreement of Company duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Company is required for, and the absence of which would adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Company hereunder and the compliance by Company with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; and (ii) will not conflict with or result in a breach of or default under any of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Company is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Company, nor will such execution, delivery or compliance violate or result in the violation of the Articles of Incorporation or By-Laws of Company.

4.3 *Accuracy of Information.* All factual information furnished by Company to Bank in writing at any time pursuant to any requirement of, or furnished in response to any written request of Bank under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Company to Bank will be, true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information was or will be stated or certified.

4.4 *Validity of Charge Slips.* (a) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, each Charge Slip relating to such Transaction Records shall represent the obligation of a Cardholder in the respective amount set forth therein for Goods sold or Services rendered, together with applicable taxes, if any, and shall not involve any element of credit for any other purpose.

(b) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, Company has no knowledge or notice of any fact or matter which would immediately or ultimately impair the validity of any Charge Slip relating to such Transaction Records, the transaction evidenced thereby, or its collectibility.

except where the failure to comply does not or will not have a material adverse effect on Company, the Bank or the Plan.

4.6 *Company's Name, Trademarks and Service Marks.* Company has the legal right to use and to permit the Bank to use, to the extent set forth herein, the Mark and Name Rights utilized by Company in the conduct of its business.

4.7 *Intellectual Property Rights.* In the event Company provides any software or hardware to Bank, Company has the legal right to such software or hardware and the right to permit Bank to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Company or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Bank's request or to accommodate Bank's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Company and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Bank or any third party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Company and/or its Affiliates.

SECTION 5. COVENANTS OF COMPANY

Company hereby covenants and agrees as follows:

5.1 *Notices of Changes.* Company will as soon as reasonably possible notify Bank of any: (a) change in the name or form of business organization of Company, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Company or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Company; (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on Company; or (d) the planned opening or closing of any Company Store. Company will furnish such additional information with respect to any of the foregoing as Bank may reasonably request for the purpose of evaluating the effect of such change on the financial condition and operations of Company and on the Plan.

5.2 *Financial Statements.* In the event Company ceases to be an Affiliate of a publicly traded company or ceases to be a publicly traded company itself, Company shall make available to Bank as soon as available the following information pertaining to Company (or, at the option of Company's parent, consolidated information pertaining to such parent): (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Company's (or, its parent's, as applicable) independent certified public accountants in connection with such of the financial statements as have been audited.

5.3 *Inspection.* Company will permit, if Bank has reasonable cause to do so, authorized representatives designated by Bank, at Bank's expense, to visit and inspect, to the extent permitted by Applicable Law, any of the Company's books and records pertaining to Transaction Records and the Plan and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

5.4 *Company's Business.* Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the sale of Goods and Services.

5.5 *Insurance.* Company shall self-insure or at its option maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other companies within Company's industry engaged in similar businesses as Company.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF BANK

Bank hereby represents and warrants to Company as follows:

6.1 *Organization, Power and Qualification.* Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America and has full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Bank is duly qualified and in good standing to do business in all jurisdictions where such qualification is necessary for Bank to carry out its obligations under this Agreement.

6.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Bank and is a valid and legally binding agreement of Bank duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Bank is required for, and the absence of which would materially adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Bank hereunder and the compliance by Bank with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; (ii) will not conflict with or result in a breach of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Bank is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Bank, nor will such execution, delivery or compliance violate or result in the violation of the Charter or By-Laws of Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

6.3 *Accuracy of Information.* All factual information furnished by Bank to Company in writing at any time pursuant to any requirement of, or furnished in response to any written request of Company under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Bank to Company will be true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information has or will be stated or certified.

6.4 *Compliance with Law.* Any action or inaction taken by Bank (where Bank has a duty to act) in connection with the Plan shall be in compliance with all Applicable Law, including, without limitation, all Consumer Laws, except where the failure to so comply does not or will not have a material adverse effect on the Bank, Company or the Plan.

6.5 *Intellectual Property Rights.* In the event Bank provides any software or hardware to Company, Bank has the legal right to such software or hardware and the right to permit Company to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Bank or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Company's request or to accommodate Company's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Bank and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Company or any third

party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Bank and/or its Affiliates.

SECTION 7. COVENANTS OF BANK

Bank hereby covenants and agrees as follows:

7.1 *Notices of Changes.* Bank will as soon as reasonably possible notify Company of any: (a) change in the name or form of business organization of Bank, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Bank or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Bank; or (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on the Plan. Bank will furnish such additional information with respect to any of the foregoing as Company may reasonably request for the purpose of evaluating the effect of such transaction on the financial condition and operations of Bank and on the Plan.

7.2 *Financial Statement.* Bank shall furnish to Company upon request by Company and as soon as available the following information pertaining to Bank: (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Bank's independent certified public accountants in connection with such of the financial statements as have been audited.

7.3 *Inspection.* (a) Bank will permit, once per Plan Year unless Company has reasonable cause to request more frequent access, authorized representatives designated by Company, at Company's expense, to visit and inspect, to the extent permitted by Applicable Law, any of Bank's books and records pertaining to the Discount Fees, the Account Enhancement Services commission revenues and expenses set forth in Section 2.9, any fees and charges other than the Discount Fees and Purchases and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

(b) Bank shall permit Company, once per Plan Year unless Company has reasonable cause to request more frequent access, during normal business hours and upon reasonable notice, and in a manner which does not disrupt the operations, to visit the offices at which services relating to the Plan are provided, to review and monitor the activities of Bank and its subcontractors with respect to the performance of services hereunder. Bank shall provide Company with a copy of any annual SAS 70 technical audits performed on the servicing of the Accounts by its outside auditors.

7.4 *Bank's Business.* Bank shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the issuance of credit by Bank.

7.5 *Insurance.* Bank shall maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other banks engaged in similar businesses as Bank.

SECTION 8. INDEMNIFICATION; CLAIMS AND ACTIONS

8.1 *Indemnification by Company.* Company hereby indemnifies Bank, its Affiliates and the directors, officers, employees and agents of Bank or any Affiliate of Bank (each, a "Related Party") against, and agrees to hold them harmless from, any and all losses, claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("Damages") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or

nonperformance of any covenant made by Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of Goods or rendering of Services by Company.

8.2. *Indemnification by Bank.* Bank hereby indemnifies Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by Bank under this Agreement.

8.3. *Third Party Claims.* (a) Bank shall not be liable to Company for or in connection with any claim made against Company by any other Person relating in any manner to this Agreement or to any services or any other transactions contemplated hereby (other than (i) claims based upon Bank's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Bank arising from this Agreement (other than claims based upon Company's or any of its Related Parties' negligence or willful misconduct), (iii) claims relating to acts or omissions of Bank and its agents in connection with the collection of amounts owing from Cardholders and (iv) claims relating to the submission by Bank or its agents of data concerning Cardholders to credit agencies), even if Bank has been advised of the possibility of such claims.

(b) Company shall not be liable to Bank for or in connection with any claim made against Bank by any other Person relating in any manner to this Agreement or to any services or other transactions contemplated hereby (other than (i) claims based upon Company's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Company arising from this Agreement and (iii) claims relating to goods purchased from Company), even if Company has been advised of the possibility of such claims.

(c) Each party shall exert its good faith efforts to notify the other of any claims described in clauses (i) through (iv) of subsections (a) and (b) above of which such party receives notice.

8.4. *Dispute Resolution and Actions.* Bank and Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 8.4.

8.5. *Limitation on Actions.* No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than four (4) years after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

8.6. *Reimbursement for Losses.* If, as a result of any claim made by Bank against any third party (including, but not limited to, an insurer), Bank actually receives from such third party cash proceeds (or non-cash proceeds, whether in the form of goods or services) which represent, in whole or in part, compensation for or reimbursement of losses or costs actually incurred by Company, then Bank will hold that portion of such proceeds fairly allocable to Company (taking into consideration all losses or costs actually incurred by all parties for whose benefit such payments have been received) in trust on behalf of Company and will promptly pay over to Company such allocable amount of any such cash proceeds (or, as to non-cash proceeds, the allocable portion or, at the discretion of Bank, the cash equivalent thereof).

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8.7. *Survival.* The provisions of this Section 8 shall survive the termination of this Agreement.

SECTION 9. TERM AND TERMINATION

9.1 *Term.* This Agreement shall become effective as of the Effective Date when executed by authorized officers of each of the parties and shall remain in effect until August 31, 2009 (the "Initial Term") and shall automatically renew for successive one-year terms (each a "Renewal Term") thereafter unless either party provides the other with at least twelve (12) month's written notice of its intention to terminate the Agreement prior to the expiration of the Initial or then current Renewal Term, or unless otherwise terminated as provided herein.

9.2 *Termination with Cause by Bank; Bank Termination Events.* Any of the following conditions or events shall constitute a "Bank Termination Event" hereunder, and Bank may terminate this Agreement immediately without further action if Company causes such Bank Termination Event to occur and be continuing:

(a) If Company shall: (i) generally not pay its debts as they become due; (ii) file, or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Company to perform under this Agreement or the Plan; or (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Company, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Company, or if any petition for any such relief shall be filed against Company and such petition shall not be dismissed within sixty (60) days; or

(c) If Company shall default in the performance of or compliance with any material term or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Company shall not have remedied such default within thirty (30) days after written notice thereof shall have been received by Company from Bank.

9.3 *Termination with Cause by Company; Company Termination Events.* Any of the following conditions or events shall constitute a "Company Termination Event" hereunder, and Company may terminate this Agreement immediately without further action if Bank causes such Company Termination Event to occur and be continuing:

(a) If Bank shall: (i) generally not be paying its debts as they become due; (ii) file or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers for itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Bank to perform under this Agreement or the operation of the Plan; (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or (viii) have a materially adverse

change in its financial condition, including, but not limited to Bank being downgraded by a rating agency to a rating below an investment grade rating; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Bank, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Bank, or if any petition for any such relief shall be filed against Bank and such petition shall not be dismissed within sixty (60) days; or

(c) If Bank shall default in the performance of or compliance with any material term (other than the Service Standards) or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Bank shall not have remedied such default within thirty (30) days (or within five (5) days in the case of failure to pay Company pursuant to Section 3.6(a)) after written notice thereof shall have been received by Bank from Company; or

(d) A Service Standards Termination Event shall have occurred.

9.4 *Termination of Particular State.* In addition, Bank may terminate the operation of the Plan in a particular state if the Applicable Law of the state or jurisdiction is amended or interpreted in such a manner so as to render all or any part of the Plan illegal or unenforceable, and in such event Bank will, if requested, assist Company with finding a new credit provider for such state. Bank will provide Company with as much advance notice of such termination as is reasonable under the circumstances.

9.5 *Termination for Competitive Reasons.* Company may terminate this Agreement upon not less than sixty (60) days' prior written notice to the Bank at any time after the first anniversary of the Effective Date if, based on the application of the matrix set forth in Schedule 1.1, the applicable Discount Rate exceeds the highest Discount Rate in such matrix and the costs to Company under this Agreement are substantially higher than the costs that would be incurred by Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; provided that Company shall not be entitled to terminate this Agreement pursuant to this Section 9.5 unless Company provides Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and Bank is entitled to submit a counter-proposal within thirty (30) days of receipt of such description. If Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in Bank's counter-proposal.

9.6 *Purchase of Accounts.* Upon termination of this Agreement, Company will have the option to purchase the then-outstanding Credit Card Account balances not previously written-off by Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to Bank, and will be provided with all related Account information and other Account data; provided that Company will be required to purchase such then-outstanding Credit Card Account balances on such terms if Company objects to any automatic extension of this Agreement pursuant to Section 9.1. All payments by Company pursuant to this Section 9.6 shall be made not later than one (1) Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by Bank to Company not less than two (2) Business Days prior to the payment date. Upon any termination of this Agreement, (i) Company (at its sole expense) shall notify all Cardholders that Bank is no longer the processor of their Credit Card accounts, and (ii) Company and Bank shall cooperate in facilitating the transition to a new processor.

9.7 *Remedies for Failure to Meet Service Standards.* (a) Each time a Service Event occurs, Bank shall: (i) promptly investigate the root cause(s) of the failure and deliver to Company a written report

identifying such root cause(s); (ii) use commercially reasonable efforts to correct the problem and to begin meeting such Service Standard as soon as practicable; (iii) provide to Company a schedule and plan for correction of the root cause(s) of the Service Events, and (iv) at Company's request, advise Company of the status of such corrective efforts.

(b) In the event more than three (3) Service Events occur during any calendar month, Bank will, in addition to those steps set forth in Section 9.7(a), arrange for a senior executive of Bank to meet with a senior executive of Company or Company's parent company's senior management to discuss the items delivered under Section 9.7(a).

(c) A "Service Standard Termination Event" shall occur in the event:

(i) a Service Event occurs for a specific Service Standard for three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if the same Base Level Service Standard is failed by Bank in the fourth consecutive month, Company may terminate this Agreement; or

(ii) a total of 10 Service Events occur during any three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if a total of 6 Service Events occur at anytime in the three (3) consecutive months following Company's notice to Bank, then Company may terminate this Agreement.

SECTION 10. MISCELLANEOUS

10.1 *Entire Agreement.* This Agreement constitutes the entire Agreement and supersedes all prior agreements and understandings, whether oral or written, among the parties hereto with respect to the subject matter hereof and merges all prior discussions between them, including without limitation the Credit Card Processing Agreement.

10.2 *Coordination of Public Statements.* Bank's parent company, Alliance Data Systems Corporation, as a public company, will issue a news release disclosing this Agreement between Bank and Company, such news release must be approved by both parties prior to its issuance. In all other cases, except as required by Applicable Law, neither party will make any public announcement of the Plan or provide any information concerning the Plan to any representative of any news, trade or other media without the prior approval of the other party, which approval will not be unreasonably withheld. Neither party will respond to any inquiry from any public or governmental authority, except as required by law, concerning the Plan without prior consultation and coordination with the other party. Upon Bank's reasonable request from time to time, Company in its sole discretion may provide references or participate in marketing campaigns or testimonial initiatives for Bank regarding the services provided by Bank in connection with the Plan.

10.3 *Amendment.* Except as otherwise provided for in this Agreement, the provisions herein may be modified only upon the mutual agreement of the parties, however, no such modification shall be effective until reduced to writing and executed by both parties.

10.4 *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party which will not be unreasonably withheld. Notwithstanding the foregoing, (i) Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of Bank, provided that any such assignee of Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to Company, (ii) Company shall assign or otherwise transfer all of its rights and obligations under this Agreement

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(A) to the purchaser of all or substantially all of the assets of Company, or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to Company or any successor (whether by merger, consolidation or otherwise) thereto, and (iii) Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against Company for any reason whatsoever, and (B) Bank hereby indemnifies Company and its Affiliates against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser).

10.5 *Waiver.* No waiver of the provisions hereto shall be effective unless in writing and signed by the party to be charged with such waiver. No waiver shall be deemed to be a continuing waiver in respect of any subsequent breach or default either of similar or different nature unless expressly so stated in writing. No failure or delay on the part of either party in exercising any power or right under this Agreement shall be deemed to be a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise, or the exercise of any other power or right.

10.6 *Severability.* If any of the provisions or parts of the Agreement are determined to be illegal, invalid or unenforceable in any respect under any applicable statute or rule of law, such provisions or parts shall be deemed omitted without affecting any other provisions or parts of the Agreement which shall remain in full force and effect, unless the declaration of the illegality, invalidity or unenforceability of such provision or provisions substantially frustrates the continued performance by, or entitlement to benefits of, either party, in which case this Agreement may be terminated by the affected party, without penalty.

10.7 *Notices.* All communications and notices pursuant hereto to either party shall be in writing and addressed or delivered to it at its address shown below, or at such other address as may be designated by it by notice to the other party, and shall be deemed given when delivered by hand, or two (2) Business Days after being mailed (with postage prepaid) or when received by receipted courier service:

If to Bank:
800 TechCenter Drive
Gahanna, OH 43230
Attn.: Daniel T. Groomes, President

With a Copy to:
Karen Morauski, VP & Counsel

If to Company:
Three Limited Parkway
Columbus, OH 43230
Attn.: Lisa Klinger, Treasurer

With a Copy to:
Senior Vice President and General Counsel
Limited Brands, Inc.
Three Limited Parkway
Columbus, OH 43230

10.8 *Captions and Cross-References.* The table of contents and various captions in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any Section are to such Section of this Agreement.

10.9 *GOVERNING LAW.* THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OHIO, REGARDLESS OF THE DICTATES OF OHIO CONFLICTS OF LAW, AND THE PARTIES HEREBY SUBMIT TO EXCLUSIVE JURISDICTION AND VENUE IN THE UNITED STATES FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO OR ANY OF THE STATE COURTS LOCATED IN FRANKLIN COUNTY, OHIO.

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10.10 *Counterparts.* This Agreement may be signed in one or more counterparts, all of which shall be taken together as one agreement.

10.11 *Force Majeure.* Neither party will be responsible for any failure or delay in performance of its obligations under this Agreement because of circumstances beyond its reasonable control, and not due to the fault or negligence of such party, including, but not limited to, acts of God, flood, criminal acts, fire, riot, computer viruses, computer hackers, accident, strikes or work stoppage, embargo, sabotage, inability to obtain material, equipment or phone lines, government action (including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement), and other causes whether or not of the same class or kind as specifically named above. In the event a party is unable to perform substantially for any of the reasons described in this Section, it will notify the other party promptly of its inability so to perform, and if the inability continues for at least ninety (90) consecutive days (fifteen (15) days in the cases of credit authorizations and processing of new Accounts), the party so notified may then terminate this Agreement forthwith. This provision shall not, however, release the party unable to perform from using its best efforts to avoid or remove such circumstance and such party unable to perform shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

10.12 *Relationship of Parties.* This Agreement does not constitute the parties as partners or joint venturers and neither party will so represent itself.

10.13 *Survival.* No termination of this Agreement shall in any way affect or impair the powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring prior to such termination. No powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring after termination shall survive termination except for the following Sections: Section 2.10, Section 2.11, Section 3.3, Section 3.5, Section 3.6, Section 3.8, Section 3.9, Section 3.10, Section 8, Section 9.5, Section 10.7, Section 10.9, Section 10.11, Section 10.17 and Section 10.18.

10.14 *Mutual Drafting.* This Agreement is the joint product of Bank and Company and each provision hereof has been subject to mutual consultation, negotiation and agreement of Bank and Company; therefore to the extent any language in this Agreement is determined to be ambiguous, it shall not be construed for or against any party based on the fact that either party controlled the drafting of the document.

10.15 *Independent Contractor.* The parties hereby declare and agree that Bank is engaged in an independent business, and shall perform its obligations under this Agreement as an independent contractor; that any of Bank's personnel performing the services hereunder are agents, employees, Affiliates, or subcontractors of Bank and are not agents, employees, Affiliates, or subcontractors of Company; that Bank has and hereby retains the right to exercise full control of and supervision over the performance of Bank's obligations hereunder and full control over the employment, direction, compensation and discharge of any and all of the Bank's agents, employees, Affiliates, or subcontractors, including compliance with workers' compensation, unemployment, disability insurance, social security, withholding and all other federal, state and local laws, rules and regulations governing such matters; that Bank shall be responsible for Bank's own acts and those of Bank's agents, employees, Affiliates, and subcontractors; and that except as expressly set forth in this Agreement, Bank does not undertake by this Agreement or otherwise to perform any obligation of Company, whether regulatory or contractual, or to assume any responsibility for Company's business or operations.

10.16 *No Third Party Beneficiaries.* The provisions of this Agreement are for the benefit of the parties hereto and not for any other person or entity.

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10.17 *Confidentiality.* (a) Neither party shall disclose any information not of a public nature concerning the business or properties of the other party which it learns as a result of negotiating or implementing this Agreement, including, without limitation, the terms and conditions of this Agreement, Customer names, Cardholder personal or Account information, sales volumes, test results, and results of marketing programs, Plan reports generated by Bank, trade secrets, business and financial information, source codes, business methods, procedures, know-how, computer software and computer systems (including software licensed from third parties) and other information of every kind that relates to the business of either party except to the extent disclosure is required by Applicable Law, is necessary for the performance of the disclosing party's obligation under this Agreement, or is agreed to in writing by the other party; provided that: (i) prior to disclosing any confidential information to any third party, the party making the disclosure shall give notice to the other party of the nature of such disclosure and of the fact that such disclosure will be made; and (ii) prior to filing a copy of this Agreement with any governmental authority or agency, the filing party will consult with the other party with respect to such filing and shall redact such portions of this Agreement which the other party requests be redacted, unless, in the filing party's reasonable judgment based on the advice of its counsel (which advice shall have been discussed with counsel of the other party), the filing party concludes that such request is inconsistent with the filing party's obligations under Applicable Laws. Neither party shall acquire any property or other right, claim or interest, including any patent right or copyright interest, in any of the systems, procedures, processes, equipment, computer programs and/or information of the other by virtue of this Agreement. Neither party shall use the other party's name for advertising or promotional purposes without such other party's written consent.

(b) The obligations of this Section, shall not apply to any information:

- (i) which is generally known to the trade or to the public at the time of such disclosure; or
- (ii) which becomes generally known to the trade or the public subsequent to the time of such disclosure; provided, however, that such general knowledge is not the result of a disclosure in violation of this Section; or
- (iii) which is obtained by a party from a source other than the other party, without breach of this Agreement or any other obligation of confidentiality or secrecy owed to such other party or any other person or organization; or
- (iv) which is independently conceived and developed by the disclosing party and proven by the disclosing party through tangible evidence not to have been developed as a result of a disclosure of information to the disclosing party, or any other person or organization which has entered into a confidential arrangement with the non-disclosing party.

(c) If any disclosure is made pursuant to the provisions of this Section, to any Affiliate or third party, the disclosing party shall be responsible for ensuring that such Affiliate or third party keeps all such information in confidence and that any third party executes a confidentiality agreement provided by the non-disclosing party. Each party covenants that at all times it shall have in place procedures designed to assure that each of its employees who is given access to the other party's confidential information shall protect the privacy of such information. Each party acknowledges that any breach of the confidentiality provisions of this Agreement by it will result in irreparable damage to the other party and therefore in addition to any other remedy that may be afforded by law any breach or threatened breach of the confidentiality provisions of this Agreement may be prohibited by restraining order, injunction or other equitable remedies of any court. The provisions of this Section will survive termination or expiration of this Agreement.

10.18 Taxes. Company will be responsible for, and agrees to pay, all sales, use, excise, and value-added taxes, or taxes of a similar nature (excluding personal property taxes and taxes based on Bank's income which shall be borne by Bank), imposed by the United States, any state or local government, or

other taxing authority, on all goods and/or services provided by Bank under this Agreement. The parties agree to cooperate with each other to minimize any applicable sales, use, or similar tax and, in connection therewith, the parties shall provide each other with any relevant tax information as reasonably requested (including without limitation, resale or exemption certificates, multi-state exemption certificates, information concerning the use of assets, materials and notices of assessments). All amounts set forth in this Agreement are expressed and shall be paid in lawful U.S. dollars.

(Signature block on following page.)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in manner and form sufficient to bind them as of the date first above written.

VICTORIA'S SECRET DIRECT, LLC

**WORLD FINANCIAL NETWORK
NATIONAL BANK**

By: /s/ TIM FABER

By: /s/ DANIEL T. GROOMES

Title: Vice President

Daniel T. Groomes
Title: President

Date: August 30, 2002

Date: August 30, 2002

FAR WEST FACTORING, INC.

By: /s/ DAVID HASSON

Title: Vice President

Date: August 30, 2002

**Schedule 1.1
Discount Rate**

DISCOUNT RATE

The applicable Discount Rate for all Purchases as of the Effective Date and until changed as set forth below shall be 1.50%. *Provided*, that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by Bank to Cardholders, or if the Discount Rate is substantially higher than the rate that Company would incur for comparable credit card services, Company and Bank agree to negotiate in good faith an increase or decrease in the Discount Rate.

Commencing on January 31, 2004 and annually thereafter, the Discount Rate will be subject to change by Bank on an annual basis in accordance with the matrix set forth below and Bank shall apply the corresponding Discount Rate to *future* Discount Fees applied by Bank until the next adjustment is made. The Fin Chg/STM ('95\$) calculation for the matrix will include the amount by which the then current late fees per statement exceed the amount of the late fees per statement calculated using a late fee of \$5. In the event Bank increases (for increases made by Bank on or after March 1, 2003) any of the finance charges and/or late fees charged to Cardholders as a result of increases in Bank's cost of postage for mailing Account billing statements, form letters or new Credit Cards, then Bank will exclude the amount of such increase in the finance charges and/or late fees from its calculation of the Discount Rate using the matrix.

Notwithstanding the foregoing, Bank agrees that Bank will waive any increase Bank is entitled to for the Discount Rate during the calendar year 2003, provided, however, that in the event Bank waives such increase in the Discount Rate, then (i) if the number of Applicants during the calendar year 2003 is less than the number of Applicants during the calendar year 2002, Bank shall invoice Company for the amount of the Discount Fees waived by Bank during the calendar year 2003 and Company shall pay such amount within thirty (30) days after the date of such invoice, or (ii) Bank shall have the right during any future calendar year to defer any decreases in the Discount Rate until such time as Bank has recouped the amount of the Discount Fees waived by Bank during the calendar year 2003.

**Victoria's Secret Direct
Merchant Fee Matrix**

Fin Chg/ STM ('95 \$)	Bad Debt % Credit Sales								
	3.6%	3.8%	4.0%	4.2%	4.4%	4.6%	4.8%	5.0%	5.2%
\$ 4.45	0.20%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
\$ 4.30	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%	1.20%
\$ 4.15	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%
\$ 4.00	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%
\$ 3.85	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.50%	1.50%
\$ 3.70	1.20%	1.30%	1.40%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$ 3.55	1.35%	1.45%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$ 3.40	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.70%	1.90%
\$ 3.25	1.50%	1.50%	1.50%	1.50%	1.50%	1.70%	1.90%	2.10%	2.30%
\$ 3.10	1.50%	1.50%	1.50%	1.60%	1.80%	2.00%	2.20%	2.40%	2.60%
\$ 2.95	1.50%	1.60%	1.80%	2.00%	2.20%	2.40%	2.60%	2.80%	3.00%

Minimum ROA 2.0%
ROA over 4% share 50-50

**Schedule 2.1
Service Standards**

	Base Level	Targeted Level
Standard #1		
The Bank will process mailed-in applications five days per week. The Bank will process % of such applications within five Business Days of receipt.	95%	98%
Standard #2		
The Bank will process "instant" credit applications from 9:00am to 12:30am (Eastern time) Monday through Saturday and from 10:00am to 9:30pm (Eastern time) Sunday, excluding Holidays ("Normal Store Hours"). The Bank will process at least % of such applications within five minutes of receipt.	90%	92%
Standard #3		
The Bank will issue % of new and replacement Credit Cards within four business days of embossing tape output.	95%	96%
Standard #4		
The Bank will answer at least % of incoming Cardholder service calls within 20 seconds. Bank will provide Cardholder service from 9am-9pm(Eastern time) Monday-Saturday, excluding Holidays.	85%	86%
Standard #5		
The Bank will not permit the abandoned call rate for Cardholder customer service calls to exceed % measured on a monthly basis.	2.0%	1.7%
Standard #6		
The Bank will provide electronic authorization means to be available at least % of Normal Store Hours. Bank will also provide batch authorizations for catalog sales.	99.5%	99.6%
Standard #7		
The Bank will post valid non-payment Transactions to the Cardholder's Account within 24 hours of receipt.	100%	100%
Standard #8		
The Bank will bill and mail % of Account statements within four business days of the scheduled billing date.	97%	100%
Standard #9		
The Bank will process at least % of payments within 24 hours of receipt. In the event any payment is not processed within 24 hours of receipt, such payment shall be backdated to the date of receipt.	96%	97%
Standard #10		
The Bank will respond to at least % of mailed-in Cardholder inquiries within seven business days of receipt.	90%	97%
Standard #11		
The Bank will provide "Quick Credit" during % of Normal Store Hours.	95%	98%

Targeted Levels:

Any failure to meet the Targeted Level for Service Standards will be reported on the monthly Service Standards report. Failure to meet the same Targeted Level for a single Service Standard for more than two consecutive months, will result in Bank taking the actions set forth in the chart below, provided that such failure to meet the Targeted Level was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

Failure to Meet Targeted Level	3rd Consecutive Month	4th Consecutive Month	5th Consecutive Month	6th Consecutive Month and Each Consecutive Month Thereafter
Actions to be taken by Bank following consecutive month failure to attain Targeted Level	Letter to Company's CEO	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.
Penalty to be Paid by Bank to Company	None	\$5,000	\$10,000	\$20,000

Base Levels:

Failure to meet a Base Level will be reported on the monthly service standards report and may trigger a Service Standard Termination Event as set forth in Section 9.7.

**Schedule 2.7
Credit Standards**

The new Account cut-off score is based upon the projected sixty (60) month profitability of Accounts within each score range. Account profitability is based upon projected Discount Fees (the current fee percentage), finance charge income, variable billing expenses and write-offs. The projections are derived from actual results to date using historical trends. The cut-off score is established at the score range where Bank's profit for the score range equals zero.

**Schedule 2.8
Master File Information**

Account Number
Month Account Opened
Year Account Opened
Store Account Opened
Cardholder Name
Cardholder's Street Address
Cardholder's City
Cardholder's State
Cardholder's Zip Code
Cardholder's Home Phone Number
Date of Last Purchase
Cardholder's Open to Buy
Number of Purchases Monthly
Amount of Purchases Monthly, YTD
Number of Returns Monthly
Amount of Returns Monthly
Date of Birth
Items Purchased

[SECTION 2. THE PLAN](#)

[SECTION 3. OPERATION OF THE PLAN](#)

[SECTION 4. REPRESENTATIONS AND WARRANTIES OF COMPANY](#)

[SECTION 5. COVENANTS OF COMPANY](#)

[SECTION 6. REPRESENTATIONS AND WARRANTIES OF BANK](#)

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[SECTION 8. INDEMNIFICATION; CLAIMS AND ACTIONS](#)

[SECTION 9. TERM AND TERMINATION](#)

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[Schedule 1.1 Discount Rate](#)

[Schedule 2.1 Service Standards](#)

[Schedule 2.7 Credit Standards](#)

[Schedule 2.8 Master File Information](#)

PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

BETWEEN

WORLD FINANCIAL NETWORK NATIONAL BANK

AND

VICTORIA'S SECRET STORES, INC.

AND

LONE MOUNTAIN FACTORING, INC.

DATED AS OF AUGUST 29, 2002

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PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

THIS PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT is made as of this 29th day of August, 2002 (the "Effective Date") by and between Victoria's Secret Stores, Inc., a Delaware corporation, with its principal office at Four Limited Parkway, Reynoldsburg, Ohio 43068, (hereinafter referred to as "Division"), Lone Mountain Factoring, Inc., a Nevada corporation, with its principal office at 4441 South Polaris Avenue, Las Vegas, Nevada 89103, a Nevada

corporation ("Factoring") (the Division and Factoring being collectively referred to herein as "Company") and WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association, with its principal office at 800 TechCenter Drive, Gahanna, Ohio 43230, (hereinafter referred to as "Bank").

WITNESSETH:

WHEREAS the Bank, Division and Factoring entered a certain Credit Card Processing Agreement, effective as of January 31, 1996 (the "Credit Card Processing Agreement"), to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Division's retail or catalogue business, which allows the customers of the Division to purchase goods from the Division using funds advanced by the Bank; and

WHEREAS the parties to this Agreement wish to terminate the Credit Card Processing Agreement as of the Effective Date and enter into this Private Label Credit Card Program Agreement, the terms of which shall supersede and replace the Credit Card Processing Agreement; and

NOW THEREFORE, in consideration of the terms and conditions hereof, and for other good and valuable consideration, the receipt of which is hereby mutually acknowledged by the parties, Bank and Company agree as follows.

SECTION 1. DEFINITIONS

1.1 *Certain Definitions.* As used herein and unless otherwise required by the context, the following terms shall have the following respective meanings.

"Account" shall mean an individual open-end revolving line of credit established by Bank for a Customer pursuant to the terms of a Credit Card Agreement, including without limitation, each of the Existing Accounts.

"Affiliate" shall mean with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing. In addition, (i) Aura Science, LLC (and its successors by way of change of organizational form) and (ii) any other similar joint venture or Person (of which Company notifies Bank in writing) formed for the purposes of pursuing a joint venture with Limited Brands, Inc. or any Affiliate (as otherwise defined above) of Limited Brands, Inc. shall be deemed an Affiliate of Company for all purposes (other than for the purposes of Section 3.11 hereof) so long as Limited Brands, Inc. and its Affiliates (as otherwise defined above) possess the power to elect not less than 25% of the whole number of the board of directors of such entity or own not less than 25% of the assets or equity thereof. Company and Bank shall not be deemed to be Affiliates for purposes of this Agreement.

"Agreement" shall mean this Private Label Credit Card Program Agreement and any future amendments or supplements thereto.

"Applicable Law" shall mean any applicable federal, state or local law, rule, or regulation.

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"Applicant" shall mean an individual who is a Customer of Company who applies for an Account under the Plan.

"Authorized User" shall mean an individual authorized by the primary Cardholder(s) to use an Account and as established in accordance with the Operating Procedures.

"Batch Prescreen Application" shall mean a process where Bank's offer of credit is made to certain Customers prequalified by Bank, in a batch mode typically within a catalog environment.

"Business Day" shall mean any day, except Saturday, Sunday or a day on which banks in Ohio are required to be closed.

"Cardholder" shall mean any natural person to whom an Account has been issued by Bank and/or any Authorized User of the Account.

"Charge Slip" shall mean a sales receipt, register receipt tape, invoice or other documentation, whether in hard copy or electronic form, in each case evidencing a Purchase that is to be charged to a Cardholder's Account.

"Company Deposit Account" shall mean a deposit account maintained by Company as set forth in Section 3.6 (a).

"Company's Stores" shall mean those certain retail locations selling Goods and/or Services, which are owned and operated by Company.

"Consumer Laws" shall mean all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws.

"Credit Card" shall mean the plastic credit card bearing one or more of the Marks issued by Bank to Cardholders for purchasing Goods and Services pursuant to the Plan.

"Credit Card Agreement" shall mean the open-end revolving credit agreement between a Cardholder and Bank governing the Account and Cardholder's use of the Credit Card, together with any modifications or amendments which may be made to such agreement as permitted in this Agreement.

"Credit Card Processing Agreement" shall have the meaning set forth in the first recital.

"Credit Sales Day" shall mean any day, whether or not a Business Day, on which Goods and/or Services are sold by Company.

"Credit Slip" shall mean a sales credit receipt or other documentation, whether in hard copy or electronic form, evidencing a return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder.

"Customer" shall mean any individual consumer who is a customer or potential customer of Company.

"Deferred Billing Programs" shall mean any special Cardholder payment terms mutually agreed to by Bank and Company for certain Purchases, including without limitation deferred finance charges and deferred payments and subject to any terms and conditions set forth in writing by Bank.

"Discount Fee" shall mean an amount to be charged by Bank equal to Net Sales multiplied by the Discount Rate. Notwithstanding the foregoing, Bank shall not include taxes for Purchases (and correspondingly Net Sales) when calculating the Discount Fee for Purchases made on or before July 31, 2002.

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"Discount Rate" shall have the meaning set forth in Schedule 1.1.

"Effective Date" shall mean the date set forth in the first paragraph on page one of this Agreement.

"Existing Accounts" shall mean all of the Accounts in existence as of the Effective Date opened under and/or subject to the Plan provided by Bank pursuant to the Credit Card Processing Agreement.

"Forms" shall have the meaning set forth in Section 2.4.

"Goods and/or Services" shall mean those goods and/or services sold at retail by Company to the general public through stores, catalog, the Internet or any other method mutually agreed upon by the Company and Bank, where such goods and/or services are intended by Company for individual, personal, family or household use.

"Initial Term" shall have the meaning set forth in Section 9.1.

"Instant Credit Application" shall mean an in store or catalog application procedure designed to open Accounts at point of sale or order entry whereby an application for credit is communicated to Bank either verbally at point of sale or systemically during the catalog order entry process according to the Operating Procedures.

"Mark" shall mean a trademark or service mark owned by or licensed to Company and designated by Company to Bank for use in connection with the Plan.

"Name Rights" shall have the meaning set forth in Section 2.10.

"Net Proceeds" shall mean Purchases less: (i) credits to Accounts for the return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder, all as shown in the Transaction Records (as corrected by Bank in the event of any computational error), calculated each Business Day; (ii) payments from Cardholders received by Company from Cardholders on Bank's behalf; and (iii) any applicable Discount Fees in effect on the date of calculation. Notwithstanding the foregoing, if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, the credits payable to Bank pursuant to clause (i) above and the payments received by Company in clause (ii) above shall no longer be netted against the Net Proceeds payable by Bank pursuant to Section 3.6 but instead Company shall transfer the amount of each credit and payment to Bank by ACH of immediately available funds not later than the second Business Day following the date on which the events giving rise to such credit or payment occur (and the Net Proceeds payable by the Bank pursuant to Section 3.6 shall be made without deduction for such credits or payments).

"Net Sales" shall mean Purchases less shipping and handling and less credits or refunds for Goods and/or Services, all as shown in the Transaction Records received by the Bank each Business Day (as corrected by Bank in the event of any computational error), and calculated each Business Day.

"On-Line Prescreen" shall mean a process where a pre-screened offer of credit is made to credit-worthy Customers in a real-time pre-approved process according to Bank's Operating Procedures. The process utilizes traditional order entry data elements to build Customer records. The Customer records are pre-screened by a credit bureau using Bank's established criteria to determine if an offer of credit is appropriate. Customer records passing the Bank's pre-screening credit criteria are returned to the point of order entry where the pre-approved offer to open an Account is made. Records not passing the credit criteria are not returned and no offer is made.

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"Operating Procedures" shall mean Bank's Company's catalog procedures, Company Store's procedures, Internet or e-commerce procedures and any amendments to the same or additional or different procedures which satisfy the requirements of Section 2.3, to be followed by Company in connection with the Plan.

"Person" shall mean an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" shall mean the private label credit card program established and administered by Bank for Customers of Company by virtue of this Agreement.

"Plan Year" shall mean each consecutive twelve (12) month period commencing on the Effective Date and each anniversary thereof.

"Purchase" shall mean a purchase of Goods and/or Services, including without limitation all applicable taxes and shipping costs, with a specific extension of credit by Bank to a Cardholder using an Account as provided for under this Agreement.

"Quick Credit" shall mean an in-store application procedure designed to open Accounts as expeditiously as possible at point of sale, whereby an application for an Account is processed without a paper application being completed by an Applicant. An Applicant's credit card (Visa, MasterCard, American Express, Discover or other Bank approved private label card) is electronically read by a terminal that captures the Applicant's name and credit card account number. Other data shall be entered into that same terminal by the Company's Store associate as specified in the Operating Procedures. This data is used by Bank to request a credit bureau report and make a decision whether to approve or decline the Applicant.

"Regular Revolving Purchases" shall mean Purchases which are not subject to any Deferred Billing Programs or Equal Payment Purchases.

"Renewal Term" shall have the meaning set forth in Section 9.1.

"Season" shall mean (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January. For the purposes hereof, a "fiscal month" is a monthly period defined by Company in writing to Bank from time to time to coincide with Company's fiscal calendar.

"Service Event" shall mean a failure by Bank to meet a Base Level (as identified in Schedule 2.1) for a single Service Standard during one calendar month; provided that such failure was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

"Service Standard" shall mean the performance or quantitative levels of performance set forth in Schedule 2.1.

"Service Standards Termination Event" shall have the meaning given in Section 9.7.

"Statemented Account" shall mean each Account for which a billing statement is generated within a particular billing cycle.

"Term" shall mean the Initial Term and any Renewal Terms.

"Transaction Record" shall mean, with respect to each Purchase of Goods or Services by a Cardholder from Company, each credit or return applicable to a Purchase of Goods or Services, and each payment received by Company from a Cardholder on Bank's behalf: (a) the Charge Slip

or Credit Slip corresponding to the Purchase, credit or return; or (b) a computer readable tape/cartridge or electronic transmission containing the following information: the Account number of the Cardholder, the Company's Store number at which the Purchase, credit or return was made, the total of (i) the Purchase price of Goods or Services purchased or amount of the credit, as applicable, plus (ii) the date of the transaction, a description of the Goods or Services purchased, credited or returned and the authorization code, if any, obtained by Company's Store prior to completing the transaction; or (c) electronic record whereby Company's Store electronically transmits the information described in subsection (b) hereof to a network provider (selected by Company at its expense), which in turn transmits such information to Bank by a computer tape/cartridge or electronic tape or transmission.

1.2 *Other Definitions.* As used herein, terms defined in the introductory paragraph hereof and in other sections of this Agreement shall have such respective defined meanings. Defined terms stated in the singular shall include reference to the plural and vice versa.

SECTION 2. THE PLAN

2.1 *Establishment and Operation of the Plan.* (a) The Plan is established for the primary purpose of providing Customer financing for Goods and Services purchased from Company. Qualified Applicants desiring to use the Plan shall be granted an Account by Bank with a credit line in an amount to be determined by Bank in its discretion for each individual Applicant. Subject to Section 3.6 (d), Bank shall determine the terms and conditions of the Account to be contained in a Credit Card Agreement, which Credit Card Agreement shall be subject to change upon notice given by Bank to the Cardholders in accordance with Applicable Law. All Existing Accounts are deemed provided under the Plan.

(b) Bank shall operate the Plan in accordance with the Service Standards set forth in Schedule 2.1, as such performance standards may be modified from time to time at the reasonable request of Bank or Company and with the consent of the other party. Within fifteen (15) days after the end of each calendar month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards.

(c) Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

(d) Not later than one hundred and twenty (120) days following the Effective Date, Bank will design a Cardholder satisfaction survey process to be administered in accordance with the procedures already in place at the Bank, at a cost comparable to its existing cost. This survey should be an on-going, real-time process by which Bank and Company can measure Cardholder satisfaction. Bank will solicit Company's review and approval of the methodology used to analyze and assess the results of the survey (such approval not to be unreasonably withheld or delayed) and will provide the raw and analyzed survey results to Company. The results will be presented in a mutually agreed format. Bank will deliver Cardholder satisfaction survey results to Company on a quarterly basis and will on a monthly basis discuss the trends based on the prior month's results.

(e) From time to time during the Term, Company may request that Bank provide to Company new products, services or technology in connection with the Plan, identified by Company, which are then commercially available from the top tier of well-managed private label credit card services vendors ("Competitive Vendors") and offered generally to such Competitive Vendors' clients and potential clients. Bank will exert its good faith reasonable efforts to provide such services on terms reasonably competitive to those offered in the marketplace by Competitive Vendors.

2.2 *Applications for Credit Under the Plan; Billing Statements.* (a) Applicants who wish to apply for an Account under the Plan must submit a completed application on a form or in an electronic format approved by Bank, and Bank shall grant or deny the request for credit based solely upon Bank's credit criteria as specified in Section 2.7. Company shall provide a copy of the Credit Card Agreement to the Applicant to be retained for the Applicant's records. The application shall be submitted to Bank by the Applicant or submitted by Company on behalf of the Applicant, as required in the Operating Procedures. If Bank grants the request for an Account, Bank will issue a Credit Card to the Applicant which accesses an individual line of credit in an amount determined by Bank.

(b) Bank shall make available to Company and Company shall utilize primarily a Quick Credit application procedure. Bank shall also make available to Company and Company may elect to utilize in its discretion, Instant Credit, pre-approved solicitations, Batch Prescreen and On-Line Prescreen application procedures as mutually agreed upon.

(c) Subject to Section 2.8, Company agrees that it will keep confidential the information on such applications and shall not disclose the information to anyone other than authorized representatives of Bank.

(d) All Cardholders will receive from Bank a periodic statement (the "Billing Statement") listing the amounts of Purchases made and credits received and other information as required by Applicable Law or deemed desirable by Bank. Company may if desired put text messages on the statements as approved by Bank.

(e) Bank shall make available to Company Internet application procedures and Charge Slip processing. In such event, Company shall be responsible for integrating and maintaining on its website at its sole expense a link to the Bank's Internet application processing website. The parties shall work together on implementing such links from the Bank's Internet application processing website back to Company's Internet site. Bank shall take reasonable efforts to ensure that navigation back to Company's Internet site from the Bank's Internet application processing website, whether through a particular pointer or link, the "back" button on an Internet browser, the closing of an active window, or any other return mechanism, shall not be interrupted by Bank through the use of any intermediate screen or other device not specifically requested by the user, including without limitation through the use of any html pop-up window or any other similar device.

2.3 *Operating Procedures.* Company shall observe and comply with the Operating Procedures. Company shall ensure that Company's Stores personnel are trained regarding the Operating Procedures and shall ensure their compliance with them. The Operating Procedures may be supplemented, amended or modified by Bank from time to time in its reasonable discretion; provided, however, a copy of any such supplement, amendment or modification shall be provided to Company at least ninety (90) days before its effective date (the "Notice Date") unless otherwise required by Applicable Law, and for those changes required by Applicable Law, notice shall be given as soon as practicable. For changes that are (A) required by Applicable Law, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices (both (A) and (B) being referred to herein as the "Required Changes"), where Bank implements such Required Changes with all of its other clients that are also affected by such change in Applicable Law or operate in circumstances similarly requiring changes from the standpoint of safe and sound banking practices, Bank shall identify the changes as Required Changes in the notice to Company. Unless such change is a Required Change, Company shall have the right within thirty (30) days after the Notice Date to object to such change and the parties' representatives will promptly thereafter meet to discuss such change in good faith in order to agree upon such change or a mutually agreeable alternative to such change. In the event the parties are unable to agree upon such change or an alternative within sixty (60) days after the Notice Date, then a senior executive from both Company and Bank shall meet to negotiate in good faith in order to agree upon such change or a mutually agreeable alternative to such change. If the parties' senior

executives are unable to mutually agree within ninety (90) days after the Notice Date, then Bank shall have the right to implement the initially proposed change so long as (i) Bank implements such change with all or substantially all of its other similar clients, (ii) such change does not change the chargebacks section of the Operating Procedures, and (iii) such change does not impose a material adverse financial or operational burden on Company.

2.4 *Plan Documents.* Subject to and in compliance with the requirements of Applicable Law, Bank shall solely author any content, format or other aspect of the Credit Card Agreement, application, Credit Card, card mailer, letters, and other documents and forms and billing statements (collectively, "Forms") to be used under the Plan which (i) relate to the Plan, (ii) relate to the Bank's or the Cardholder's rights or obligations under the Account, or (iii) are required by Applicable Law. Bank and Company shall jointly design all other aspects of the Forms (except for Cardholder letters and other documents and forms used by Bank in maintaining and servicing the Accounts, which Bank shall solely design), subject to and in compliance with the requirements of Applicable Law. Bank will provide Company with copies of the template of any Forms which are to be provided by Bank in a mass mailing or distribution to all Cardholders as a whole or to all Cardholders in a particular state. Bank shall provide at Bank's expense consistent with Bank's standard costs for such documents (any excess costs due to Company's special requests for non-standard documents shall be borne by Company) appropriate quantities of the Credit Card Agreements, Credit Card plastics, card mailer and billing statements. Bank shall notify Company in advance if any form is not consistent with Bank's standard costs and will provide Company with a written estimate of the excess costs to be borne by Company for such form. Company shall pay the costs of all other Plan documentation including, without limitation, applications, promotional material (i.e. collateral), pre-approved solicitations, Instant and Quick Credit contracts and special offers, reissued Credit Card plastics, including but not limited to embossing and encoding, card carriers, envelopes, Credit Card Agreements and postage related to any reissuances requested by Company for any reissuance of Credit Cards to Cardholders (other than replacements made by Bank from time to time at a Cardholder's request on an individual basis). Bank shall have the right to review and approve all materials prepared by Company (or an Affiliate or third party) that refer in any way to the Plan, such approval not to be unreasonably withheld or delayed. In the event any Forms become obsolete as a result of changes requested by Company, Company shall reimburse Bank for the direct costs associated with any unused obsolete Forms. Company shall pay the actual and direct costs associated with any Forms changes or Cardholder notices required as a result of any additions or deletions of Company honored credit cards requested by Company pursuant to Section 3.1. Only one design shall be used for each form.

2.5 *Marketing.* Company agrees to use its reasonable efforts to promote the use of Credit Cards for Purchases and to acquire new Cardholders through such methods mutually agreed upon by Bank and Company. Company agrees to use reasonable marketing efforts to support the Plan. Company and Bank shall annually agree upon a minimum target number of Applicants to be sourced by Company. Bank and Company will jointly agree upon programs to market the Plan, both initially and on a continuing basis. When using any trademarks, logos, service marks or tradenames of the other party, each party will comply with all written guidelines provided to it by the other party related to use of the other party's marks.

2.6 *Administration of Accounts.* Bank shall perform, at its expense and in compliance with Applicable Law, all functions necessary to administer and service the Accounts, including but not limited to: making all necessary credit investigations; notifying Applicants in writing of acceptance or rejection of credit under the Plan; preparing and mailing billing statements; making collections; handling Cardholder inquiries; and processing payments. The Bank is solely responsible for determining the requirements, the method, and the content of any notices to Cardholders required by Applicable Law.

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2.7 *Credit Decision.* The decision to extend credit to any Applicant under the Plan shall be Bank's decision. Bank will work in good faith with Company to develop business strategies with respect to the issuance of Credit Cards which are intended to maximize the potential of the Plan, and which are mutually beneficial to Bank and Company. Company may from time to time request Bank to consider offering certain types of special credit programs. Bank shall reasonably consider Company's requests and negotiate with Company in good faith. However, Bank shall, in its sole discretion, subject to Applicable Laws and safety and soundness considerations, determine whether or not to offer any of such programs. In the event Bank agrees to any special credit program, Bank and Company shall mutually agree upon any special terms and fees associated with the program. Notwithstanding the foregoing, (i) the credit standards established by Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Plan shall be consistent with past practices (as described in Schedule 2.7), with such changes as shall be (A) approved by Company in its reasonable discretion, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices. Bank shall conduct, at least once during each Plan Year, a meeting with Company to review the credit standards being applied by Bank in reaching its credit decisions.

2.8 *Ownership of and Rights in Information.* (a) Bank shall provide to Company free of charge from time to time (generally no more frequently than monthly) at Company's request master file tapes initially containing the information set forth on Schedule 2.8 for Company to the extent such information is available to Bank, and any other information agreed to by Bank and Company (collectively, the "Master File Information"), to the extent permitted by Applicable Law, which Company may use solely in connection with maintaining and servicing the Accounts and for the purpose of marketing goods and services to the Cardholders, as permitted by Applicable Law. The Master File Information may include, at Company's request, the information set forth on Schedule 2.8 for Affiliates of Company, to the extent permitted by Applicable Law.

(b) To the extent permitted by Applicable Law and without undue burden, cost or expense to Bank, Bank intends and will exert its diligent good faith efforts to maintain during the Term a privacy policy, which will permit Bank to allow Company to use the Master File Information for purposes in addition to those set forth in Section 2.8(a) above (the "Additional Purposes") and to share such information with third parties for the Additional Purposes subject to Cardholder opt out and Applicable Law. To the extent permitted by and in accordance with Applicable Law and subject to Cardholder opt out, Company may so provide the Master File Information to third parties for the Additional Purposes and/or use such information for the Additional Purposes.

(c) The Bank is the owner of all information relating to the Cardholders (including names and addresses) as collected by or on behalf of Bank or as set forth in Bank's records, the Accounts and the Credit Cards, the copyright to all written material contained in any Credit Card Agreements, applications, billing statements and other Forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; provided, however, that Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of Company, (ii) persons who, in the sole judgment of Limited Brands, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates, (iii) in the case of disclosure, credit agencies, (iv) as otherwise permitted by this Agreement, and (v) as required by Applicable Law.

(d) The Transaction Records (except for any Account payment information received by Company on Bank's behalf) are the sole property of Company. Bank may use the Transaction Records solely for the purposes permitted by this Agreement (provided that this limitation shall not limit Bank's rights with respect to any Account information). Account payment information received by Company on Bank's behalf shall be the sole property of Bank, provided that Company may use such information solely for the purposes permitted by this Agreement.

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(e) Company is the owner of the names and addresses of Customers, as set forth in Company's records and collected by Company from a source other than Bank. Upon request of Bank and consent of Company, not to be unreasonably withheld, Company shall make the names and addresses of Customers available to Bank, as permitted by Applicable Law, during the Term of this Agreement to be used only for purposes of solicitation of such Customers to become Cardholders of Bank and in connection with the administration of the Plan in accordance with the terms of this Agreement. Names, addresses and other information of Customers obtained by Company from the Customer (and not on Bank's behalf) in connection with point-of-sale, mail order, telephone, internet or other sale (regardless of whether the Customer makes payment for such sale through the use of a Credit Card) are "collected by Company from a source other than Bank".

(f) For the avoidance of doubt, the parties acknowledge that the items of information allocated to each party in this Section 2.8 may overlap, and that each party may independently possess and own the same specific items of information, such as but not limited to, names and addresses of persons who are both Customers and Cardholders. The allocation of ownership of a class of information to one party in this Section 2.8 is not inconsistent with ownership by the other party of the same items of information if so allocated in this Section 2.8.

2.9 *Insurance and Account Enhancement Services.* (a) Bank and Company agree that Bank will exclusively make available to Cardholders various types of insurance products, the premiums for which are based on the Cardholder's account balance, ("Insurance Products") offered by Bank and/or its vendors or Affiliates. Such products shall include credit life, debt cancellation, accidental death and disability and unemployment insurance. The solicitations and offerings shall not contain Company's endorsement. Bank may make at least two (2) and no more than four (4) offers per Plan Year or two (2) times per Season at its expense. The monthly charges for Insurance Products shall be charged to the applicable Cardholder's Account.

(b) Bank and Company agree that Bank may make available to Cardholders various types of other insurance, products and services ("Account Enhancement Services") at its expense through solicitations made in connection with their Accounts, subject to Company's approval as provided in Section 2.9(d). Such Account Enhancement Services may include but are not limited to insurance of types not listed in Section 2.9(a), travel clubs, legal services, card registration programs and merchandise products. Such Account Enhancement Services will be offered through various direct marketing channels including but not limited to direct mail, telemarketing, statement inserts, statement messaging, call transfer and IVR. The charges for the products and services will be billed to the applicable Cardholder's Account when appropriate. The solicitations and offerings shall not contain Company's endorsement.

(c) Company shall receive from Bank fifty percent (50%) of the net profit (Bank's revenues from commissions and other incentives from the vendor minus Bank's total expenses) generated by Account Enhancement Services, payment to be made on a monthly basis, together with a statement setting forth the revenues, expenses and profits in reasonable detail.

(d) Each and every Account Enhancement Service and the related advertising materials shall be subject to the prior approval of Company, which approval shall not be unreasonably withheld or delayed (it being understood that Company may withhold such approval if it determines in its reasonable discretion that the advertising of such products or services is inconsistent with the image of Company's business). With ninety (90) days prior written notice to Bank, Company may reasonably withdraw its approval for an Account Enhancement Service.

2.10 *Ownership of Company Name.* Anything in this Agreement to the contrary notwithstanding, Company shall retain all rights in and to Company's name and the name selected by Company for use on the Credit Card and all trademarks, service marks and other rights pertaining to such names (collectively, the "Name Rights") and all goodwill associated with the use of the Name Rights whether

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under this Agreement or otherwise shall inure to the benefit of the Company. Company shall have the right, in its sole and absolute discretion, to prohibit the use of any of its Name Rights in any Forms, advertisements or other materials proposed to be used by Bank which Company in its reasonable business judgment deems objectionable, improper or undesirable. However, no use, which use is consistent with this Agreement, of the name selected by Company for use on the Credit Card and in the Forms for the purpose of identifying the Accounts in connection with maintaining and servicing such Accounts will be deemed objectionable, improper or undesirable by Company. Bank shall cease all use of the Name Rights upon the termination of this Agreement for any reason unless Bank retains the Accounts after termination of the Agreement, in which case Bank may use the Name Rights solely in connection with the administration and collection of the balance due on the Accounts. Provided, however, that Company grants Bank the right to use Company's Name Rights on a case by case basis and with thirty (30) days advance notice of each category of use in connection with Bank and its Affiliates' product marketing and promotional materials and literature in written and electronic form and their business client lists until such time as this Agreement is terminated or Company chooses to revoke this right for any or all product marketing, promotional materials, literature or client list purposes. All uses of Company's Name Rights are subject to the terms and conditions of this Agreement, including this Section 2.10 and Section 2.5.

2.11 *Payment of Fees Other than Discount Fees.* Bank will invoice Company monthly in arrears for all fees or charges other than Discount Fees properly imposed by Bank pursuant to this Agreement. All such amounts payable by Company under this Section 2.11 shall be paid within thirty (30) days after receipt of the Bank's invoice for such amounts.

SECTION 3. OPERATION OF THE PLAN

3.1 *Honoring Credit Cards.* Company agrees that Company and Company's Stores will honor any Credit Card, and to the extent permitted by Applicable Law Bank will permit Company, at Company's option, to honor other credit cards for Company's Affiliates issued by Bank provided that Company will provide Bank with at least thirty (30) days advance written notice of its intent to honor such other credit cards, (and the Authorized Users of such Credit Cards) properly issued and currently authorized by Bank. In addition, if mutually agreed by Bank and Company, Company agrees that Company and Company's Stores will honor any credit card for Company's former Affiliates issued by Bank (and the Authorized Users of such credit cards) properly issued and currently authorized by Bank. Company agrees that it shall deliver to Bank all Transaction Records evidencing transactions made under the Plan, in accordance with the provisions of this Agreement and the Operating Procedures.

3.2 *Additional Operating Procedures.* In addition to the procedures, instructions and practices contained in the Operating Procedures, Company agrees that Company will comply with the following procedures:

(a) In each Credit Card transaction Company must obtain all the information contained in clause (b) of the definition of Transaction Record. The date which appears on the Charge Slip or Credit Slip will be prima facie evidence of the transaction date, and Company shall be required to transmit all Transaction Records relating to such Charge Slip and/or Credit Slip so that Bank receives such Transaction Records no later than the second Business Day after the transaction date; provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. The "Cardholder Copy" of each Charge Slip shall be delivered to the Cardholder at the time of the transaction if the Cardholder is in the store.

(b) All Charge Slips will evidence the total price of the sale minus any cash down payment. Company shall retain the "Merchant Copy" of all Company generated Charge and Credit Slips for

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each transaction for a period of six (6) months from the date of presentation to Bank or in the case of Deferred Billing Programs, six (6) months from the end of the applicable Deferred Billing Program.

(c) Company will maintain a fair policy for the exchange and return of Goods and adjustment for Services rendered and for that purpose will give credit to Accounts upon such exchange, return or adjustment. Company will not make cash refunds to Cardholders on Credit Card Purchases. If any Goods are returned, price adjustment is allowed, or debt for Services is adjusted, Company will notify the Bank and provide appropriate documentation thereof to the Cardholder. Upon receipt of Transaction Records reflecting a credit to which there has been a corresponding debit, Bank will net against amounts payable by Bank to Company the total shown on the Credit Slip, and credit the Cardholder's Account in the amount of such Credit Slip. If on any day the total amount of the Net Proceeds is a negative amount, Company shall remit the difference to Bank immediately upon written demand.

(d) Company's Stores shall not, when the Cardholder is present in the store, accept a transaction to be charged to an Account without either: presentation of a Credit Card and following any additional identification outlined in the Operating Procedures; or following such proper identification procedures for transactions where a Credit Card is not presented as outlined in the Operating Procedures.

3.3 *Cardholder Disputes Regarding Goods or Services.* Company shall act promptly to investigate and work to resolve disputes with Cardholders regarding Goods or Services obtained through Company pursuant to the Plan. Company shall timely process credits or refunds for Cardholders utilizing the Plan.

3.4 *No Special Agreements.* Company will not extract any special agreement, condition or security from Cardholders in connection with their use of a Credit Card, unless approved in advance by Bank in writing.

3.5 *Cardholder Disputes Regarding Violations of Law or Regulation.* Company shall assist Bank in further investigating and using its reasonable efforts to help resolve any Applicant or Cardholder claim, dispute, or defense which may be asserted under Applicable Law.

3.6 *Payment to Company; Ownership of Accounts; Fees; Accounting.* (a) Company shall electronically transmit all Transaction Records from Company to Bank in a format acceptable to Bank. Upon receipt, Bank shall use commercially reasonable efforts to promptly verify and process such Transaction Records, and in the time frames specified herein, Bank will remit to Company an amount equal to the Net Proceeds indicated by such Transaction Records for the Credit Sales Day(s) for which such remittance is made. In the event Bank discovers any discrepancies in the amount of Transaction Records submitted by Company or paid by Bank to Company, Bank shall notify Company in detail of the discrepancy, and credit Company, or net against amounts owed to Company, as the case may be, in a subsequent daily settlement. Bank will transfer funds via Automated Clearing House ("ACH") to an account designated in writing by Company to Bank (the "Company Deposit Account"). From the Effective Date through January 31, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer on the next Business Day thereafter and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the second Business Day thereafter. Commencing on February 1, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer the same day and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the following Business Day. Bank shall remit funds to one Company designated account and shall not remit funds to individual Company Stores. The term "initiate" shall mean that Bank shall transmit an ACH file to Bank's financial institution for settlement on the next Business Day.

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(b) Bank shall own all the Accounts under the Plan from the time of establishment, and except as otherwise provided herein, Company shall not have any right to any indebtedness on an Account or to any Account payment from a Cardholder arising out of or in connection with any Purchases under the Plan. Effective upon payment to Company by Bank pursuant to Section 3.6(a), with respect to each Charge Slip Company shall be deemed to have transferred, conveyed, assigned and surrendered to Bank all right, title or interest in all such Charge Slips and in all other rights and writings evidencing such Purchases, if any.

(c) All Transaction Records are subject to review and acceptance by Bank. In the event of a computational or similar error of an accounting or record keeping nature with respect to such Transaction Records, Bank may credit to the Company's Deposit Account or net against the Net Proceeds (as the case may be) the proper amount as corrected. If the Net Proceeds are insufficient, Company shall remit the proper amount to Bank immediately upon written demand. Upon any such correction Bank shall give prompt notice and explanation thereof to Company.

(d) Bank may make any changes in the terms of the Credit Card Agreement at any time as required by Applicable Law and will notify Company of such changes with notice to Company reasonable under the circumstances, or on an individual Account by Account basis, without notice to Company, in connection with its servicing of the Accounts. With respect to any other changes in the terms of the Credit Card Agreement affecting the repayment terms, APR or fees charged by Bank, Bank will, prior to making any changes, notify Company of such changes and discuss such changes with Company.

(e) Company shall obtain and maintain at their own expense such point of sale terminals, cash registers, network (electronic communication interchange system), telephone or other communication lines, software, hardware and other items of equipment as are necessary for it to request and receive authorizations, transmit Charge Slip and Credit Slip information, process Credit Card Applications and perform its obligations under this Agreement. The computer programs and telecommunications protocols necessary to facilitate communications between Bank and Company and Company's Stores shall be determined by Bank from time to time subject to reasonable prior notice of any change in such programs, equipment or protocols.

(f) Company may from time to time offer Deferred Billing Programs to Cardholders. Company shall be responsible for ensuring that all Purchases subject to any Deferred Billing Programs are properly designated as such on the Transaction Record in accordance with Bank's instructions.

(g) Bank may if Company fails to pay Bank any amounts due (and such amounts are not subject to a good faith dispute of which Bank has been notified) to Bank pursuant to this Agreement for more than thirty (30) days after the due date, offset such amounts against the Net Proceeds or any other amounts owed by Bank to Company under this Agreement.

3.7 *Insertion of Company's Promotional Materials.* Bank will upon request of Company from time to time insert Company's promotional materials for Company's Goods and Services, which are provided by Company at Company's expense, into the Account billing statements and new Credit Card mailers, so long as: (a) the materials are provided to Bank at least two (2) Business Days prior to the scheduled mailing date of such statements or notices; (b) if the materials reference Bank or the Plan in any manner, are approved by Bank as to content, in Bank's reasonable discretion; (c) the materials meet all size, weight, or other specifications for such inserts as shall be set forth in the Operating Procedures; (d) there is sufficient space in Bank's standard envelope for the insert in addition to any legally required material, Cardholder notices and other materials which Bank is including in the mailing; and (e) Company pays any and all additional postage costs caused by Bank's insertion of materials provided by Company, provided that Bank shall first notify Company of any additional postage cost and Bank will include the materials only if instructed by Company to insert regardless of the additional postage costs.

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3.8 *Payments.* (a) Except as provided in this Section 3.8, all payments to be made by Cardholders with respect to any amounts outstanding on the Accounts shall be made in accordance with the instructions of Bank and at the location or address specified by Bank. Company hereby authorizes Bank, or any of its employees or agents, to endorse "WORLD FINANCIAL NETWORK NATIONAL BANK" upon all or any checks, drafts, money orders or other evidence of payment, made payable to Company and intended as payment on an Account, that may come into Bank's possession from Cardholders and to credit said payment against the appropriate Cardholder's Account. Company further agrees that where, consistent with Section 3.8(b), or such other circumstance authorized by Bank,

Company is permitted by Bank to receive any payment made with respect to the Plan, Company will on Bank's behalf hold such payment in trust for Bank and will include the amount of such payment in the Transaction Records sent to Bank pursuant to this Agreement within two (2) Business Days after receipt provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. Bank will charge the amount of such payment against the settlement amount, or, if the settlement amount is insufficient to cover such payments, Company shall remit the amount of such payment, or any unpaid portion thereof, to Bank immediately upon written demand. Payments made by Cardholders at Company's Stores shall not be deemed received by Bank until Bank receives and accepts the Transaction Records. Bank has the sole right to receive and retain all payments made with respect to all Accounts and to pursue collection of all amounts outstanding, unless an Account or Purchase is charged back to Company pursuant to the provisions of Sections 3.9 and 3.10 hereof. Should any payment made by Cardholders at Company's Stores be made by check and such check is subsequently returned unpaid, Company will include a debit for the face amount of the check plus any actual return check fees paid by Company to its third party depository bank to which the check is first deposited or third party re-presentation vendor in the Transaction Records sent to Bank pursuant to this Agreement. Company will process such returned check in accordance with the procedures mutually agreed upon in writing by Bank and Company. In the event the return check fees imposed by or through any third party vendor retained by Company for re-presentation of such checks for payment following any initial return increase after the Effective Date, Company shall give Bank written notice of the increase in such fees and Bank shall have the right to discontinue paying the fees imposed by or through such third party re-presentation vendor, in which event, Company may discontinue processing such returned checks through the re-presentation vendor and shall submit checks returned unpaid by the bank of first deposit to Bank.

(b) Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Card Accounts ("**In-Store Payments**"). Any In-Store Payments received by Company will be held in trust for Bank and its assigns and netted against amounts payable by Bank pursuant to this Section 3.8 (provided that Company shall not be required to keep In-Store Payments separate from other payments received by Company) and evidence of such payments will be transmitted to Bank on a daily basis, provided that (i) if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such evidence relating to such store locations as soon as reasonably practicable after polling is completed or (ii) if transmittal is not possible due to a force majeure event, such transmittal will be completed within a time reasonable under the circumstances. Notwithstanding the foregoing:

(1) if any bankruptcy or other insolvency proceeding has been commenced against Company (and so long as the same has not been dismissed), Company shall promptly comply with any written instruction (a "**Store Payment Notice**") received by Company from Bank or any successor

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to Bank (Bank or any such successor being the "Servicer") to take either of the following actions (as specified in such instruction):

(i) cease accepting In-Store Payments and thereafter inform Cardholders who wish to make In-Store Payments that payment should instead be sent to Servicer (but only if the Servicer is required to give such notice); or

(ii) (A) deposit an amount equal to all In-Store Payments received by each retail location operated by Company, not later than the Business Day following receipt, into a segregated trust account (the "Store Account") established by Company for this purpose and, pending such deposit, to hold all In-Store Payments in trust for Bank and its assigns, (B) use commercially reasonable efforts not to permit any amounts or items not constituting In-Store Payments to be deposited in the Store Account and (C) cause all available funds in each Store Account to be transferred on a daily basis to an account designated in the Store Payment Notice;

provided that Company need not take the actions specified in clause (i) or clause (ii) if Company or any of its Affiliates provides the Servicer with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all required conditions with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(2) if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, In-Store Payments shall no longer be netted against amounts payable by Bank pursuant to subsection 3.8(a), but instead Company shall transfer to Bank by ACH of immediately available funds not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as Company complies with instructions delivered in accordance with paragraph (1) or (2), any amounts payable by Bank to Company pursuant to Section 3.6 shall be made without deduction for In-Store Payments.

3.9 *Chargebacks.* Bank shall have the right to demand immediate purchase by Company of any Purchase and charge back to Company the unpaid principal balance relating to any such Purchase, for any chargeback reason as set forth in the Operating Procedures.

3.10 *Assignment of Title in Charged Back Purchases.* With respect to any amount of a Purchase to be charged back to and to be purchased by Company, Company shall either pay such amount directly to Bank in immediately available funds or Bank will offset such amount as part of the Net Proceeds to be paid to Company, to the extent the balance thereof is sufficient. Upon payment of such amount by Company to Bank, or off-setting, as the case may be, Bank shall assign and transfer to Company, without recourse, all of Bank's right, title and interest in and to such Purchase and will deliver all documentation (or copies) in Bank's possession, including but not limited to, Cardholder correspondence regarding such Purchase. Company further consents to all extensions or compromises given any Cardholder with respect to any such Purchase, and agrees that such shall not affect any liability of Company hereunder or right of Bank to charge back any Purchase as provided in this Agreement; provided, however, that Bank shall not have the right to charge back for any Purchase the amount of any reductions, or compromises of amounts owed by a Cardholder to Bank. Company shall not resubmit or re-transmit any charged back Purchases to Bank, without Bank's prior written consent.

3.11 *Promotion of Program and Card Plan; Non-Competition.* (a) Throughout the Term of this Agreement, Company shall use its reasonable efforts to market, promote, participate in and support the Plan as set forth in this Agreement. Company agrees that in consideration and as an inducement for Bank to make the Plan available to Company as outlined in this Agreement and the Operating Procedures, from the Effective Date and for as long as this Agreement is in existence, Company will

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not (nor will Company permit any Affiliate to do so on Company's behalf), without the prior written consent of Bank, contract or establish with any other credit card processor/provider or provide or process on its own behalf any "private label" or "co-brand" revolving credit or other credit card issuance or processing arrangement or programs similar in purpose to the Plan or to the services and transactions contemplated under this Agreement, except that if either party provides notice of termination pursuant to Section 9.1 of this Agreement or if Company terminates under Sections 9.3 or 9.5, Company may enter into a contract with another credit card processor/provider effective on or after termination of this Agreement (provided that an agreement for preliminary or planning services related thereto shall not violate this provision).

(b) Notwithstanding the foregoing, nothing contained in this Agreement will be construed to prohibit or prevent Company from: (i) accepting any major general purpose credit card (including without limitation, American Express (and Optima) Card, MasterCard, Visa, or NOVUS), any form of general purpose debit card or fixed payment (installment) credit programs for Applicants declined by Bank, as a means of payment by Cardholders for purchase of Goods and Services; or (ii) accepting a proprietary credit card issued by Bank for an Affiliate; or (iii) entering into a contract with another credit card provider for a particular state after Bank has terminated (or given notice of such termination) the operation of the Plan in such state pursuant to Section 9.4.

(c) Provided, further, that Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing a Mark or any of Company's other Name Rights and to accept any Bona Fide Offer by such third party if, prior to accepting such Bona Fide Offer, Company provides Bank with an opportunity to submit a competing offer and counteroffer (as outlined below) with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark or Name Right, and Bank's competing offer and counteroffer is not deemed to be "Competitive." Bank's competing offer or counteroffer shall be deemed to be "Competitive" if it has terms which are either (i) at least as favorable to Company as such Bona Fide Offer or (ii) taken as a whole, are reasonably competitive in the reasonable judgment of Company to such Bona Fide Offer. A Competitive offer or counteroffer by Bank shall be accepted by Company in lieu of such Bona Fide Offer. Company will provide to Bank a copy of all materials (such as requests for proposals and the like) provided by Company to all third parties for the purposes of soliciting Bona Fide Offers, such materials to be provided to Bank at the same time Company provides them to the third parties. Bank will be given at least thirty (30) days (or such longer period of time as is given to the third parties) to submit a competing offer to Company. In addition, if Bank submits within the thirty (30) day (or longer) period a competing offer in response to a Bona Fide Offer or solicitation of a Bona Fide Offer, and that competing offer is not deemed to be Competitive, then prior to accepting the Bona Fide Offer Company will identify and quantify to Bank the key terms and assumptions (of Company and the third party) of the Bona Fide Offer (however, Company shall not be required to provide Bank with a copy of the actual Bona Fide Offer) and Bank will have fifteen (15) days after receipt of such key terms to submit a counteroffer to Company and Company will evaluate any counteroffer submitted by Bank within such fifteen (15) day period according to the Competitive standards set forth in clauses (i) and (ii) above and will accept Bank's offer in lieu of such Bona Fide Offer if the Competitive standards are met. For purposes of this Section 3.11, "Bona Fide Offer" means an offer to Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to Company, its Affiliates and other retail or catalogue merchants).

3.12 *Postal Rate Adjustment.* From August 1, 2002 through January 31, 2003, Company shall bear the costs of all increases in the cost of mailing Account billing statements, form letters or new

Credit Cards due to increases in the first class pre-sort cost of postage from the United States Postal Service which increases occurred between February 1, 1996 and June 30, 2002.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF COMPANY

Company hereby represents and warrants to Bank as follows:

4.1 *Organization, Power and Qualification.* Division and Factoring are corporations duly organized, validly existing and in good standing under the laws of the state of Delaware and Nevada, respectively, and have full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Company is duly qualified and in good standing to do business in all jurisdictions where Company is located, except where the failure to so qualify would not have a material adverse effect on the business of the Company, or where the failure to so qualify would not have a material adverse effect on Company's or Bank's ability to continue operation of the Plan.

4.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Company and is a valid and legally binding agreement of Company duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Company is required for, and the absence of which would adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Company hereunder and the compliance by Company with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; and (ii) will not conflict with or result in a breach of or default under any of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Company is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Company, nor will such execution, delivery or compliance violate or result in the violation of the Articles of Incorporation or By-Laws of Company.

4.3 *Accuracy of Information.* All factual information furnished by Company to Bank in writing at any time pursuant to any requirement of, or furnished in response to any written request of Bank under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Company to Bank will be, true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information was or will be stated or certified.

4.4 *Validity of Charge Slips.* (a) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, each Charge Slip relating to such Transaction Records shall represent the obligation of a Cardholder in the respective amount set forth therein for Goods sold or

Services rendered, together with applicable taxes, if any, and shall not involve any element of credit for any other purpose.

(b) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, Company has no knowledge or notice of any fact or matter which would immediately or ultimately impair the validity of any Charge Slip relating to such Transaction Records, the transaction evidenced thereby, or its collectibility.

4.5 *Compliance with Law.* Any action or inaction taken by Company (where Company has a duty to act) in connection with the Plan and the sales of Goods and Services and the use and disclosure of Cardholder information by Company shall be in compliance with all Applicable Law

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except where the failure to comply does not or will not have a material adverse effect on Company, the Bank or the Plan.

4.6 *Company's Name, Trademarks and Service Marks.* Company has the legal right to use and to permit the Bank to use, to the extent set forth herein, the Mark and Name Rights utilized by Company in the conduct of its business.

4.7 *Intellectual Property Rights.* In the event Company provides any software or hardware to Bank, Company has the legal right to such software or hardware and the right to permit Bank to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Company or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Bank's request or to accommodate Bank's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Company and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Bank or any third party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Company and/or its Affiliates.

SECTION 5. COVENANTS OF COMPANY

Company hereby covenants and agrees as follows:

5.1 *Notices of Changes.* Company will as soon as reasonably possible notify Bank of any: (a) change in the name or form of business organization of Company, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Company or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Company; (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on Company; or (d) the planned opening or closing of any Company Store. Company will furnish such additional information with respect to any of the foregoing as Bank may reasonably request for the purpose of evaluating the effect of such change on the financial condition and operations of Company and on the Plan.

5.2 *Financial Statements.* In the event Company ceases to be an Affiliate of a publicly traded company or ceases to be a publicly traded company itself, Company shall make available to Bank as soon as available the following information pertaining to Company (or, at the option of Company's parent, consolidated information pertaining to such parent): (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Company's (or, its parent's, as applicable) independent certified public accountants in connection with such of the financial statements as have been audited.

5.3 *Inspection.* Company will permit, if Bank has reasonable cause to do so, authorized representatives designated by Bank, at Bank's expense, to visit and inspect, to the extent permitted by Applicable Law, any of the Company's books and records pertaining to Transaction Records and the Plan and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

5.4 *Company's Business.* Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the sale of Goods and Services.

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5.5 *Insurance.* Company shall self-insure or at its option maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other companies within Company's industry engaged in similar businesses as Company.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF BANK

Bank hereby represents and warrants to Company as follows:

6.1 *Organization, Power and Qualification.* Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America and has full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Bank is duly qualified and in good standing to do business in all jurisdictions where such qualification is necessary for Bank to carry out its obligations under this Agreement.

6.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Bank and is a valid and legally binding agreement of Bank duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Bank is required for, and the absence of which would materially adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Bank hereunder and the compliance by Bank with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; (ii) will not conflict with or result in a breach of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Bank is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Bank, nor will such execution, delivery or compliance violate or result in the violation of the Charter or By-Laws of Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

6.3 *Accuracy of Information.* All factual information furnished by Bank to Company in writing at any time pursuant to any requirement of, or furnished in response to any written request of Company under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Bank to Company will be true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information has or will be stated or certified.

6.4 *Compliance with Law.* Any action or inaction taken by Bank (where Bank has a duty to act) in connection with the Plan shall be in compliance with all Applicable Law, including, without limitation, all Consumer Laws, except where the failure to so comply does not or will not have a material adverse effect on the Bank, Company or the Plan.

6.5 *Intellectual Property Rights.* In the event Bank provides any software or hardware to Company, Bank has the legal right to such software or hardware and the right to permit Company to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Bank or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Company's request or to accommodate Company's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Bank and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Company or any third

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party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Bank and/or its Affiliates.

SECTION 7. COVENANTS OF BANK

Bank hereby covenants and agrees as follows:

7.1 *Notices of Changes.* Bank will as soon as reasonably possible notify Company of any: (a) change in the name or form of business organization of Bank, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Bank or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Bank; or (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on the Plan. Bank will furnish such additional information with respect to any of the foregoing as Company may reasonably request for the purpose of evaluating the effect of such transaction on the financial condition and operations of Bank and on the Plan.

7.2 *Financial Statement.* Bank shall furnish to Company upon request by Company and as soon as available the following information pertaining to Bank: (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Bank's independent certified public accountants in connection with such of the financial statements as have been audited.

7.3 *Inspection.* (a) Bank will permit, once per Plan Year unless Company has reasonable cause to request more frequent access, authorized representatives designated by Company, at Company's expense, to visit and inspect, to the extent permitted by Applicable Law, any of Bank's books and records pertaining to the Discount Fees, the Account Enhancement Services commission revenues and expenses set forth in Section 2.9, any fees and charges other than the Discount Fees and Purchases and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

(b) Bank shall permit Company, once per Plan Year unless Company has reasonable cause to request more frequent access, during normal business hours and upon reasonable notice, and in a manner which does not disrupt the operations, to visit the offices at which services relating to the Plan are provided, to review and monitor the activities of Bank and its subcontractors with respect to the performance of services hereunder. Bank shall provide Company with a copy of any annual SAS 70 technical audits performed on the servicing of the Accounts by its outside auditors.

7.4 *Bank's Business.* Bank shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the issuance of credit by Bank.

7.5 *Insurance.* Bank shall maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other banks engaged in similar businesses as Bank.

SECTION 8. INDEMNIFICATION; CLAIMS AND ACTIONS

8.1 *Indemnification by Company.* Company hereby indemnifies Bank, its Affiliates and the directors, officers, employees and agents of Bank or any Affiliate of Bank (each, a "Related Party") against, and agrees to hold them harmless from, any and all losses, claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("Damages") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or

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nonperformance of any covenant made by Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of Goods or rendering of Services by Company.

8.2. *Indemnification by Bank.* Bank hereby indemnifies Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by Bank under this Agreement.

8.3. *Third Party Claims.* (a) Bank shall not be liable to Company for or in connection with any claim made against Company by any other Person relating in any manner to this Agreement or to any services or any other transactions contemplated hereby (other than (i) claims based upon Bank's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Bank arising from this Agreement (other than claims based upon Company's or any of its Related Parties' negligence or willful misconduct), (iii) claims relating to acts or omissions of Bank and its agents in connection with the collection of amounts owing from Cardholders and (iv) claims relating to the submission by Bank or its agents of data concerning Cardholders to credit agencies), even if Bank has been advised of the possibility of such claims.

(b) Company shall not be liable to Bank for or in connection with any claim made against Bank by any other Person relating in any manner to this Agreement or to any services or other transactions contemplated hereby (other than (i) claims based upon Company's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Company arising from this Agreement and (iii) claims relating to goods purchased from Company), even if Company has been advised of the possibility of such claims.

(c) Each party shall exert its good faith efforts to notify the other of any claims described in clauses (i) through (iv) of subsections (a) and (b) above of which such party receives notice.

8.4. *Dispute Resolution and Actions.* Bank and Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 8.4.

8.5. *Limitation on Actions.* No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than four (4) years after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

8.6. *Reimbursement for Losses.* If, as a result of any claim made by Bank against any third party (including, but not limited to, an insurer), Bank actually receives from such third party cash proceeds (or non-cash proceeds, whether in the form of goods or services) which represent, in whole or in part, compensation for or reimbursement of losses or costs actually incurred by Company, then Bank will hold that portion of such proceeds fairly allocable to Company (taking into consideration all losses or costs actually incurred by all parties for whose benefit such payments have been received) in trust on behalf of Company and will promptly pay over to Company such allocable amount of any such cash proceeds (or, as to non-cash proceeds, the allocable portion or, at the discretion of Bank, the cash equivalent thereof).

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8.7. *Survival.* The provisions of this Section 8 shall survive the termination of this Agreement.

SECTION 9. TERM AND TERMINATION

9.1 *Term.* This Agreement shall become effective as of the Effective Date when executed by authorized officers of each of the parties and shall remain in effect until August 31, 2009 (the "Initial Term") and shall automatically renew for successive one-year terms (each a "Renewal Term") thereafter unless either party provides the other with at least twelve (12) month's written notice of its intention to terminate the Agreement prior to the expiration of the Initial or then current Renewal Term, or unless otherwise terminated as provided herein.

9.2 *Termination with Cause by Bank; Bank Termination Events.* Any of the following conditions or events shall constitute a "Bank Termination Event" hereunder, and Bank may terminate this Agreement immediately without further action if Company causes such Bank Termination Event to occur and be continuing:

(a) If Company shall: (i) generally not pay its debts as they become due; (ii) file, or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Company to perform under this Agreement or the Plan; or (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Company, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Company, or if any petition for any such relief shall be filed against Company and such petition shall not be dismissed within sixty (60) days; or

(c) If Company shall default in the performance of or compliance with any material term or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Company shall not have remedied such default within thirty (30) days after written notice thereof shall have been received by Company from Bank.

9.3 *Termination with Cause by Company; Company Termination Events.* Any of the following conditions or events shall constitute a "Company Termination Event" hereunder, and Company may terminate this Agreement immediately without further action if Bank causes such Company Termination Event to occur and be continuing:

(a) If Bank shall: (i) generally not be paying its debts as they become due; (ii) file or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers for itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Bank to perform under this Agreement or the operation of the Plan; (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or (viii) have a materially adverse

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change in its financial condition, including, but not limited to Bank being downgraded by a rating agency to a rating below an investment grade rating; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Bank, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Bank, or if any petition for any such relief shall be filed against Bank and such petition shall not be dismissed within sixty (60) days; or

(c) If Bank shall default in the performance of or compliance with any material term (other than the Service Standards) or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Bank shall not have remedied such default within thirty (30) days (or within five (5) days in the case of failure to pay Company pursuant to Section 3.6(a)) after written notice thereof shall have been received by Bank from Company; or

(d) A Service Standards Termination Event shall have occurred.

9.4 *Termination of Particular State.* In addition, Bank may terminate the operation of the Plan in a particular state if the Applicable Law of the state or jurisdiction is amended or interpreted in such a manner so as to render all or any part of the Plan illegal or unenforceable, and in such event Bank will, if requested, assist Company with finding a new credit provider for such state. Bank will provide Company with as much advance notice of such termination as is reasonable under the circumstances.

9.5 *Termination for Competitive Reasons.* Company may terminate this Agreement upon not less than sixty (60) days' prior written notice to the Bank at any time after the first anniversary of the Effective Date if, based on the application of the matrix set forth in Schedule 1.1, the applicable Discount Rate exceeds the highest Discount Rate in such matrix and the costs to Company under this Agreement are substantially higher than the costs that would be incurred by Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; provided that Company shall not be entitled to terminate this Agreement pursuant to this Section 9.5 unless Company provides Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and Bank is entitled to submit a counter-proposal within thirty (30) days of receipt of such description. If Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in Bank's counter-proposal.

9.6 *Purchase of Accounts.* Upon termination of this Agreement, Company will have the option to purchase the then-outstanding Credit Card Account balances not previously written-off by Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to Bank, and will be provided with all related Account information and other Account data; *provided* that Company will be required to purchase such then-outstanding Credit Card Account balances on such terms if Company objects to any automatic extension of this Agreement pursuant to Section 9.1. All payments by Company pursuant to this Section 9.6 shall be made not later than one (1) Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by Bank to Company not less than two (2) Business Days prior to the payment date. Upon any termination of this Agreement, (i) Company (at its sole expense) shall notify all Cardholders that Bank is no longer the processor of their Credit Card accounts, and (ii) Company and Bank shall cooperate in facilitating the transition to a new processor.

9.7 *Remedies for Failure to Meet Service Standards.* (a) Each time a Service Event occurs, Bank shall: (i) promptly investigate the root cause(s) of the failure and deliver to Company a written report

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identifying such root cause(s); (ii) use commercially reasonable efforts to correct the problem and to begin meeting such Service Standard as soon as practicable; (iii) provide to Company a schedule and plan for correction of the root cause(s) of the Service Events, and (iv) at Company's request, advise Company of the status of such corrective efforts.

(b) In the event more than three (3) Service Events occur during any calendar month, Bank will, in addition to those steps set forth in Section 9.7(a), arrange for a senior executive of Bank to meet with a senior executive of Company or Company's parent company's senior management to discuss the items delivered under Section 9.7(a).

(c) A "Service Standard Termination Event" shall occur in the event:

(i) a Service Event occurs for a specific Service Standard for three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if the same Base Level Service Standard is failed by Bank in the fourth consecutive month, Company may terminate this Agreement; or

(ii) a total of 10 Service Events occur during any three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if a total of 6 Service Events occur at anytime in the three (3) consecutive months following Company's notice to Bank, then Company may terminate this Agreement.

SECTION 10. MISCELLANEOUS

10.1 *Entire Agreement.* This Agreement constitutes the entire Agreement and supersedes all prior agreements and understandings, whether oral or written, among the parties hereto with respect to the subject matter hereof and merges all prior discussions between them, including without limitation the Credit Card Processing Agreement.

10.2 *Coordination of Public Statements.* Bank's parent company, Alliance Data Systems Corporation, as a public company, will issue a news release disclosing this Agreement between Bank and Company, such news release must be approved by both parties prior to its issuance. In all other cases, except as required by Applicable Law, neither party will make any public announcement of the Plan or provide any information concerning the Plan to any representative of any news, trade or other media without the prior approval of the other party, which approval will not be unreasonably withheld. Neither party will respond to any inquiry from any public or governmental authority, except as required by law, concerning the Plan without prior consultation and coordination with the other party. Upon Bank's reasonable request from time to time, Company in its sole discretion may provide references or participate in marketing campaigns or testimonial initiatives for Bank regarding the services provided by Bank in connection with the Plan.

10.3 *Amendment.* Except as otherwise provided for in this Agreement, the provisions herein may be modified only upon the mutual agreement of the parties, however, no such modification shall be effective until reduced to writing and executed by both parties.

10.4 *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party which will not be unreasonably withheld. Notwithstanding the foregoing, (i) Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of Bank, provided that any such assignee of Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to Company, (ii) Company shall assign or otherwise transfer all of its rights and obligations under this Agreement

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(A) to the purchaser of all or substantially all of the assets of Company, or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to Company or any successor (whether by merger, consolidation or otherwise) thereto, and (iii) Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against Company for any reason whatsoever, and (B) Bank hereby indemnifies Company and its Affiliates against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser).

10.5 *Waiver.* No waiver of the provisions hereto shall be effective unless in writing and signed by the party to be charged with such waiver. No waiver shall be deemed to be a continuing waiver in respect of any subsequent breach or default either of similar or different nature unless expressly so stated in writing. No failure or delay on the part of either party in exercising any power or right under this Agreement shall be deemed to be a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise, or the exercise of any other power or right.

10.6 *Severability.* If any of the provisions or parts of the Agreement are determined to be illegal, invalid or unenforceable in any respect under any applicable statute or rule of law, such provisions or parts shall be deemed omitted without affecting any other provisions or parts of the Agreement which shall remain in full force and effect, unless the declaration of the illegality, invalidity or unenforceability of such provision or provisions substantially frustrates the continued performance by, or entitlement to benefits of, either party, in which case this Agreement may be terminated by the affected party, without penalty.

10.7 *Notices.* All communications and notices pursuant hereto to either party shall be in writing and addressed or delivered to it at its address shown below, or at such other address as may be designated by it by notice to the other party, and shall be deemed given when delivered by hand, or two (2) Business Days after being mailed (with postage prepaid) or when received by receipted courier service:

If to Bank:
800 TechCenter Drive
Gahanna, OH 43230
Attn.: Daniel T. Groomes, President

With a Copy to:
Karen Morauski, VP & Counsel

If to Company:
Three Limited Parkway
Columbus, OH 43230
Attn.: Lisa Klinger, Treasurer

With a Copy to:
Senior Vice President and
General Counsel
Limited Brands, Inc.
Three Limited Parkway
Columbus, OH 43230

10.8 *Captions and Cross-References.* The table of contents and various captions in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any Section are to such Section of this Agreement.

10.9 *GOVERNING LAW.* THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OHIO, REGARDLESS OF THE DICTATES OF OHIO CONFLICTS OF LAW, AND THE PARTIES HEREBY SUBMIT TO EXCLUSIVE JURISDICTION AND VENUE IN THE UNITED STATES FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO OR ANY OF THE STATE COURTS LOCATED IN FRANKLIN COUNTY, OHIO.

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10.10 *Counterparts.* This Agreement may be signed in one or more counterparts, all of which shall be taken together as one agreement.

10.11 *Force Majeure.* Neither party will be responsible for any failure or delay in performance of its obligations under this Agreement because of circumstances beyond its reasonable control, and not due to the fault or negligence of such party, including, but not limited to, acts of God, flood, criminal acts, fire, riot, computer viruses, computer hackers, accident, strikes or work stoppage, embargo, sabotage, inability to obtain material, equipment or phone lines, government action (including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement), and other causes whether or not of the same class or kind as specifically named above. In the event a party is unable to perform substantially for any of the reasons described in this Section, it will notify the other party promptly of its inability so to perform, and if the inability continues for at least ninety (90) consecutive days (fifteen (15) days in the cases of credit authorizations and processing of new Accounts), the party so notified may then terminate this Agreement forthwith. This provision shall not, however, release the party unable to perform from using its best efforts to avoid or remove such circumstance and such party unable to perform shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

10.12 *Relationship of Parties.* This Agreement does not constitute the parties as partners or joint venturers and neither party will so represent itself.

10.13 *Survival.* No termination of this Agreement shall in any way affect or impair the powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring prior to such termination. No powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring after termination shall survive termination except for the following Sections: Section 2.10, Section 2.11, Section 3.3, Section 3.5, Section 3.6, Section 3.8, Section 3.9, Section 3.10, Section 8, Section 9.5, Section 10.7, Section 10.9, Section 10.11, Section 10.17 and Section 10.18.

10.14 *Mutual Drafting.* This Agreement is the joint product of Bank and Company and each provision hereof has been subject to mutual consultation, negotiation and agreement of Bank and Company; therefore to the extent any language in this Agreement is determined to be ambiguous, it shall not be construed for or against any party based on the fact that either party controlled the drafting of the document.

10.15 *Independent Contractor.* The parties hereby declare and agree that Bank is engaged in an independent business, and shall perform its obligations under this Agreement as an independent contractor; that any of Bank's personnel performing the services hereunder are agents, employees, Affiliates, or subcontractors of Bank and are not agents, employees, Affiliates, or subcontractors of Company; that Bank has and hereby retains the right to exercise full control of and supervision over the performance of Bank's obligations hereunder and full control over the employment, direction, compensation and discharge of any and all of the Bank's agents, employees, Affiliates, or subcontractors, including compliance with workers' compensation, unemployment, disability insurance, social security, withholding and all other federal, state and local laws, rules and regulations governing such matters; that Bank shall be responsible for Bank's own acts and those of Bank's agents, employees, Affiliates, and subcontractors; and that except as expressly set forth in this Agreement, Bank does not undertake by this Agreement or otherwise to perform any obligation of Company, whether regulatory or contractual, or to assume any responsibility for Company's business or operations.

10.16 *No Third Party Beneficiaries.* The provisions of this Agreement are for the benefit of the parties hereto and not for any other person or entity.

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10.17 *Confidentiality.* (a) Neither party shall disclose any information not of a public nature concerning the business or properties of the other party which it learns as a result of negotiating or implementing this Agreement, including, without limitation, the terms and conditions of this Agreement, Customer names, Cardholder personal or Account information, sales volumes, test results, and results of marketing programs, Plan reports generated by Bank, trade secrets, business and financial information, source codes, business methods, procedures, know-how, computer software and computer systems (including software licensed from third parties) and other information of every kind that relates to the business of either party except to the extent disclosure is required by Applicable Law, is necessary for the performance of the disclosing party's obligation under this Agreement, or is agreed to in writing by the other party; provided that: (i) prior to disclosing any confidential information to any third party, the party making the disclosure shall give notice to the other party of the nature of such disclosure and of the fact that such disclosure will be made; and (ii) prior to filing a copy of this Agreement with any governmental authority or agency, the filing party will consult with the other party with respect to such filing and shall redact such portions of this Agreement which the other party requests be redacted, unless, in the filing party's reasonable judgment based on the advice of its counsel (which advice shall have been discussed with counsel of the other party), the filing party concludes that such request is inconsistent with the filing party's obligations under Applicable Laws. Neither party shall acquire any property or other right, claim or interest, including any patent right or copyright interest, in any of the systems, procedures, processes, equipment, computer programs and/or information of the other by virtue of this Agreement. Neither party shall use the other party's name for advertising or promotional purposes without such other party's written consent.

(b) The obligations of this Section, shall not apply to any information:

- (i) which is generally known to the trade or to the public at the time of such disclosure; or
- (ii) which becomes generally known to the trade or the public subsequent to the time of such disclosure; provided, however, that such general knowledge is not the result of a disclosure in violation of this Section; or
- (iii) which is obtained by a party from a source other than the other party, without breach of this Agreement or any other obligation of confidentiality or secrecy owed to such other party or any other person or organization; or
- (iv) which is independently conceived and developed by the disclosing party and proven by the disclosing party through tangible evidence not to have been developed as a result of a disclosure of information to the disclosing party, or any other person or organization which has entered into a confidential arrangement with the non-disclosing party.

(c) If any disclosure is made pursuant to the provisions of this Section, to any Affiliate or third party, the disclosing party shall be responsible for ensuring that such Affiliate or third party keeps all such information in confidence and that any third party executes a confidentiality agreement provided by the non-disclosing party. Each party covenants that at all times it shall have in place procedures designed to assure that each of its employees who is given access to the other party's confidential information shall protect the privacy of such information. Each party acknowledges that any breach of the confidentiality provisions of

this Agreement by it will result in irreparable damage to the other party and therefore in addition to any other remedy that may be afforded by law any breach or threatened breach of the confidentiality provisions of this Agreement may be prohibited by restraining order, injunction or other equitable remedies of any court. The provisions of this Section will survive termination or expiration of this Agreement.

10.18 *Taxes.* Company will be responsible for, and agrees to pay, all sales, use, excise, and value-added taxes, or taxes of a similar nature (excluding personal property taxes and taxes based on Bank's income which shall be borne by Bank), imposed by the United States, any state or local government, or

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other taxing authority, on all goods and/or services provided by Bank under this Agreement. The parties agree to cooperate with each other to minimize any applicable sales, use, or similar tax and, in connection therewith, the parties shall provide each other with any relevant tax information as reasonably requested (including without limitation, resale or exemption certificates, multi-state exemption certificates, information concerning the use of assets, materials and notices of assessments). All amounts set forth in this Agreement are expressed and shall be paid in lawful U.S. dollars.

(Signature block on following page.)

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement in manner and form sufficient to bind them as of the date first above written.

VICTORIA'S SECRET STORES, INC.

WORLD FINANCIAL NETWORK NATIONAL BANK

By: /s/ TIM FABER

By: /s/ DANIEL T. GROOMES

Title: Vice President

Daniel T. Groomes
Title: President

Date: August 30, 2002

Date: August 30, 2002

LONE MOUNTAIN FACTORING, INC.

By: /s/ DAVID HASSON

Title: Vice President

Date: August 30, 2002

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Schedule 1.1
Discount Rate

DISCOUNT RATE

The applicable Discount Rate for all Purchases as of the Effective Date and until changed as set forth below shall be 1.50%. *Provided*, that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by Bank to Cardholders, or if the Discount Rate is substantially higher than the rate that Company would incur for comparable credit card services, Company and Bank agree to negotiate in good faith an increase or decrease in the Discount Rate.

Commencing on January 31, 2004 and annually thereafter, the Discount Rate will be subject to change by Bank on an annual basis in accordance with the matrix set forth below and Bank shall apply the corresponding Discount Rate to *future* Discount Fees applied by Bank until the next adjustment is made. The Fin Chg/STM ('95\$) calculation for the matrix will include the amount by which the then current late fees per statement exceed the amount of the late fees per statement calculated using a late fee of \$5. In the event Bank increases (for increases made by Bank on or after March 1, 2003) any of the finance charges and/or late fees charged to Cardholders as a result of increases in Bank's cost of postage for mailing Account billing statements, form letters or new Credit Cards, then Bank will exclude the amount of such increase in the finance charges and/or late fees from its calculation of the Discount Rate using the matrix.

Notwithstanding the foregoing, Bank agrees that Bank will waive any increase Bank is entitled to for the Discount Rate during the calendar year 2003, provided, however, that in the event Bank waives such increase in the Discount Rate, then (i) if the number of Applicants during the calendar year 2003 is less than the number of Applicants during the calendar year 2002, Bank shall invoice Company for the amount of the Discount Fees waived by Bank during the calendar year 2003 and Company shall pay such amount within thirty (30) days after the date of such invoice, or (ii) Bank shall have the right during any future calendar year to defer any decreases in the Discount Rate until such time as Bank has recouped the amount of the Discount Fees waived by Bank during the calendar year 2003.

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**Victoria's Secret Stores
Merchant Fee Matrix**

Fin Chg/ STM (95 \$)	Bad Debt % Credit Sales								
	3.6%	3.8%	4.0%	4.2%	4.4%	4.6%	4.8%	5.0%	5.2%
\$ 4.45	0.20%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%
\$ 4.30	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%	1.20%
\$ 4.15	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%
\$ 4.00	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%
\$ 3.85	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.50%	1.50%
\$ 3.70	1.20%	1.30%	1.40%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$ 3.55	1.35%	1.45%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$ 3.40	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.70%	1.90%
\$ 3.25	1.50%	1.50%	1.50%	1.50%	1.50%	1.70%	1.90%	2.10%	2.30%
\$ 3.10	1.50%	1.50%	1.50%	1.60%	1.80%	2.00%	2.20%	2.40%	2.60%
\$ 2.95	1.50%	1.60%	1.80%	2.00%	2.20%	2.40%	2.60%	2.80%	3.00%

Minimum ROA 2.0%
ROA over 4% share 50-50

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**Schedule 2.1
Service Standards**

	Base Level	Targeted Level
Standard #1		
The Bank will process mailed-in applications five days per week. The Bank will process % of such applications within five Business Days of receipt.	95%	98%
Standard #2		
The Bank will process "instant" credit applications from 9:00am to 12:30am (Eastern time) Monday through Saturday and from 10:00am to 9:30pm (Eastern time) Sunday, excluding Holidays ("Normal Store Hours"). The Bank will process at least % of such applications within five minutes of receipt.	90%	92%
Standard #3		
The Bank will issue % of new and replacement Credit Cards within four business days of embossing tape output.	95%	96%
Standard #4		
The Bank will answer at least % of incoming Cardholder service calls within 20 seconds. Bank will provide Cardholder service from 9am-9pm(Eastern time) Monday-Saturday, excluding Holidays.	85%	86%
Standard #5		
The Bank will not permit the abandoned call rate for Cardholder customer service calls to exceed % measured on a monthly basis.	2.0%	1.7%
Standard #6		
The Bank will provide electronic authorization means to be available at least % of Normal Store Hours. Bank will also provide batch authorizations for catalog sales.	99.5%	99.6%
Standard #7		
The Bank will post valid non-payment Transactions to the Cardholder's Account within 24 hours of receipt.	100%	100%
Standard #8		
The Bank will bill and mail % of Account statements within four business days of the scheduled billing date.	97%	100%
Standard #9		
The Bank will process at least % of payments within 24 hours of receipt. In the event any payment is not processed within 24 hours of receipt, such payment shall be backdated to the date of receipt.	96%	97%
Standard #10		
The Bank will respond to at least % of mailed-in Cardholder inquiries within seven business days of receipt.	90%	97%
Standard #11		
The Bank will provide "Quick Credit" during % of Normal Store Hours.	95%	98%

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Service Standards will be calculated and reported in a manner that is consistent with prior practices. Holidays shall mean New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Targeted Levels:

Any failure to meet the Targeted Level for Service Standards will be reported on the monthly Service Standards report. Failure to meet the same Targeted Level for a single Service Standard for more than two consecutive months, will result in Bank taking the actions set forth in the chart below, provided that such failure to meet the Targeted Level was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

Failure to Meet Targeted Level	3 rd Consecutive Month	4 th Consecutive Month	5 th Consecutive Month	6 th Consecutive Month and Each Consecutive Month Thereafter
Actions to be taken by Bank following consecutive month failure to attain Targeted Level	Letter to Company's CEO	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.
Penalty to be Paid by Bank to Company	None	\$5,000	\$10,000	\$20,000

Base Levels:

Failure to meet a Base Level will be reported on the monthly service standards report and may trigger a Service Standard Termination Event as set forth in Section 9.7.

**Schedule 2.7
Credit Standards**

The new Account cut-off score is based upon the projected sixty (60) month profitability of Accounts within each score range. Account profitability is based upon projected Discount Fees (the current fee percentage), finance charge income, variable billing expenses and write-offs. The projections are derived from actual results to date using historical trends. The cut-off score is established at the score range where Bank's profit for the score range equals zero.

**Schedule 2.8
Master File Information**

Account Number
Month Account Opened
Year Account Opened
Store Account Opened
Cardholder Name
Cardholder's Street Address
Cardholder's City
Cardholder's State
Cardholder's Zip Code
Cardholder's Home Phone Number
Date of Last Purchase
Cardholder's Open to Buy
Number of Purchases Monthly
Amount of Purchases Monthly, YTD
Number of Returns Monthly
Amount of Returns Monthly
Date of Birth
Items Purchased

[SECTION 2. THE PLAN](#)

[SECTION 3. OPERATION OF THE PLAN](#)

[SECTION 4. REPRESENTATIONS AND WARRANTIES OF COMPANY](#)

[SECTION 5. COVENANTS OF COMPANY](#)

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[SECTION 7. COVENANTS OF BANK](#)

[SECTION 8. INDEMNIFICATION; CLAIMS AND ACTIONS](#)

[SECTION 9. TERM AND TERMINATION](#)

[SECTION 10. MISCELLANEOUS](#)

[Schedule 1.1 Discount Rate](#)

[Schedule 2.1 Service Standards](#)

[Schedule 2.7 Credit Standards](#)

[Schedule 2.8 Master File Information](#)

PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

BETWEEN

WORLD FINANCIAL NETWORK NATIONAL BANK

AND

LERNER NEW YORK, INC.

AND

NEVADA RECEIVABLE FACTORING, INC.

DATED AS OF AUGUST 29, 2002

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PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

THIS PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT is made as of this 29th day of August, 2002 (the "Effective Date") by and between Lerner New York, Inc., a Delaware corporation, with its principal office at 450 West 33rd Street, New York, New York 10001, (hereinafter referred to as "Division"), Nevada Receivable Factoring, Inc., a Nevada corporation, with its principal office at 4441 South Polaris Avenue, Las Vegas, Nevada 89103, a

WITNESSETH:

WHEREAS the Bank, Division and Factoring entered a certain Credit Card Processing Agreement, effective as of January 31, 1996 (the "Credit Card Processing Agreement"), to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Division's retail or catalogue business, which allows the customers of the Division to purchase goods from the Division using funds advanced by the Bank; and

WHEREAS the parties to this Agreement wish to terminate the Credit Card Processing Agreement as of the Effective Date and enter into this Private Label Credit Card Program Agreement, the terms of which shall supersede and replace the Credit Card Processing Agreement; and

NOW THEREFORE, in consideration of the terms and conditions hereof, and for other good and valuable consideration, the receipt of which is hereby mutually acknowledged by the parties, Bank and Company agree as follows.

SECTION 1. DEFINITIONS

1.1 *Certain Definitions.* As used herein and unless otherwise required by the context, the following terms shall have the following respective meanings.

"Account" shall mean an individual open-end revolving line of credit established by Bank for a Customer pursuant to the terms of a Credit Card Agreement, including without limitation, each of the Existing Accounts.

"Affiliate" shall mean with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing. In addition, (i) Aura Science, LLC (and its successors by way of change of organizational form) and (ii) any other similar joint venture or Person (of which Company notifies Bank in writing) formed for the purposes of pursuing a joint venture with Limited Brands, Inc. or any Affiliate (as otherwise defined above) of Limited Brands, Inc. shall be deemed an Affiliate of Company for all purposes (other than for the purposes of Section 3.11 hereof) so long as Limited Brands, Inc. and its Affiliates (as otherwise defined above) possess the power to elect not less than 25% of the whole number of the board of directors of such entity or own not less than 25% of the assets or equity thereof. Company and Bank shall not be deemed to be Affiliates for purposes of this Agreement.

"Agreement" shall mean this Private Label Credit Card Program Agreement and any future amendments or supplements thereto.

"Applicable Law" shall mean any applicable federal, state or local law, rule, or regulation.

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"Applicant" shall mean an individual who is a Customer of Company who applies for an Account under the Plan.

"Authorized User" shall mean an individual authorized by the primary Cardholder(s) to use an Account and as established in accordance with the Operating Procedures.

"Batch Prescreen Application" shall mean a process where Bank's offer of credit is made to certain Customers prequalified by Bank, in a batch mode typically within a catalog environment.

"Business Day" shall mean any day, except Saturday, Sunday or a day on which banks in Ohio are required to be closed.

"Cardholder" shall mean any natural person to whom an Account has been issued by Bank and/or any Authorized User of the Account.

"Charge Slip" shall mean a sales receipt, register receipt tape, invoice or other documentation, whether in hard copy or electronic form, in each case evidencing a Purchase that is to be charged to a Cardholder's Account.

"Company Deposit Account" shall mean a deposit account maintained by Company as set forth in Section 3.6 (a).

"Company's Stores" shall mean those certain retail locations selling Goods and/or Services, which are owned and operated by Company.

"Consumer Laws" shall mean all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws.

"Credit Card" shall mean the plastic credit card bearing one or more of the Marks issued by Bank to Cardholders for purchasing Goods and Services pursuant to the Plan.

"Credit Card Agreement" shall mean the open-end revolving credit agreement between a Cardholder and Bank governing the Account and Cardholder's use of the Credit Card, together with any modifications or amendments which may be made to such agreement as permitted in this Agreement.

"Credit Card Processing Agreement" shall have the meaning set forth in the first recital.

"Credit Sales Day" shall mean any day, whether or not a Business Day, on which Goods and/or Services are sold by Company.

"Credit Slip" shall mean a sales credit receipt or other documentation, whether in hard copy or electronic form, evidencing a return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder.

"Customer" shall mean any individual consumer who is a customer or potential customer of Company.

"Deferred Billing Programs" shall mean any special Cardholder payment terms mutually agreed to by Bank and Company for certain Purchases, including without limitation deferred finance charges and deferred payments and subject to any terms and conditions set forth in writing by Bank.

"Discount Fee" shall mean an amount to be charged by Bank equal to Net Sales multiplied by the Discount Rate. Notwithstanding the foregoing, Bank shall not include taxes for Purchases (and correspondingly Net Sales) when calculating the Discount Fee for Purchases made on or before July 31, 2002.

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"Discount Rate" shall have the meaning set forth in Schedule 1.1.

"Effective Date" shall mean the date set forth in the first paragraph on page one of this Agreement.

"Existing Accounts" shall mean all of the Accounts in existence as of the Effective Date opened under and/or subject to the Plan provided by Bank pursuant to the Credit Card Processing Agreement.

"Forms" shall have the meaning set forth in Section 2.4.

"Goods and/or Services" shall mean those goods and/or services sold at retail by Company to the general public through stores, catalog, the Internet or any other method mutually agreed upon by the Company and Bank, where such goods and/or services are intended by Company for individual, personal, family or household use.

"Initial Term" shall have the meaning set forth in Section 9.1.

"Instant Credit Application" shall mean an in store or catalog application procedure designed to open Accounts at point of sale or order entry whereby an application for credit is communicated to Bank either verbally at point of sale or systemically during the catalog order entry process according to the Operating Procedures.

"Mark" shall mean a trademark or service mark owned by or licensed to Company and designated by Company to Bank for use in connection with the Plan.

"Name Rights" shall have the meaning set forth in Section 2.10.

"Net Proceeds" shall mean Purchases less: (i) credits to Accounts for the return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder, all as shown in the Transaction Records (as corrected by Bank in the event of any computational error), calculated each Business Day; (ii) payments from Cardholders received by Company from Cardholders on Bank's behalf; and (iii) any applicable Discount Fees in effect on the date of calculation. Notwithstanding the foregoing, if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, the credits payable to Bank pursuant to clause (i) above and the payments received by Company in clause (ii) above shall no longer be netted against the Net Proceeds payable by Bank pursuant to Section 3.6 but instead Company shall transfer the amount of each credit and payment to Bank by ACH of immediately available funds not later than the second Business Day following the date on which the events giving rise to such credit or payment occur (and the Net Proceeds payable by the Bank pursuant to Section 3.6 shall be made without deduction for such credits or payments).

"Net Sales" shall mean Purchases less shipping and handling and less credits or refunds for Goods and/or Services, all as shown in the Transaction Records received by the Bank each Business Day (as corrected by Bank in the event of any computational error), and calculated each Business Day.

"On-Line Prescreen" shall mean a process where a pre-screened offer of credit is made to credit-worthy Customers in a real-time pre-approved process according to Bank's Operating Procedures. The process utilizes traditional order entry data elements to build Customer records. The Customer records are pre-screened by a credit bureau using Bank's established criteria to determine if an offer of credit is appropriate. Customer records passing the Bank's pre-screening credit criteria are returned to the point of order entry where the pre-approved offer to open an Account is made. Records not passing the credit criteria are not returned and no offer is made.

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"Operating Procedures" shall mean Bank's Company's catalog procedures, Company Store's procedures, Internet or e-commerce procedures and any amendments to the same or additional or different procedures which satisfy the requirements of Section 2.3, to be followed by Company in connection with the Plan.

"Person" shall mean an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" shall mean the private label credit card program established and administered by Bank for Customers of Company by virtue of this Agreement.

"Plan Year" shall mean each consecutive twelve (12) month period commencing on the Effective Date and each anniversary thereof.

"Purchase" shall mean a purchase of Goods and/or Services, including without limitation all applicable taxes and shipping costs, with a specific extension of credit by Bank to a Cardholder using an Account as provided for under this Agreement.

"Quick Credit" shall mean an in-store application procedure designed to open Accounts as expeditiously as possible at point of sale, whereby an application for an Account is processed without a paper application being completed by an Applicant. An Applicant's credit card (Visa, MasterCard, American Express, Discover or other Bank approved private label card) is electronically read by a terminal that captures the Applicant's name and credit card account number. Other data shall be entered into that same terminal by the Company's Store associate as specified in the Operating Procedures. This data is used by Bank to request a credit bureau report and make a decision whether to approve or decline the Applicant.

"Regular Revolving Purchases" shall mean Purchases which are not subject to any Deferred Billing Programs or Equal Payment Purchases.

"Renewal Term" shall have the meaning set forth in Section 9.1.

"Season" shall mean (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January. For the purposes hereof, a "fiscal month" is a monthly period defined by Company in writing to Bank from time to time to coincide with Company's fiscal calendar.

"Service Event" shall mean a failure by Bank to meet a Base Level (as identified in Schedule 2.1) for a single Service Standard during one calendar month; provided that such failure was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

"Service Standard" shall mean the performance or quantitative levels of performance set forth in Schedule 2.1.

"Service Standards Termination Event" shall have the meaning given in Section 9.7.

"Statemented Account" shall mean each Account for which a billing statement is generated within a particular billing cycle.

"Term" shall mean the Initial Term and any Renewal Terms.

"Transaction Record" shall mean, with respect to each Purchase of Goods or Services by a Cardholder from Company, each credit or return applicable to a Purchase of Goods or Services, and each payment received by Company from a Cardholder on Bank's behalf: (a) the Charge Slip

or Credit Slip corresponding to the Purchase, credit or return; or (b) a computer readable tape/cartridge or electronic transmission containing the following information: the Account number of the Cardholder, the Company's Store number at which the Purchase, credit or return was made, the total of (i) the Purchase price of Goods or Services purchased or amount of the credit, as applicable, plus (ii) the date of the transaction, a description of the Goods or Services purchased, credited or returned and the authorization code, if any, obtained by Company's Store prior to completing the transaction; or (c) electronic record whereby Company's Store electronically transmits the information described in subsection (b) hereof to a network provider (selected by Company at its expense), which in turn transmits such information to Bank by a computer tape/cartridge or electronic tape or transmission.

1.2 *Other Definitions.* As used herein, terms defined in the introductory paragraph hereof and in other sections of this Agreement shall have such respective defined meanings. Defined terms stated in the singular shall include reference to the plural and vice versa.

SECTION 2. THE PLAN

2.1 *Establishment and Operation of the Plan.* (a) The Plan is established for the primary purpose of providing Customer financing for Goods and Services purchased from Company. Qualified Applicants desiring to use the Plan shall be granted an Account by Bank with a credit line in an amount to be determined by Bank in its discretion for each individual Applicant. Subject to Section 3.6 (d), Bank shall determine the terms and conditions of the Account to be contained in a Credit Card Agreement, which Credit Card Agreement shall be subject to change upon notice given by Bank to the Cardholders in accordance with Applicable Law. All Existing Accounts are deemed provided under the Plan.

(b) Bank shall operate the Plan in accordance with the Service Standards set forth in Schedule 2.1, as such performance standards may be modified from time to time at the reasonable request of Bank or Company and with the consent of the other party. Within fifteen (15) days after the end of each calendar month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards.

(c) Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

(d) Not later than one hundred and twenty (120) days following the Effective Date, Bank will design a Cardholder satisfaction survey process to be administered in accordance with the procedures already in place at the Bank, at a cost comparable to its existing cost. This survey should be an on-going, real-time process by which Bank and Company can measure Cardholder satisfaction. Bank will solicit Company's review and approval of the methodology used to analyze and assess the results of the survey (such approval not to be unreasonably withheld or delayed) and will provide the raw and analyzed survey results to Company. The results will be presented in a mutually agreed format. Bank will deliver Cardholder satisfaction survey results to Company on a quarterly basis and will on a monthly basis discuss the trends based on the prior month's results.

(e) From time to time during the Term, Company may request that Bank provide to Company new products, services or technology in connection with the Plan, identified by Company, which are then commercially available from the top tier of well-managed private label credit card services vendors ("Competitive Vendors") and offered generally to such Competitive Vendors' clients and potential clients. Bank will exert its good faith reasonable efforts to provide such services on terms reasonably competitive to those offered in the marketplace by Competitive Vendors.

2.2 *Applications for Credit Under the Plan; Billing Statements.* (a) Applicants who wish to apply for an Account under the Plan must submit a completed application on a form or in an electronic format approved by Bank, and Bank shall grant or deny the request for credit based solely upon Bank's credit criteria as specified in Section 2.7. Company shall provide a copy of the Credit Card Agreement to the Applicant to be retained for the Applicant's records. The application shall be submitted to Bank by the Applicant or submitted by Company on behalf of the Applicant, as required in the Operating Procedures. If Bank grants the request for an Account, Bank will issue a Credit Card to the Applicant which accesses an individual line of credit in an amount determined by Bank.

(b) Bank shall make available to Company and Company shall utilize primarily a Quick Credit application procedure. Bank shall also make available to Company and Company may elect to utilize in its discretion, Instant Credit, pre-approved solicitations, Batch Prescreen and On-Line Prescreen application procedures as mutually agreed upon.

(c) Subject to Section 2.8, Company agrees that it will keep confidential the information on such applications and shall not disclose the information to anyone other than authorized representatives of Bank.

(d) All Cardholders will receive from Bank a periodic statement (the "Billing Statement") listing the amounts of Purchases made and credits received and other information as required by Applicable Law or deemed desirable by Bank. Company may if desired put text messages on the statements as approved by Bank.

(e) Bank shall make available to Company Internet application procedures and Charge Slip processing. In such event, Company shall be responsible for integrating and maintaining on its website at its sole expense a link to the Bank's Internet application processing website. The parties shall work together on implementing such links from the Bank's Internet application processing website back to Company's Internet site. Bank shall take reasonable efforts to ensure that navigation back to Company's Internet site from the Bank's Internet application processing website, whether through a particular pointer or link, the "back" button on an Internet browser, the closing of an active window, or any other return mechanism, shall not be interrupted by Bank through the use of any intermediate screen or other device not specifically requested by the user, including without limitation through the use of any html pop-up window or any other similar device.

2.3 *Operating Procedures.* Company shall observe and comply with the Operating Procedures. Company shall ensure that Company's Stores personnel are trained regarding the Operating Procedures and shall ensure their compliance with them. The Operating Procedures may be supplemented, amended or modified by Bank from time to time in its reasonable discretion; provided, however, a copy of any such supplement, amendment or modification shall be provided to Company at least ninety (90) days before its effective date (the "Notice Date") unless otherwise required by Applicable Law, and for those changes required by Applicable Law, notice shall be given as soon as practicable. For changes that are (A) required by Applicable Law, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices (both (A) and (B) being referred to herein as the "Required Changes"), where Bank implements such Required Changes with all of its other clients that are also affected by such change in Applicable Law or operate in circumstances similarly requiring changes from the standpoint of safe and sound banking practices, Bank shall identify the changes as Required Changes in the notice to Company. Unless such change is a Required Change, Company shall have the right within thirty (30) days after the Notice Date to object to such change and the parties' representatives will promptly thereafter meet to discuss such change in good faith in order to agree upon such change or a mutually agreeable alternative to such change. In the event the parties are unable to agree upon such change or an alternative within sixty (60) days after the Notice Date, then a senior executive from both Company and Bank shall meet to negotiate in good faith in order to agree upon such change or a mutually agreeable alternative to such change. If the parties' senior

executives are unable to mutually agree within ninety (90) days after the Notice Date, then Bank shall have the right to implement the initially proposed change so long as (i) Bank implements such change with all or substantially all of its other similar clients, (ii) such change does not change the chargebacks section of the Operating Procedures, and (iii) such change does not impose a material adverse financial or operational burden on Company.

2.4 *Plan Documents.* Subject to and in compliance with the requirements of Applicable Law, Bank shall solely author any content, format or other aspect of the Credit Card Agreement, application, Credit Card, card mailer, letters, and other documents and forms and billing statements (collectively, "Forms") to be used under the Plan which (i) relate to the Plan, (ii) relate to the Bank's or the Cardholder's rights or obligations under the Account, or (iii) are required by Applicable Law. Bank and Company shall jointly design all other aspects of the Forms (except for Cardholder letters and other documents and forms used by Bank in maintaining and servicing the Accounts, which Bank shall solely design), subject to and in compliance with the requirements of Applicable Law. Bank will provide Company with copies of the template of any Forms which are to be provided by Bank in a mass mailing or distribution to all Cardholders as a whole or to all Cardholders in a particular state. Bank shall provide at Bank's expense consistent with Bank's standard costs for such documents (any excess costs due to Company's special requests for non-standard documents shall be borne by Company) appropriate quantities of the Credit Card Agreements, Credit Card plastics, card mailer and billing statements. Bank shall notify Company in advance if any form is not consistent with Bank's standard costs and will provide Company with a written estimate of the excess costs to be borne by Company for such form. Company shall pay the costs of all other Plan documentation including, without limitation, applications, promotional material (i.e. collateral), pre-approved solicitations, Instant and Quick Credit contracts and special offers, reissued Credit Card plastics, including but not limited to embossing and encoding, card carriers, envelopes, Credit Card Agreements and postage related to any reissuances requested by Company for any reissuance of Credit Cards to Cardholders (other than replacements made by Bank from time to time at a Cardholder's request on an individual basis). Bank shall have the right to review and approve all materials prepared by Company (or an Affiliate or third party) that refer in any way to the Plan, such approval not to be unreasonably withheld or delayed. In the event any Forms become obsolete as a result of changes requested by Company, Company shall reimburse Bank for the direct costs associated with any unused obsolete Forms. Company shall pay the actual and direct costs associated with any Forms changes or Cardholder notices required as a result of any additions or deletions of Company honored credit cards requested by Company pursuant to Section 3.1. Only one design shall be used for each form.

2.5 *Marketing.* Company agrees to use its reasonable efforts to promote the use of Credit Cards for Purchases and to acquire new Cardholders through such methods mutually agreed upon by Bank and Company. Company agrees to use reasonable marketing efforts to support the Plan. Company and Bank shall annually agree upon a minimum target number of Applicants to be sourced by Company. Bank and Company will jointly agree upon programs to market the Plan, both initially and on a continuing basis. When using any trademarks, logos, service marks or tradenames of the other party, each party will comply with all written guidelines provided to it by the other party related to use of the other party's marks.

2.6 *Administration of Accounts.* Bank shall perform, at its expense and in compliance with Applicable Law, all functions necessary to administer and service the Accounts, including but not limited to: making all necessary credit investigations; notifying Applicants in writing of acceptance or rejection of credit under the Plan; preparing and mailing billing statements; making collections; handling Cardholder inquiries; and processing payments. The Bank is solely responsible for determining the requirements, the method, and the content of any notices to Cardholders required by Applicable Law.

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2.7 *Credit Decision.* The decision to extend credit to any Applicant under the Plan shall be Bank's decision. Bank will work in good faith with Company to develop business strategies with respect to the issuance of Credit Cards which are intended to maximize the potential of the Plan, and which are mutually beneficial to Bank and Company. Company may from time to time request Bank to consider offering certain types of special credit programs. Bank shall reasonably consider Company's requests and negotiate with Company in good faith. However, Bank shall, in its sole discretion, subject to Applicable Laws and safety and soundness considerations, determine whether or not to offer any of such programs. In the event Bank agrees to any special credit program, Bank and Company shall mutually agree upon any special terms and fees associated with the program. Notwithstanding the foregoing, (i) the credit standards established by Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Plan shall be consistent with past practices (as described in Schedule 2.7), with such changes as shall be (A) approved by Company in its reasonable discretion, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices. Bank shall conduct, at least once during each Plan Year, a meeting with Company to review the credit standards being applied by Bank in reaching its credit decisions.

2.8 *Ownership of and Rights in Information.* (a) Bank shall provide to Company free of charge from time to time (generally no more frequently than monthly) at Company's request master file tapes initially containing the information set forth on Schedule 2.8 for Company to the extent such information is available to Bank, and any other information agreed to by Bank and Company (collectively, the "Master File Information"), to the extent permitted by Applicable Law, which Company may use solely in connection with maintaining and servicing the Accounts and for the purpose of marketing goods and services to the Cardholders, as permitted by Applicable Law. The Master File Information may include, at Company's request, the information set forth on Schedule 2.8 for Affiliates of Company, to the extent permitted by Applicable Law.

(b) To the extent permitted by Applicable Law and without undue burden, cost or expense to Bank, Bank intends and will exert its diligent good faith efforts to maintain during the Term a privacy policy, which will permit Bank to allow Company to use the Master File Information for purposes in addition to those set forth in Section 2.8(a) above (the "Additional Purposes") and to share such information with third parties for the Additional Purposes subject to Cardholder opt out and Applicable Law. To the extent permitted by and in accordance with Applicable Law and subject to Cardholder opt out, Company may so provide the Master File Information to third parties for the Additional Purposes and/or use such information for the Additional Purposes.

(c) The Bank is the owner of all information relating to the Cardholders (including names and addresses) as collected by or on behalf of Bank or as set forth in Bank's records, the Accounts and the Credit Cards, the copyright to all written material contained in any Credit Card Agreements, applications, billing statements and other Forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; provided, however, that Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of Company, (ii) persons who, in the sole judgment of Limited Brands, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates, (iii) in the case of disclosure, credit agencies, (iv) as otherwise permitted by this Agreement, (v) as required by Applicable Law, and (vi) former Affiliates of Limited Brands as required by any agreements between Bank and such entities which are in effect on the Effective Date.

(d) The Transaction Records (except for any Account payment information received by Company on Bank's behalf) are the sole property of Company. Bank may use the Transaction Records solely for the purposes permitted by this Agreement (provided that this limitation shall not limit Bank's rights with respect to any Account information). Account payment information received by Company on Bank's behalf shall be the sole property of Bank, provided that Company may use such information solely for the purposes permitted by this Agreement.

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(e) Company is the owner of the names and addresses of Customers, as set forth in Company's records and collected by Company from a source other than Bank. Upon request of Bank and consent of Company, not to be unreasonably withheld, Company shall make the names and addresses of Customers available to Bank, as permitted by Applicable Law, during the Term of this Agreement to be used only for purposes of solicitation of such Customers to become Cardholders of Bank and in connection with the administration of the Plan in accordance with the terms of this Agreement. Names, addresses and other information of Customers obtained by Company from the Customer (and not on Bank's behalf) in connection with point-of-sale, mail order, telephone, internet or other sale (regardless of whether the Customer makes payment for such sale through the use of a Credit Card) are "collected by Company from a source other than Bank".

(f) For the avoidance of doubt, the parties acknowledge that the items of information allocated to each party in this Section 2.8 may overlap, and that each party may independently possess and own the same specific items of information, such as but not limited to, names and addresses of persons who are both Customers and Cardholders. The allocation of ownership of a class of information to one party in this Section 2.8 is not inconsistent with ownership by the other party of the same items of information if so allocated in this Section 2.8.

2.9 *Insurance and Account Enhancement Services.* (a) Bank and Company agree that Bank will exclusively make available to Cardholders various types of insurance products, the premiums for which are based on the Cardholder's account balance, ("Insurance Products") offered by Bank and/or its vendors or Affiliates. Such products shall include credit life, debt cancellation, accidental death and disability and unemployment insurance. The solicitations and offerings shall not contain Company's endorsement. Bank may make at least two (2) and no more than four (4) offers per Plan Year or two (2) times per Season at its expense. The monthly charges for Insurance Products shall be charged to the applicable Cardholder's Account.

(b) Bank and Company agree that Bank may make available to Cardholders various types of other insurance, products and services ("Account Enhancement Services") at its expense through solicitations made in connection with their Accounts, subject to Company's approval as provided in Section 2.9(d). Such Account Enhancement Services may include but are not limited to insurance of types not listed in Section 2.9(a), travel clubs, legal services, card registration programs and merchandise products. Such Account Enhancement Services will be offered through various direct marketing channels including but not limited to direct mail, telemarketing, statement inserts, statement messaging, call transfer and IVR. The charges for the products and services will be billed to the applicable Cardholder's Account when appropriate. The solicitations and offerings shall not contain Company's endorsement.

(c) Company shall receive from Bank fifty percent (50%) of the net profit (Bank's revenues from commissions and other incentives from the vendor minus Bank's total expenses) generated by Account Enhancement Services, payment to be made on a monthly basis, together with a statement setting forth the revenues, expenses and profits in reasonable detail.

(d) Each and every Account Enhancement Service and the related advertising materials shall be subject to the prior approval of Company, which approval shall not be unreasonably withheld or delayed (it being understood that Company may withhold such approval if it determines in its reasonable discretion that the advertising of such products or services is inconsistent with the image of Company's business). With ninety (90) days prior written notice to Bank, Company may reasonably withdraw its approval for an Account Enhancement Service.

2.10 *Ownership of Company Name.* Anything in this Agreement to the contrary notwithstanding, Company shall retain all rights in and to Company's name and the name selected by Company for use on the Credit Card and all trademarks, service marks and other rights pertaining to such names (collectively, the "Name Rights") and all goodwill associated with the use of the Name Rights whether

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under this Agreement or otherwise shall inure to the benefit of the Company. Company shall have the right, in its sole and absolute discretion, to prohibit the use of any of its Name Rights in any Forms, advertisements or other materials proposed to be used by Bank which Company in its reasonable business judgment deems objectionable, improper or undesirable. However, no use, which use is consistent with this Agreement, of the name selected by Company for use on the Credit Card and in the Forms for the purpose of identifying the Accounts in connection with maintaining and servicing such Accounts will be deemed objectionable, improper or undesirable by Company. Bank shall cease all use of the Name Rights upon the termination of this Agreement for any reason unless Bank retains the Accounts after termination of the Agreement, in which case Bank may use the Name Rights solely in connection with the administration and collection of the balance due on the Accounts. Provided, however, that Company grants Bank the right to use Company's Name Rights on a case by case basis and with thirty (30) days advance notice of each category of use in connection with Bank and its Affiliates' product marketing and promotional materials and literature in written and electronic form and their business client lists until such time as this Agreement is terminated or Company chooses to revoke this right for any or all product marketing, promotional materials, literature or client list purposes. All uses of Company's Name Rights are subject to the terms and conditions of this Agreement, including this Section 2.10 and Section 2.5.

2.11 *Payment of Fees Other than Discount Fees.* Bank will invoice Company monthly in arrears for all fees or charges other than Discount Fees properly imposed by Bank pursuant to this Agreement. All such amounts payable by Company under this Section 2.11 shall be paid within thirty (30) days after receipt of the Bank's invoice for such amounts.

SECTION 3. OPERATION OF THE PLAN

3.1 *Honoring Credit Cards.* Company agrees that Company and Company's Stores will honor any Credit Card, and to the extent permitted by Applicable Law Bank will permit Company, at Company's option, to honor other credit cards for Company's Affiliates issued by Bank provided that Company will provide Bank with at least thirty (30) days advance written notice of its intent to honor such other credit cards, (and the Authorized Users of such Credit Cards) properly issued and currently authorized by Bank. Company agrees that Company and Company's Stores will, unless otherwise directed by Bank, honor credit cards issued by Bank for Lerner catalog customers and Bank may permit Cardholders to use their Credit Cards. In addition, if mutually agreed by Bank and Company, Company agrees that Company and Company's Stores will honor any credit card for Company's former Affiliates issued by Bank (and the Authorized Users of such credit cards) properly issued and currently authorized by Bank. Company agrees that it shall deliver to Bank all Transaction Records evidencing transactions made under the Plan, in accordance with the provisions of this Agreement and the Operating Procedures.

3.2 *Additional Operating Procedures.* In addition to the procedures, instructions and practices contained in the Operating Procedures, Company agrees that Company will comply with the following procedures:

(a) In each Credit Card transaction Company must obtain all the information contained in clause (b) of the definition of Transaction Record. The date which appears on the Charge Slip or Credit Slip will be prima facie evidence of the transaction date, and Company shall be required to transmit all Transaction Records relating to such Charge Slip and/or Credit Slip so that Bank receives such Transaction Records no later than the second Business Day after the transaction date; provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. The "Cardholder Copy" of each Charge Slip shall be delivered to the Cardholder at the time of the transaction if the Cardholder is in the store.

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(b) All Charge Slips will evidence the total price of the sale minus any cash down payment. Company shall retain the "Merchant Copy" of all Company generated Charge and Credit Slips for each transaction for a period of six (6) months from the date of presentation to Bank or in the case of Deferred Billing Programs, six (6) months from the end of the applicable Deferred Billing Program.

(c) Company will maintain a fair policy for the exchange and return of Goods and adjustment for Services rendered and for that purpose will give credit to Accounts upon such exchange, return or adjustment. Company will not make cash refunds to Cardholders on Credit Card Purchases. If any Goods are returned, price adjustment is allowed, or debt for Services is adjusted, Company will notify the Bank and provide appropriate documentation thereof to the Cardholder. Upon receipt of Transaction Records reflecting a credit to which there has been a corresponding debit, Bank will net against amounts payable by Bank to Company the total shown on the Credit Slip, and credit the Cardholder's Account in the amount of such Credit Slip. If on any day the total amount of the Net Proceeds is a negative amount, Company shall remit the difference to Bank immediately upon written demand.

(d) Company's Stores shall not, when the Cardholder is present in the store, accept a transaction to be charged to an Account without either: presentation of a Credit Card and following any additional identification outlined in the Operating Procedures; or following such proper identification procedures for transactions where a Credit Card is not presented as outlined in the Operating Procedures.

3.3 *Cardholder Disputes Regarding Goods or Services.* Company shall act promptly to investigate and work to resolve disputes with Cardholders regarding Goods or Services obtained through Company pursuant to the Plan. Company shall timely process credits or refunds for Cardholders utilizing the Plan.

3.4 *No Special Agreements.* Company will not extract any special agreement, condition or security from Cardholders in connection with their use of a Credit Card, unless approved in advance by Bank in writing.

3.5 *Cardholder Disputes Regarding Violations of Law or Regulation.* Company shall assist Bank in further investigating and using its reasonable efforts to help resolve any Applicant or Cardholder claim, dispute, or defense which may be asserted under Applicable Law.

3.6 *Payment to Company; Ownership of Accounts; Fees; Accounting.* (a) Company shall electronically transmit all Transaction Records from Company to Bank in a format acceptable to Bank. Upon receipt, Bank shall use commercially reasonable efforts to promptly verify and process such Transaction Records, and in the time frames specified herein, Bank will remit to Company an amount equal to the Net Proceeds indicated by such Transaction Records for the Credit Sales Day(s) for which such remittance is made. In the event Bank discovers any discrepancies in the amount of Transaction Records submitted by Company or paid by Bank to Company, Bank shall notify Company in detail of the discrepancy, and credit Company, or net against amounts owed to Company, as the case may be, in a subsequent daily settlement. Bank will transfer funds via Automated Clearing House ("ACH") to an account designated in writing by Company to Bank (the "Company Deposit Account"). From the Effective Date through January 31, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer on the next Business Day thereafter and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the second Business Day thereafter. Commencing on February 1, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer the same day and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the following Business Day. Bank shall remit funds to one Company designated

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account and shall not remit funds to individual Company Stores. The term "initiate" shall mean that Bank shall transmit an ACH file to Bank's financial institution for settlement on the next Business Day.

(b) Bank shall own all the Accounts under the Plan from the time of establishment, and except as otherwise provided herein, Company shall not have any right to any indebtedness on an Account or to any Account payment from a Cardholder arising out of or in connection with any Purchases under the Plan. Effective upon payment to Company by Bank pursuant to Section 3.6(a), with respect to each Charge Slip Company shall be deemed to have transferred, conveyed, assigned and surrendered to Bank all right, title or interest in all such Charge Slips and in all other rights and writings evidencing such Purchases, if any.

(c) All Transaction Records are subject to review and acceptance by Bank. In the event of a computational or similar error of an accounting or record keeping nature with respect to such Transaction Records, Bank may credit to the Company's Deposit Account or net against the Net Proceeds (as the case may be) the proper amount as corrected. If the Net Proceeds are insufficient, Company shall remit the proper amount to Bank immediately upon written demand. Upon any such correction Bank shall give prompt notice and explanation thereof to Company.

(d) Bank may make any changes in the terms of the Credit Card Agreement at any time as required by Applicable Law and will notify Company of such changes with notice to Company reasonable under the circumstances, or on an individual Account by Account basis, without notice to Company, in connection with its servicing of the Accounts. With respect to any other changes in the terms of the Credit Card Agreement affecting the repayment terms, APR or fees charged by Bank, Bank will, prior to making any changes, notify Company of such changes and discuss such changes with Company.

(e) Company shall obtain and maintain at their own expense such point of sale terminals, cash registers, network (electronic communication interchange system), telephone or other communication lines, software, hardware and other items of equipment as are necessary for it to request and receive authorizations, transmit Charge Slip and Credit Slip information, process Credit Card Applications and perform its obligations under this Agreement. The computer programs and telecommunications protocols necessary to facilitate communications between Bank and Company and Company's Stores shall be determined by Bank from time to time subject to reasonable prior notice of any change in such programs, equipment or protocols.

(f) Company may from time to time offer Deferred Billing Programs to Cardholders. Company shall be responsible for ensuring that all Purchases subject to any Deferred Billing Programs are properly designated as such on the Transaction Record in accordance with Bank's instructions.

(g) Bank may if Company fails to pay Bank any amounts due (and such amounts are not subject to a good faith dispute of which Bank has been notified) to Bank pursuant to this Agreement for more than thirty (30) days after the due date, offset such amounts against the Net Proceeds or any other amounts owed by Bank to Company under this Agreement.

3.7 *Insertion of Company's Promotional Materials.* Bank will upon request of Company from time to time insert Company's promotional materials for Company's Goods and Services, which are provided by Company at Company's expense, into the Account billing statements and new Credit Card mailers, so long as: (a) the materials are provided to Bank at least two (2) Business Days prior to the scheduled mailing date of such statements or notices; (b) if the materials reference Bank or the Plan in any manner, are approved by Bank as to content, in Bank's reasonable discretion; (c) the materials meet all size, weight, or other specifications for such inserts as shall be set forth in the Operating Procedures; (d) there is sufficient space in Bank's standard envelope for the insert in addition to any legally required material, Cardholder notices and other materials which Bank is including in the mailing; and (e) Company pays any and all additional postage costs caused by Bank's insertion of materials provided

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by Company, provided that Bank shall first notify Company of any additional postage cost and Bank will include the materials only if instructed by Company to insert regardless of the additional postage costs.

3.8 *Payments.* (a) Except as provided in this Section 3.8, all payments to be made by Cardholders with respect to any amounts outstanding on the Accounts shall be made in accordance with the instructions of Bank and at the location or address specified by Bank. Company hereby authorizes Bank, or any of its employees or agents, to endorse "WORLD FINANCIAL NETWORK NATIONAL BANK" upon all or any checks, drafts, money orders or other evidence of payment, made payable to Company and intended as payment on an Account, that may come into Bank's possession from Cardholders and to credit said payment against the appropriate Cardholder's Account. Company further agrees that where, consistent with Section 3.8(b), or such other circumstance authorized by Bank, Company is permitted by Bank to receive any payment made with respect to the Plan, Company will on Bank's behalf hold such payment in trust for Bank and will include the amount of such payment in the Transaction Records sent to Bank pursuant to this Agreement within two (2) Business Days after receipt provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. Bank will charge the amount of such payment against the settlement amount, or, if the settlement amount is insufficient to cover such payments, Company shall remit the amount of such payment, or any unpaid portion thereof, to Bank immediately upon written demand. Payments made by Cardholders at Company's Stores shall not be deemed received by Bank until Bank receives and accepts the Transaction Records. Bank has the sole right to receive and retain all payments made with respect to all Accounts and to pursue collection of all amounts outstanding, unless an Account or Purchase is charged back to Company pursuant to the provisions of Sections 3.9 and 3.10 hereof. Should any payment made by Cardholders at Company's Stores be made by check and such check is subsequently returned unpaid, Company will include a debit for the face amount of the check plus any actual return check fees paid by Company to its third party depository bank to which the check is first deposited or third party re-presentation vendor in the Transaction Records sent to Bank pursuant to this Agreement. Company will process such returned check in accordance with the procedures mutually agreed upon in writing by Bank and Company. In the event the return check fees imposed by or through any third party vendor retained by Company for re-presentation of such checks for payment following any initial return increase after the Effective Date, Company shall give Bank written notice of the increase in such fees and Bank shall have the right to discontinue paying the fees imposed by or through such third party re-presentation vendor, in which event, Company may discontinue processing such returned checks through the re-presentation vendor and shall submit checks returned unpaid by the bank of first deposit to Bank.

(b) Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Card Accounts ("**In-Store Payments**"). Any In-Store Payments received by Company will be held in trust for Bank and its assigns and netted against amounts payable by Bank pursuant to this Section 3.8 (provided that Company shall not be required to keep In-Store Payments separate from other payments received by Company) and evidence of such payments will be transmitted to Bank on a daily basis, provided that (i) if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such evidence relating to such store locations as soon as reasonably practicable after polling is completed or (ii) if transmittal is not possible due to a force majeure event, such transmittal will be completed within a time reasonable under the circumstances. Notwithstanding the foregoing:

(1) if any bankruptcy or other insolvency proceeding has been commenced against Company (and so long as the same has not been dismissed), Company shall promptly comply with any written instruction (a "**Store Payment Notice**") received by Company from Bank or any successor

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to Bank (Bank or any such successor being the "Servicer") to take either of the following actions (as specified in such instruction):

(i) cease accepting In-Store Payments and thereafter inform Cardholders who wish to make In-Store Payments that payment should instead be sent to Servicer (but only if the Servicer is required to give such notice); or

(ii) (A) deposit an amount equal to all In-Store Payments received by each retail location operated by Company, not later than the Business Day following receipt, into a segregated trust account (the "Store Account") established by Company for this purpose and, pending such deposit, to hold all In-Store Payments in trust for Bank and its assigns, (B) use commercially reasonable efforts not to permit any amounts or items not constituting In-Store Payments to be deposited in the Store Account and (C) cause all available funds in each Store Account to be transferred on a daily basis to an account designated in the Store Payment Notice;

provided that Company need not take the actions specified in clause (i) or clause (ii) if Company or any of its Affiliates provides the Servicer with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all required conditions with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(2) if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, In-Store Payments shall no longer be netted against amounts payable by Bank pursuant to subsection 3.8(a), but instead Company shall transfer to Bank by ACH of immediately available funds not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as Company complies with instructions delivered in accordance with paragraph (1) or (2), any amounts payable by Bank to Company pursuant to Section 3.6 shall be made without deduction for In-Store Payments.

3.9 *Chargebacks.* Bank shall have the right to demand immediate purchase by Company of any Purchase and charge back to Company the unpaid principal balance relating to any such Purchase, for any chargeback reason as set forth in the Operating Procedures.

3.10 *Assignment of Title in Charged Back Purchases.* With respect to any amount of a Purchase to be charged back to and to be purchased by Company, Company shall either pay such amount directly to Bank in immediately available funds or Bank will offset such amount as part of the Net Proceeds to be paid to Company, to the extent the balance thereof is sufficient. Upon payment of such amount by Company to Bank, or off-setting, as the case may be, Bank shall assign and transfer to Company, without recourse, all of Bank's right, title and interest in and to such Purchase and will deliver all documentation (or copies) in Bank's possession, including but not limited to, Cardholder correspondence regarding such Purchase. Company further consents to all extensions or compromises given any Cardholder with respect to any such Purchase, and agrees that such shall not affect any liability of Company hereunder or right of Bank to charge back any Purchase as provided in this Agreement; provided, however, that Bank shall not have the right to charge back for any Purchase the amount of any reductions, or compromises of amounts owed by a Cardholder to Bank. Company shall not resubmit or re-transmit any charged back Purchases to Bank, without Bank's prior written consent.

3.11 *Promotion of Program and Card Plan; Non-Competition.* (a) Throughout the Term of this Agreement, Company shall use its reasonable efforts to market, promote, participate in and support the Plan as set forth in this Agreement. Company agrees that in consideration and as an inducement for Bank to make the Plan available to Company as outlined in this Agreement and the Operating Procedures, from the Effective Date and for as long as this Agreement is in existence, Company will

not (nor will Company permit any Affiliate to do so on Company's behalf), without the prior written consent of Bank, contract or establish with any other credit card processor/provider or provide or process on its own behalf any "private label" or "co-brand" revolving credit or other credit card issuance or processing arrangement or programs similar in purpose to the Plan or to the services and transactions contemplated under this Agreement, except that if either party provides notice of termination pursuant to Section 9.1 of this Agreement or if Company terminates under Sections 9.3 or 9.5, Company may enter into a contract with another credit card processor/provider effective on or after termination of this Agreement (provided that an agreement for preliminary or planning services related thereto shall not violate this provision).

(b) Notwithstanding the foregoing, nothing contained in this Agreement will be construed to prohibit or prevent Company from: (i) accepting any major general purpose credit card (including without limitation, American Express (and Optima) Card, MasterCard, Visa, or NOVUS), any form of general purpose debit card or fixed payment (installment) credit programs for Applicants declined by Bank, as a means of payment by Cardholders for purchase of Goods and Services; or (ii) accepting a proprietary credit card issued by Bank for an Affiliate; or (iii) entering into a contract with another credit card provider for a particular state after Bank has terminated (or given notice of such termination) the operation of the Plan in such state pursuant to Section 9.4.

(c) Provided, further, that Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing a Mark or any of Company's other Name Rights and to accept any Bona Fide Offer by such third party if, prior to accepting such Bona Fide Offer, Company provides Bank with an opportunity to submit a competing offer and counteroffer (as outlined below) with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark or Name Right, and Bank's competing offer and counteroffer is not deemed to be "Competitive." Bank's competing offer or counteroffer shall be deemed to be "Competitive" if it has terms which are either (i) at least as favorable to Company as such Bona Fide Offer or (ii) taken as a whole, are reasonably competitive in the reasonable judgment of Company to such Bona Fide Offer. A Competitive offer or counteroffer by Bank shall be accepted by Company in lieu of such Bona Fide Offer. Company will provide to Bank a copy of all materials (such as requests for proposals and the like) provided by Company to all third parties for the purposes of soliciting Bona Fide Offers, such materials to be provided to Bank at the same time Company provides them to the third parties. Bank will be given at least thirty (30) days (or such longer period of time as is given to the third parties) to submit a competing offer to Company. In addition, if Bank submits within the thirty (30) day (or longer) period a competing offer in response to a Bona Fide Offer or solicitation of a Bona Fide Offer, and that competing offer is not deemed to be Competitive, then prior to accepting the Bona Fide Offer Company will identify and quantify to Bank the key terms and assumptions (of Company and the third party) of the Bona Fide Offer (however, Company shall not be required to provide Bank with a copy of the actual Bona Fide Offer) and Bank will have fifteen (15) days after receipt of such key terms to submit a counteroffer to Company and Company will evaluate any counteroffer submitted by Bank within such fifteen (15) day period according to the Competitive standards set forth in clauses (i) and (ii) above and will accept Bank's offer in lieu of such Bona Fide Offer if the Competitive standards are met. For purposes of this Section 3.11, "Bona Fide Offer" means an offer to Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to Company, its Affiliates and other retail or catalogue merchants).

3.12 *Postal Rate Adjustment.* From August 1, 2002 through January 31, 2003, Company shall bear the costs of all increases in the cost of mailing Account billing statements, form letters or new Credit Cards due to increases in the first class pre-sort cost of postage from the United States Postal Service which increases occurred between February 1, 1996 and June 30, 2002.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF COMPANY

Company hereby represents and warrants to Bank as follows:

4.1 *Organization, Power and Qualification.* Division and Factoring are corporations duly organized, validly existing and in good standing under the laws of the state of Delaware and Nevada, respectively, and have full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Company is duly qualified and in good standing to do business in all jurisdictions where Company is located, except where the failure to so qualify would not have a material adverse effect on the business of the Company, or where the failure to so qualify would not have a material adverse effect on Company's or Bank's ability to continue operation of the Plan.

4.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Company and is a valid and legally binding agreement of Company duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Company is required for, and the absence of which would adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Company hereunder and the compliance by Company with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; and (ii) will not conflict with or result in a breach of or default under any of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Company is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Company, nor will such execution, delivery or compliance violate or result in the violation of the Articles of Incorporation or By-Laws of Company.

4.3 *Accuracy of Information.* All factual information furnished by Company to Bank in writing at any time pursuant to any requirement of, or furnished in response to any written request of Bank under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Company to Bank will be, true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information was or will be stated or certified.

4.4 *Validity of Charge Slips.* (a) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, each Charge Slip relating to such Transaction Records shall represent the obligation of a Cardholder in the respective amount set forth therein for Goods sold or Services rendered, together with applicable taxes, if any, and shall not involve any element of credit for any other purpose.

(b) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, Company has no knowledge or notice of any fact or matter which would immediately or ultimately impair the validity of any Charge Slip relating to such Transaction Records, the transaction evidenced thereby, or its collectibility.

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4.5 *Compliance with Law.* Any action or inaction taken by Company (where Company has a duty to act) in connection with the Plan and the sales of Goods and Services and the use and disclosure of Cardholder information by Company shall be in compliance with all Applicable Law except where the failure to comply does not or will not have a material adverse effect on Company, the Bank or the Plan.

4.6 *Company's Name, Trademarks and Service Marks.* Company has the legal right to use and to permit the Bank to use, to the extent set forth herein, the Mark and Name Rights utilized by Company in the conduct of its business.

4.7 *Intellectual Property Rights.* In the event Company provides any software or hardware to Bank, Company has the legal right to such software or hardware and the right to permit Bank to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Company or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Bank's request or to accommodate Bank's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Company and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Bank or any third party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Company and/or its Affiliates.

SECTION 5. COVENANTS OF COMPANY

Company hereby covenants and agrees as follows:

5.1 *Notices of Changes.* Company will as soon as reasonably possible notify Bank of any: (a) change in the name or form of business organization of Company, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Company or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Company; (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on Company; or (d) the planned opening or closing of any Company Store. Company will furnish such additional information with respect to any of the foregoing as Bank may reasonably request for the purpose of evaluating the effect of such change on the financial condition and operations of Company and on the Plan.

5.2 *Financial Statements.* In the event Company ceases to be an Affiliate of a publicly traded company or ceases to be a publicly traded company itself, Company shall make available to Bank as soon as available the following information pertaining to Company (or, at the option of Company's parent, consolidated information pertaining to such parent): (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Company's (or, its parent's, as applicable) independent certified public accountants in connection with such of the financial statements as have been audited.

5.3 *Inspection.* Company will permit, if Bank has reasonable cause to do so, authorized representatives designated by Bank, at Bank's expense, to visit and inspect, to the extent permitted by Applicable Law, any of the Company's books and records pertaining to Transaction Records and the Plan and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

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5.4 *Company's Business.* Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the sale of Goods and Services.

5.5 *Insurance.* Company shall self-insure or at its option maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other companies within Company's industry engaged in similar businesses as Company.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF BANK

Bank hereby represents and warrants to Company as follows:

6.1 *Organization, Power and Qualification.* Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America and has full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Bank is duly qualified and in good standing to do business in all jurisdictions where such qualification is necessary for Bank to carry out its obligations under this Agreement.

6.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Bank and is a valid and legally binding agreement of Bank duly enforceable in accordance with its terms (except as such enforcement

may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Bank is required for, and the absence of which would materially adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Bank hereunder and the compliance by Bank with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; (ii) will not conflict with or result in a breach of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Bank is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Bank, nor will such execution, delivery or compliance violate or result in the violation of the Charter or By-Laws of Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

6.3 *Accuracy of Information.* All factual information furnished by Bank to Company in writing at any time pursuant to any requirement of, or furnished in response to any written request of Company under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Bank to Company will be true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information has or will be stated or certified.

6.4 *Compliance with Law.* Any action or inaction taken by Bank (where Bank has a duty to act) in connection with the Plan shall be in compliance with all Applicable Law, including, without limitation, all Consumer Laws, except where the failure to so comply does not or will not have a material adverse effect on the Bank, Company or the Plan.

6.5 *Intellectual Property Rights.* In the event Bank provides any software or hardware to Company, Bank has the legal right to such software or hardware and the right to permit Company to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Bank or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to

Company's request or to accommodate Company's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Bank and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Company or any third party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Bank and/or its Affiliates.

SECTION 7. COVENANTS OF BANK

Bank hereby covenants and agrees as follows:

7.1 *Notices of Changes.* Bank will as soon as reasonably possible notify Company of any: (a) change in the name or form of business organization of Bank, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Bank or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Bank; or (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on the Plan. Bank will furnish such additional information with respect to any of the foregoing as Company may reasonably request for the purpose of evaluating the effect of such transaction on the financial condition and operations of Bank and on the Plan.

7.2 *Financial Statement.* Bank shall furnish to Company upon request by Company and as soon as available the following information pertaining to Bank: (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Bank's independent certified public accountants in connection with such of the financial statements as have been audited.

7.3 *Inspection.* (a) Bank will permit, once per Plan Year unless Company has reasonable cause to request more frequent access, authorized representatives designated by Company, at Company's expense, to visit and inspect, to the extent permitted by Applicable Law, any of Bank's books and records pertaining to the Discount Fees, the Account Enhancement Services commission revenues and expenses set forth in Section 2.9, any fees and charges other than the Discount Fees and Purchases and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

(b) Bank shall permit Company, once per Plan Year unless Company has reasonable cause to request more frequent access, during normal business hours and upon reasonable notice, and in a manner which does not disrupt the operations, to visit the offices at which services relating to the Plan are provided, to review and monitor the activities of Bank and its subcontractors with respect to the performance of services hereunder. Bank shall provide Company with a copy of any annual SAS 70 technical audits performed on the servicing of the Accounts by its outside auditors.

7.4 *Bank's Business.* Bank shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the issuance of credit by Bank.

7.5 *Insurance.* Bank shall maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other banks engaged in similar businesses as Bank.

SECTION 8. INDEMNIFICATION; CLAIMS AND ACTIONS

8.1 *Indemnification by Company.* Company hereby indemnifies Bank, its Affiliates and the directors, officers, employees and agents of Bank or any Affiliate of Bank (each, a "Related Party") against, and agrees to hold them harmless from, any and all losses, claims, damages and liabilities

(including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted ("Damages") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or nonperformance of any covenant made by Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of Goods or rendering of Services by Company.

8.2. *Indemnification by Bank.* Bank hereby indemnifies Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by Bank under this Agreement.

8.3. *Third Party Claims.* (a) Bank shall not be liable to Company for or in connection with any claim made against Company by any other Person relating in any manner to this Agreement or to any services or any other transactions contemplated hereby (other than (i) claims based upon Bank's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Bank arising from this Agreement (other than claims based upon Company's or any of its Related Parties' negligence or willful misconduct), (iii) claims relating to acts or omissions of Bank and its agents in connection with the collection of amounts owing from Cardholders and (iv) claims relating to the submission by Bank or its agents of data concerning Cardholders to credit agencies), even if Bank has been advised of the possibility of such claims.

(b) Company shall not be liable to Bank for or in connection with any claim made against Bank by any other Person relating in any manner to this Agreement or to any services or other transactions contemplated hereby (other than (i) claims based upon Company's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Company arising from this Agreement and (iii) claims relating to goods purchased from Company), even if Company has been advised of the possibility of such claims.

(c) Each party shall exert its good faith efforts to notify the other of any claims described in clauses (i) through (iv) of subsections (a) and (b) above of which such party receives notice.

8.4. *Dispute Resolution and Actions.* Bank and Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 8.4.

8.5. *Limitation on Actions.* No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than four (4) years after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

8.6. *Reimbursement for Losses.* If, as a result of any claim made by Bank against any third party (including, but not limited to, an insurer), Bank actually receives from such third party cash proceeds (or non-cash proceeds, whether in the form of goods or services) which represent, in whole or in part, compensation for or reimbursement of losses or costs actually incurred by Company, then Bank will hold that portion of such proceeds fairly allocable to Company (taking into consideration all losses or costs actually incurred by all parties for whose benefit such payments have been received) in trust on behalf of Company and will promptly pay over to Company such allocable amount of any such cash proceeds (or, as to non-cash proceeds, the allocable portion or, at the discretion of Bank, the cash equivalent thereof).

8.7. *Survival.* The provisions of this Section 8 shall survive the termination of this Agreement.

SECTION 9. TERM AND TERMINATION

9.1 *Term.* This Agreement shall become effective as of the Effective Date when executed by authorized officers of each of the parties and shall remain in effect until August 31, 2009 (the "Initial Term") and shall automatically renew for successive one-year terms (each a "Renewal Term") thereafter unless either party provides the other with at least twelve (12) month's written notice of its intention to terminate the Agreement prior to the expiration of the Initial or then current Renewal Term, or unless otherwise terminated as provided herein.

9.2 *Termination with Cause by Bank; Bank Termination Events.* Any of the following conditions or events shall constitute a "Bank Termination Event" hereunder, and Bank may terminate this Agreement immediately without further action if Company causes such Bank Termination Event to occur and be continuing:

(a) If Company shall: (i) generally not pay its debts as they become due; (ii) file, or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Company to perform under this Agreement or the Plan; or (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Company, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Company, or if any petition for any such relief shall be filed against Company and such petition shall not be dismissed within sixty (60) days; or

(c) If Company shall default in the performance of or compliance with any material term or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Company shall not have remedied such default within thirty (30) days after written notice thereof shall have been received by Company from Bank.

9.3 *Termination with Cause by Company; Company Termination Events.* Any of the following conditions or events shall constitute a "Company Termination Event" hereunder, and Company may terminate this Agreement immediately without further action if Bank causes such Company Termination Event to occur and be continuing:

(a) If Bank shall: (i) generally not be paying its debts as they become due; (ii) file or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers for itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Bank to perform under this Agreement or the operation of the Plan; (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or (viii) have a materially adverse

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change in its financial condition, including, but not limited to Bank being downgraded by a rating agency to a rating below an investment grade rating; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Bank, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Bank, or if any petition for any such relief shall be filed against Bank and such petition shall not be dismissed within sixty (60) days; or

(c) If Bank shall default in the performance of or compliance with any material term (other than the Service Standards) or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Bank shall not have remedied such default within thirty (30) days (or within five (5) days in the case of failure to pay Company pursuant to Section 3.6(a)) after written notice thereof shall have been received by Bank from Company; or

(d) A Service Standards Termination Event shall have occurred.

9.4 *Termination of Particular State.* In addition, Bank may terminate the operation of the Plan in a particular state if the Applicable Law of the state or jurisdiction is amended or interpreted in such a manner so as to render all or any part of the Plan illegal or unenforceable, and in such event Bank will, if requested, assist Company with finding a new credit provider for such state. Bank will provide Company with as much advance notice of such termination as is reasonable under the circumstances.

9.5 *Termination for Competitive Reasons.* Company may terminate this Agreement upon not less than sixty (60) days' prior written notice to the Bank at any time after the first anniversary of the Effective Date if, based on the application of the matrix set forth in Schedule 1.1, the applicable Discount Rate exceeds the highest Discount Rate in such matrix and the costs to Company under this Agreement are substantially higher than the costs that would be incurred by Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; provided that Company shall not be entitled to terminate this Agreement pursuant to this Section 9.5 unless Company provides Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and Bank is entitled to submit a counter-proposal within thirty (30) days of receipt of such description. If Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in Bank's counter-proposal.

9.6 *Purchase of Accounts.* (a) Upon termination of this Agreement, Company will have the option to purchase the then-outstanding Credit Card Account balances not previously written-off by Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to Bank, and will be provided with all related Account information and other Account data; *provided* that Company will be required to purchase such then-outstanding Credit Card Account balances on such terms if Company objects to any automatic extension of this Agreement pursuant to Section 9.1. All payments by Company pursuant to this Section 9.6 shall be made not later than one (1) Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by Bank to Company not less than two (2) Business Days prior to the payment date. Upon any termination of this Agreement, (i) Company (at its sole expense) shall notify all Cardholders that Bank is no longer the processor of their Credit Card accounts, and (ii) Company and Bank shall cooperate in facilitating the transition to a new processor.

(b) Upon receipt of any notice of termination from Company, delivery of any notice of termination by Bank, or in the event of any termination of Bank's separate Lerner catalogue credit

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card program Bank shall divide all then-outstanding Credit Card receivables generated through the use of Credit Cards under the "Lerner" and "Lerner New York" Marks into separate retail and mail order memo Account balances based on the ratio of retail and mail order Purchases by the relevant Cardholder during the twelve (12) months preceding the month in which such notice is received or delivered by the Bank, as the case may be. During the period between the delivery of such notice and termination of this Agreement or Bank's Lerner catalogue credit card program, purchases and returns through such Credit Cards shall be applied to the relevant Account balance based upon the source of the relevant purchase and payments, finance charges and any other adjustments will be applied to the separate balances based upon mail order/retail Account balance ratios of such Accounts at the end of the preceding month. Upon termination of this Agreement, the Company will have the option to purchase the then-outstanding "Lerner" and "Lerner New York" retail Account balances, as well as any other (excluding Lerner and Lerner New York mail order) Account balances, in accordance with subsection (a) of this Section 9.6.

9.7 *Remedies for Failure to Meet Service Standards.* (a) Each time a Service Event occurs, Bank shall: (i) promptly investigate the root cause(s) of the failure and deliver to Company a written report identifying such root cause(s); (ii) use commercially reasonable efforts to correct the problem and to begin

meeting such Service Standard as soon as practicable; (iii) provide to Company a schedule and plan for correction of the root cause(s) of the Service Events, and (iv) at Company's request, advise Company of the status of such corrective efforts.

(b) In the event more than three (3) Service Events occur during any calendar month, Bank will, in addition to those steps set forth in Section 9.7(a), arrange for a senior executive of Bank to meet with a senior executive of Company or Company's parent company's senior management to discuss the items delivered under Section 9.7(a).

(c) A "Service Standard Termination Event" shall occur in the event:

(i) a Service Event occurs for a specific Service Standard for three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if the same Base Level Service Standard is failed by Bank in the fourth consecutive month, Company may terminate this Agreement; or

(ii) a total of 10 Service Events occur during any three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if a total of 6 Service Events occur at anytime in the three (3) consecutive months following Company's notice to Bank, then Company may terminate this Agreement.

SECTION 10. MISCELLANEOUS

10.1 *Entire Agreement.* This Agreement constitutes the entire Agreement and supersedes all prior agreements and understandings, whether oral or written, among the parties hereto with respect to the subject matter hereof and merges all prior discussions between them, including without limitation the Credit Card Processing Agreement.

10.2 *Coordination of Public Statements.* Bank's parent company, Alliance Data Systems Corporation, as a public company, will issue a news release disclosing this Agreement between Bank and Company, such news release must be approved by both parties prior to its issuance. In all other cases, except as required by Applicable Law, neither party will make any public announcement of the Plan or provide any information concerning the Plan to any representative of any news, trade or other media without the prior approval of the other party, which approval will not be unreasonably withheld. Neither party will respond to any inquiry from any public or governmental authority, except as required

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by law, concerning the Plan without prior consultation and coordination with the other party. Upon Bank's reasonable request from time to time, Company in its sole discretion may provide references or participate in marketing campaigns or testimonial initiatives for Bank regarding the services provided by Bank in connection with the Plan.

10.3 *Amendment.* Except as otherwise provided for in this Agreement, the provisions herein may be modified only upon the mutual agreement of the parties, however, no such modification shall be effective until reduced to writing and executed by both parties.

10.4 *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party which will not be unreasonably withheld. Notwithstanding the foregoing, (i) Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of Bank, provided that any such assignee of Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to Company, (ii) Company shall assign or otherwise transfer all of its rights and obligations under this Agreement (A) to the purchaser of all or substantially all of the assets of Company, or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to Company or any successor (whether by merger, consolidation or otherwise) thereto, and (iii) Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against Company for any reason whatsoever, and (B) Bank hereby indemnifies Company and its Affiliates against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser).

10.5 *Waiver.* No waiver of the provisions hereto shall be effective unless in writing and signed by the party to be charged with such waiver. No waiver shall be deemed to be a continuing waiver in respect of any subsequent breach or default either of similar or different nature unless expressly so stated in writing. No failure or delay on the part of either party in exercising any power or right under this Agreement shall be deemed to be a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise, or the exercise of any other power or right.

10.6 *Severability.* If any of the provisions or parts of the Agreement are determined to be illegal, invalid or unenforceable in any respect under any applicable statute or rule of law, such provisions or parts shall be deemed omitted without affecting any other provisions or parts of the Agreement which shall remain in full force and effect, unless the declaration of the illegality, invalidity or unenforceability of such provision or provisions substantially frustrates the continued performance by, or entitlement to benefits of, either party, in which case this Agreement may be terminated by the affected party, without penalty.

10.7 *Notices.* All communications and notices pursuant hereto to either party shall be in writing and addressed or delivered to it at its address shown below, or at such other address as may be designated by it by notice to the other party, and shall be deemed given when delivered by hand, or

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two (2) Business Days after being mailed (with postage prepaid) or when received by receipted courier service:

If to Bank:
800 TechCenter Drive

If to Company:
Three Limited Parkway

Gahanna, OH 43230
Attn.: Daniel T. Groomes, President

Columbus, OH 43230
Attn.: Lisa Klinger, Treasurer

With a Copy to:
Karen Morauski, VP & Counsel

With a Copy to:
Senior Vice President and
General Counsel
Limited Brands, Inc.
Three Limited Parkway
Columbus, OH 43230

10.8 *Captions and Cross-References.* The table of contents and various captions in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any Section are to such Section of this Agreement.

10.9 *GOVERNING LAW.* THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OHIO, REGARDLESS OF THE DICTATES OF OHIO CONFLICTS OF LAW, AND THE PARTIES HEREBY SUBMIT TO EXCLUSIVE JURISDICTION AND VENUE IN THE UNITED STATES FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO OR ANY OF THE STATE COURTS LOCATED IN FRANKLIN COUNTY, OHIO.

10.10 *Counterparts.* This Agreement may be signed in one or more counterparts, all of which shall be taken together as one agreement.

10.11 *Force Majeure.* Neither party will be responsible for any failure or delay in performance of its obligations under this Agreement because of circumstances beyond its reasonable control, and not due to the fault or negligence of such party, including, but not limited to, acts of God, flood, criminal acts, fire, riot, computer viruses, computer hackers, accident, strikes or work stoppage, embargo, sabotage, inability to obtain material, equipment or phone lines, government action (including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement), and other causes whether or not of the same class or kind as specifically named above. In the event a party is unable to perform substantially for any of the reasons described in this Section, it will notify the other party promptly of its inability so to perform, and if the inability continues for at least ninety (90) consecutive days (fifteen (15) days in the cases of credit authorizations and processing of new Accounts), the party so notified may then terminate this Agreement forthwith. This provision shall not, however, release the party unable to perform from using its best efforts to avoid or remove such circumstance and such party unable to perform shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

10.12 *Relationship of Parties.* This Agreement does not constitute the parties as partners or joint venturers and neither party will so represent itself.

10.13 *Survival.* No termination of this Agreement shall in any way affect or impair the powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring prior to such termination. No powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring after termination shall survive termination except for the following Sections: Section 2.10, Section 2.11, Section 3.3, Section 3.5, Section 3.6, Section 3.8,

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Section 3.9, Section 3.10, Section 8, Section 9.5, Section 10.7, Section 10.9, Section 10.11, Section 10.17 and Section 10.18.

10.14 *Mutual Drafting.* This Agreement is the joint product of Bank and Company and each provision hereof has been subject to mutual consultation, negotiation and agreement of Bank and Company; therefore to the extent any language in this Agreement is determined to be ambiguous, it shall not be construed for or against any party based on the fact that either party controlled the drafting of the document.

10.15 *Independent Contractor.* The parties hereby declare and agree that Bank is engaged in an independent business, and shall perform its obligations under this Agreement as an independent contractor; that any of Bank's personnel performing the services hereunder are agents, employees, Affiliates, or subcontractors of Bank and are not agents, employees, Affiliates, or subcontractors of Company; that Bank has and hereby retains the right to exercise full control of and supervision over the performance of Bank's obligations hereunder and full control over the employment, direction, compensation and discharge of any and all of the Bank's agents, employees, Affiliates, or subcontractors, including compliance with workers' compensation, unemployment, disability insurance, social security, withholding and all other federal, state and local laws, rules and regulations governing such matters; that Bank shall be responsible for Bank's own acts and those of Bank's agents, employees, Affiliates, and subcontractors; and that except as expressly set forth in this Agreement, Bank does not undertake by this Agreement or otherwise to perform any obligation of Company, whether regulatory or contractual, or to assume any responsibility for Company's business or operations.

10.16 *No Third Party Beneficiaries.* The provisions of this Agreement are for the benefit of the parties hereto and not for any other person or entity.

10.17 *Confidentiality.* (a) Neither party shall disclose any information not of a public nature concerning the business or properties of the other party which it learns as a result of negotiating or implementing this Agreement, including, without limitation, the terms and conditions of this Agreement, Customer names, Cardholder personal or Account information, sales volumes, test results, and results of marketing programs, Plan reports generated by Bank, trade secrets, business and financial information, source codes, business methods, procedures, know-how, computer software and computer systems (including software licensed from third parties) and other information of every kind that relates to the business of either party except to the extent disclosure is required by Applicable Law, is necessary for the performance of the disclosing party's obligation under this Agreement, or is agreed to in writing by the other party; provided that: (i) prior to disclosing any confidential information to any third party, the party making the disclosure shall give notice to the other party of the nature of such disclosure and of the fact that such disclosure will be made; and (ii) prior to filing a copy of this Agreement with any governmental authority or agency, the filing party will consult with the other party with respect to such filing and shall redact such portions of this Agreement which the other party requests be redacted, unless, in the filing party's reasonable judgment based on the advice of its counsel (which advice shall have been discussed with counsel of the other party), the filing party concludes that such request is inconsistent with the filing party's obligations under Applicable Laws. Neither party shall acquire any property or other right, claim or interest, including any patent right or copyright interest, in any of the systems, procedures, processes, equipment, computer programs and/or information of the other by virtue of this Agreement. Neither party shall use the other party's name for advertising or promotional purposes without such other party's written consent.

(b) The obligations of this Section, shall not apply to any information:

(i) which is generally known to the trade or to the public at the time of such disclosure; or

- (ii) which becomes generally known to the trade or the public subsequent to the time of such disclosure; provided, however, that such general knowledge is not the result of a disclosure in violation of this Section; or
- (iii) which is obtained by a party from a source other than the other party, without breach of this Agreement or any other obligation of confidentiality or secrecy owed to such other party or any other person or organization; or
- (iv) which is independently conceived and developed by the disclosing party and proven by the disclosing party through tangible evidence not to have been developed as a result of a disclosure of information to the disclosing party, or any other person or organization which has entered into a confidential arrangement with the non-disclosing party.

(c) If any disclosure is made pursuant to the provisions of this Section, to any Affiliate or third party, the disclosing party shall be responsible for ensuring that such Affiliate or third party keeps all such information in confidence and that any third party executes a confidentiality agreement provided by the non-disclosing party. Each party covenants that at all times it shall have in place procedures designed to assure that each of its employees who is given access to the other party's confidential information shall protect the privacy of such information. Each party acknowledges that any breach of the confidentiality provisions of this Agreement by it will result in irreparable damage to the other party and therefore in addition to any other remedy that may be afforded by law any breach or threatened breach of the confidentiality provisions of this Agreement may be prohibited by restraining order, injunction or other equitable remedies of any court. The provisions of this Section will survive termination or expiration of this Agreement.

10.18 *Taxes.* Company will be responsible for, and agrees to pay, all sales, use, excise, and value-added taxes, or taxes of a similar nature (excluding personal property taxes and taxes based on Bank's income which shall be borne by Bank), imposed by the United States, any state or local government, or other taxing authority, on all goods and/or services provided by Bank under this Agreement. The parties agree to cooperate with each other to minimize any applicable sales, use, or similar tax and, in connection therewith, the parties shall provide each other with any relevant tax information as reasonably requested (including without limitation, resale or exemption certificates, multi-state exemption certificates, information concerning the use of assets, materials and notices of assessments). All amounts set forth in this Agreement are expressed and shall be paid in lawful U.S. dollars.

(Signature block on following page.)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in manner and form sufficient to bind them as of the date first above written.

LERNER NEW YORK, INC.

By: /s/ TIM FABER
Title: Vice President
Date: August 30, 2002

**WORLD FINANCIAL NETWORK
NATIONAL BANK**

By: /s/ DANIEL T. GROOMES
Daniel T. Groomes
Title: President
Date: August 30, 2002

**NEVADA RECEIVABLE
FACTORING, INC.**

By: DAVID HASSON
Title: Vice President
Date: August 30, 2002

**Schedule 1.1
Discount Rate**

DISCOUNT RATE

The applicable Discount Rate for all Purchases as of the Effective Date and until changed as set forth below shall be 1.75%. *Provided*, that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by Bank to Cardholders, or if the Discount Rate is substantially higher than the rate that Company would incur for comparable credit card services, Company and Bank agree to negotiate in good faith an increase or decrease in the Discount Rate.

Commencing on January 31, 2004 and annually thereafter, the Discount Rate will be subject to change by Bank on an annual basis in accordance with the matrix set forth below and Bank shall apply the corresponding Discount Rate to *future* Discount Fees applied by Bank until the next adjustment is made. The Fin Chg/STM ('95\$) calculation for the matrix will include the amount by which the then current late fees per statement exceed the amount of the late fees per statement calculated using a late fee of \$5. In the event Bank increases (for increases made by Bank on or after March 1, 2003) any of the finance charges and/or late fees charged to Cardholders as a result of increases in Bank's cost of postage for mailing Account billing statements, form letters or new Credit Cards, then Bank will exclude the amount of such increase in the finance charges and/or late fees from its calculation of the Discount Rate using the matrix.

Notwithstanding the foregoing, Bank agrees that Bank will waive any increase Bank is entitled to for the Discount Rate during the calendar year 2003, provided, however, that in the event Bank waives such increase in the Discount Rate, then (i) if the number of Applicants during the calendar year 2003 is less than the number of Applicants during the calendar year 2002, Bank shall invoice Company for the amount of the Discount Fees waived by Bank during the calendar year 2003 and Company shall pay such amount within thirty (30) days after the date of such invoice, or (ii) Bank shall have the right during any future calendar year to defer any decreases in the Discount Rate until such time as Bank has recouped the amount of the Discount Fees waived by Bank during the calendar year 2003.

**Lerner
Merchant Fee Matrix**

Fin Chg/ STM ('95 \$)	Bad Debt % Credit Sales								
	6.0%	6.2%	6.4%	6.6%	6.8%	7.0%	7.2%	7.4%	7.6%
\$ 4.80	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.50%	1.50%	1.50%
\$ 4.65	1.30%	1.40%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$ 4.50	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$ 4.35	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.70%	1.90%
\$ 4.20	1.50%	1.50%	1.50%	1.50%	1.60%	1.80%	2.00%	2.20%	2.40%
\$ 4.05	1.50%	1.50%	1.70%	1.90%	2.10%	2.30%	2.50%	2.70%	2.90%
\$ 3.90	1.80%	2.00%	2.20%	2.40%	2.60%	2.80%	3.00%	3.20%	3.40%
\$ 3.75	2.15%	2.35%	2.55%	2.75%	2.95%	3.15%	3.35%	3.55%	3.55%
\$ 3.60	2.35%	2.55%	2.75%	2.95%	3.15%	3.35%	3.55%	3.55%	3.55%
\$ 3.50	2.55%	2.75%	2.95%	3.15%	3.35%	3.55%	3.55%	3.55%	3.55%

Minimum ROA 2.0%
ROA over 4% share 50-50

**Schedule 2.1
Service Standards**

	Base Level	Targeted Level
Standard #1		
The Bank will process mailed-in applications five days per week. The Bank will process % of such applications within five Business Days of receipt.	95%	98%
Standard #2		
The Bank will process "instant" credit applications from 9:00am to 12:30am (Eastern time) Monday through Saturday and from 10:00am to 9:30pm (Eastern time) Sunday, excluding Holidays ("Normal Store Hours"). The Bank will process at least % of such applications within five minutes of receipt.	90%	92%
Standard #3		
The Bank will issue % of new and replacement Credit Cards within four business days of embossing tape output.	95%	96%
Standard #4		
The Bank will answer at least % of incoming Cardholder service calls within 20 seconds. Bank will provide Cardholder service from 9am-9pm(Eastern time) Monday-Saturday, excluding Holidays.	85%	86%
Standard #5		
The Bank will not permit the abandoned call rate for Cardholder customer service calls to exceed % measured on a monthly basis.	2.0%	1.7%
Standard #6		
The Bank will provide electronic authorization means to be available at least % of Normal Store Hours. Bank will also provide batch authorizations for catalog sales.	99.5%	99.6%
Standard #7		
The Bank will post valid non-payment Transactions to the Cardholder's Account within 24 hours of receipt.	100%	100%
Standard #8		
The Bank will bill and mail % of Account statements within four business days of the scheduled billing date.	97%	100%

Standard #9	The Bank will process at least % of payments within 24 hours of receipt. In the event any payment is not processed within 24 hours of receipt, such payment shall be backdated to the date of receipt.	96%	97%
Standard #10	The Bank will respond to at least % of mailed-in Cardholder inquiries within seven business days of receipt.	90%	97%
Standard #11	The Bank will provide "Quick Credit" during % of Normal Store Hours.	95%	98%

Service Standards will be calculated and reported in a manner that is consistent with prior practices. Holidays shall mean New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Targeted Levels:

Any failure to meet the Targeted Level for Service Standards will be reported on the monthly Service Standards report. Failure to meet the same Targeted Level for a single Service Standard for more than two consecutive months, will result in Bank taking the actions set forth in the chart below, provided that such failure to meet the Targeted Level was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

Failure to Meet Targeted Level	3 rd Consecutive Month	4 th Consecutive Month	5 th Consecutive Month	6 th Consecutive Month and Each Consecutive Month Thereafter
Actions to be taken by Bank following consecutive month failure to attain Targeted Level	Letter to Company's CEO	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.
Penalty to be Paid by Bank to Company	None	\$5,000	\$10,000	\$20,000

Base Levels:

Failure to meet a Base Level will be reported on the monthly service standards report and may trigger a Service Standard Termination Event as set forth in Section 9.7.

**Schedule 2.7
Credit Standards**

The new Account cut-off score is based upon the projected sixty (60) month profitability of Accounts within each score range. Account profitability is based upon projected Discount Fees (the current fee percentage), finance charge income, variable billing expenses and write-offs. The projections are derived from actual results to date using historical trends. The cut-off score is established at the score range where Bank's profit for the score range equals zero.

**Schedule 2.8
Master File Information**

Account Number
Month Account Opened
Year Account Opened
Store Account Opened
Cardholder Name
Cardholder's Street Address
Cardholder's City
Cardholder's State
Cardholder's Zip Code
Cardholder's Home Phone Number
Date of Last Purchase

Cardholder's Open to Buy
Number of Purchases Monthly
Amount of Purchases Monthly, YTD
Number of Returns Monthly
Amount of Returns Monthly
Date of Birth
Items Purchased

QuickLinks

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PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

BETWEEN

WORLD FINANCIAL NETWORK NATIONAL BANK

AND

EXPRESS, LLC

AND

RETAIL FACTORING, INC.

DATED AS OF AUGUST 29, 2002

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THIS PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT is made as of this 29th day of August, 2002 (the "Effective Date") by and between Express, LLC, a Delaware limited liability company, with its principal office at One Limited Parkway, Columbus, Ohio 43230, (hereinafter referred to as "Division"), Retail Factoring, Inc., a Nevada corporation, with its principal office at 4441 South Polaris Avenue, Las Vegas, Nevada 89103, a Nevada corporation ("Factoring") (the Division and Factoring being collectively referred to herein as "Company") and WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association, with its principal office at 800 TechCenter Drive, Gahanna, Ohio 43230, (hereinafter referred to as "Bank").

WITNESSETH:

WHEREAS the Bank, Division and Factoring entered a certain Credit Card Processing Agreement, effective as of January 31, 1996 (the "Credit Card Processing Agreement"), to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Division's retail or catalogue business, which allows the customers of the Division to purchase goods from the Division using funds advanced by the Bank; and

WHEREAS the parties to this Agreement wish to terminate the Credit Card Processing Agreement as of the Effective Date and enter into this Private Label Credit Card Program Agreement, the terms of which shall supersede and replace the Credit Card Processing Agreement; and

NOW THEREFORE, in consideration of the terms and conditions hereof, and for other good and valuable consideration, the receipt of which is hereby mutually acknowledged by the parties, Bank and Company agree as follows.

SECTION 1. DEFINITIONS

1.1 *Certain Definitions.* As used herein and unless otherwise required by the context, the following terms shall have the following respective meanings.

"Account" shall mean an individual open-end revolving line of credit established by Bank for a Customer pursuant to the terms of a Credit Card Agreement, including without limitation, each of the Existing Accounts.

"Affiliate" shall mean with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing. In addition, (i) Aura Science, LLC (and its successors by way of change of organizational form) and (ii) any other similar joint venture or Person (of which Company notifies Bank in writing) formed for the purposes of pursuing a joint venture with Limited Brands, Inc. or any Affiliate (as otherwise defined above) of Limited Brands, Inc. shall be deemed an Affiliate of Company for all purposes (other than for the purposes of Section 3.11 hereof) so long as Limited Brands, Inc. and its Affiliates (as otherwise defined above) possess the power to elect not less than 25% of the whole number of the board of directors of such entity or own not less than 25% of the assets or equity thereof. Company and Bank shall not be deemed to be Affiliates for purposes of this Agreement.

"Agreement" shall mean this Private Label Credit Card Program Agreement and any future amendments or supplements thereto.

"Applicable Law" shall mean any applicable federal, state or local law, rule, or regulation.

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"Applicant" shall mean an individual who is a Customer of Company who applies for an Account under the Plan.

"Authorized User" shall mean an individual authorized by the primary Cardholder(s) to use an Account and as established in accordance with the Operating Procedures.

"Batch Prescreen Application" shall mean a process where Bank's offer of credit is made to certain Customers prequalified by Bank, in a batch mode typically within a catalog environment.

"Business Day" shall mean any day, except Saturday, Sunday or a day on which banks in Ohio are required to be closed.

"Cardholder" shall mean any natural person to whom an Account has been issued by Bank and/or any Authorized User of the Account.

"Charge Slip" shall mean a sales receipt, register receipt tape, invoice or other documentation, whether in hard copy or electronic form, in each case evidencing a Purchase that is to be charged to a Cardholder's Account.

"Company Deposit Account" shall mean a deposit account maintained by Company as set forth in Section 3.6 (a).

"Company's Stores" shall mean those certain retail locations selling Goods and/or Services, which are owned and operated by Company.

"Consumer Laws" shall mean all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws.

"Credit Card" shall mean the plastic credit card bearing one or more of the Marks issued by Bank to Cardholders for purchasing Goods and Services pursuant to the Plan.

"Credit Card Agreement" shall mean the open-end revolving credit agreement between a Cardholder and Bank governing the Account and Cardholder's use of the Credit Card, together with any modifications or amendments which may be made to such agreement as permitted in this Agreement.

"Credit Card Processing Agreement" shall have the meaning set forth in the first recital.

"Credit Sales Day" shall mean any day, whether or not a Business Day, on which Goods and/or Services are sold by Company.

"Credit Slip" shall mean a sales credit receipt or other documentation, whether in hard copy or electronic form, evidencing a return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder.

"Customer" shall mean any individual consumer who is a customer or potential customer of Company.

"Deferred Billing Programs" shall mean any special Cardholder payment terms mutually agreed to by Bank and Company for certain Purchases, including without limitation deferred finance charges and deferred payments and subject to any terms and conditions set forth in writing by Bank.

"Discount Fee" shall mean an amount to be charged by Bank equal to Net Sales multiplied by the Discount Rate. Notwithstanding the foregoing, Bank shall not include taxes for Purchases (and correspondingly Net Sales) when calculating the Discount Fee for Purchases made on or before July 31, 2002.

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"Discount Rate" shall have the meaning set forth in Schedule 1.1.

"Effective Date" shall mean the date set forth in the first paragraph on page one of this Agreement.

"Existing Accounts" shall mean all of the Accounts in existence as of the Effective Date opened under and/or subject to the Plan provided by Bank pursuant to the Credit Card Processing Agreement.

"Forms" shall have the meaning set forth in Section 2.4.

"Goods and/or Services" shall mean those goods and/or services sold at retail by Company to the general public through stores, catalog, the Internet or any other method mutually agreed upon by the Company and Bank, where such goods and/or services are intended by Company for individual, personal, family or household use.

"Initial Term" shall have the meaning set forth in Section 9.1.

"Instant Credit Application" shall mean an in store or catalog application procedure designed to open Accounts at point of sale or order entry whereby an application for credit is communicated to Bank either verbally at point of sale or systemically during the catalog order entry process according to the Operating Procedures.

"Mark" shall mean a trademark or service mark owned by or licensed to Company and designated by Company to Bank for use in connection with the Plan.

"Name Rights" shall have the meaning set forth in Section 2.10.

"Net Proceeds" shall mean Purchases less: (i) credits to Accounts for the return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder, all as shown in the Transaction Records (as corrected by Bank in the event of any computational error), calculated each Business Day; (ii) payments from Cardholders received by Company from Cardholders on Bank's behalf; and (iii) any applicable Discount Fees in effect on the date of calculation. Notwithstanding the foregoing, if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, the credits payable to Bank pursuant to clause (i) above and the payments received by Company in clause (ii) above shall no longer be netted against the Net Proceeds payable by Bank pursuant to Section 3.6 but instead Company shall transfer the amount of each credit and payment to Bank by ACH of immediately available funds not later than the second Business Day following the date on which the events giving rise to such credit or payment occur (and the Net Proceeds payable by the Bank pursuant to Section 3.6 shall be made without deduction for such credits or payments).

"Net Sales" shall mean Purchases less shipping and handling and less credits or refunds for Goods and/or Services, all as shown in the Transaction Records received by the Bank each Business Day (as corrected by Bank in the event of any computational error), and calculated each Business Day.

"On-Line Prescreen" shall mean a process where a pre-screened offer of credit is made to credit-worthy Customers in a real-time pre-approved process according to Bank's Operating Procedures. The process utilizes traditional order entry data elements to build Customer records. The Customer records are pre-screened by a credit bureau using Bank's established criteria to determine if an offer of credit is appropriate. Customer records passing the Bank's pre-screening credit criteria are returned to the point of order entry where the pre-approved offer to open an Account is made. Records not passing the credit criteria are not returned and no offer is made.

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"Operating Procedures" shall mean Bank's Company's catalog procedures, Company Store's procedures, Internet or e-commerce procedures and any amendments to the same or additional or different procedures which satisfy the requirements of Section 2.3, to be followed by Company in connection with the Plan.

"Person" shall mean an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" shall mean the private label credit card program established and administered by Bank for Customers of Company by virtue of this Agreement.

"Plan Year" shall mean each consecutive twelve (12) month period commencing on the Effective Date and each anniversary thereof.

"Purchase" shall mean a purchase of Goods and/or Services, including without limitation all applicable taxes and shipping costs, with a specific extension of credit by Bank to a Cardholder using an Account as provided for under this Agreement.

"Quick Credit" shall mean an in-store application procedure designed to open Accounts as expeditiously as possible at point of sale, whereby an application for an Account is processed without a paper application being completed by an Applicant. An Applicant's credit card (Visa, MasterCard, American Express, Discover or other Bank approved private label card) is electronically read by a terminal that captures the Applicant's name and credit card account number. Other data shall be entered into that same terminal by the Company's Store associate as specified in the Operating Procedures. This data is used by Bank to request a credit bureau report and make a decision whether to approve or decline the Applicant.

"Regular Revolving Purchases" shall mean Purchases which are not subject to any Deferred Billing Programs or Equal Payment Purchases.

"Renewal Term" shall have the meaning set forth in Section 9.1.

"Season" shall mean (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January. For the purposes hereof, a "fiscal month" is a monthly period defined by Company in writing to Bank from time to time to coincide with Company's fiscal calendar.

"Service Event" shall mean a failure by Bank to meet a Base Level (as identified in Schedule 2.1) for a single Service Standard during one calendar month; provided that such failure was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

"Service Standard" shall mean the performance or quantitative levels of performance set forth in Schedule 2.1.

"Service Standards Termination Event" shall have the meaning given in Section 9.7.

"Statemented Account" shall mean each Account for which a billing statement is generated within a particular billing cycle.

"Term" shall mean the Initial Term and any Renewal Terms.

"Transaction Record" shall mean, with respect to each Purchase of Goods or Services by a Cardholder from Company, each credit or return applicable to a Purchase of Goods or Services, and each payment received by Company from a Cardholder on Bank's behalf: (a) the Charge Slip

or Credit Slip corresponding to the Purchase, credit or return; or (b) a computer readable tape/cartridge or electronic transmission containing the following information: the Account number of the Cardholder, the Company's Store number at which the Purchase, credit or return was made, the total of (i) the Purchase price of Goods or Services purchased or amount of the credit, as applicable, plus (ii) the date of the transaction, a description of the Goods or Services purchased, credited or returned and the authorization code, if any, obtained by Company's Store prior to completing the transaction; or (c) electronic record whereby Company's Store electronically transmits the information described in subsection (b) hereof to a network provider (selected by Company at its expense), which in turn transmits such information to Bank by a computer tape/cartridge or electronic tape or transmission.

1.2 *Other Definitions.* As used herein, terms defined in the introductory paragraph hereof and in other sections of this Agreement shall have such respective defined meanings. Defined terms stated in the singular shall include reference to the plural and vice versa.

SECTION 2. THE PLAN

2.1 *Establishment and Operation of the Plan.* (a) The Plan is established for the primary purpose of providing Customer financing for Goods and Services purchased from Company. Qualified Applicants desiring to use the Plan shall be granted an Account by Bank with a credit line in an amount to be determined by Bank in its discretion for each individual Applicant. Subject to Section 3.6 (d), Bank shall determine the terms and conditions of the Account to be contained in a Credit Card Agreement, which Credit Card Agreement shall be subject to change upon notice given by Bank to the Cardholders in accordance with Applicable Law. All Existing Accounts are deemed provided under the Plan.

(b) Bank shall operate the Plan in accordance with the Service Standards set forth in Schedule 2.1, as such performance standards may be modified from time to time at the reasonable request of Bank or Company and with the consent of the other party. Within fifteen (15) days after the end of each calendar month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards.

(c) Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

(d) Not later than one hundred and twenty (120) days following the Effective Date, Bank will design a Cardholder satisfaction survey process to be administered in accordance with the procedures already in place at the Bank, at a cost comparable to its existing cost. This survey should be an on-going, real-time process by which Bank and Company can measure Cardholder satisfaction. Bank will solicit Company's review and approval of the methodology used to analyze and assess the results of the survey (such approval not to be unreasonably withheld or delayed) and will provide the raw and analyzed survey results to Company. The results will be presented in a mutually agreed format. Bank will deliver Cardholder satisfaction survey results to Company on a quarterly basis and will on a monthly basis discuss the trends based on the prior month's results.

(e) From time to time during the Term, Company may request that Bank provide to Company new products, services or technology in connection with the Plan, identified by Company, which are then commercially available from the top tier of well-managed private label credit card services vendors ("Competitive Vendors") and offered generally to such Competitive Vendors' clients and potential clients. Bank will exert its good faith reasonable efforts to provide such services on terms reasonably competitive to those offered in the marketplace by Competitive Vendors.

2.2 *Applications for Credit Under the Plan; Billing Statements.* (a) Applicants who wish to apply for an Account under the Plan must submit a completed application on a form or in an electronic format approved by Bank, and Bank shall grant or deny the request for credit based solely upon Bank's credit criteria as specified in Section 2.7. Company shall provide a copy of the Credit Card Agreement to the Applicant to be retained for the Applicant's records. The application shall be submitted to Bank by the Applicant or submitted by Company on behalf of the Applicant, as required in the Operating Procedures. If Bank grants the request for an Account, Bank will issue a Credit Card to the Applicant which accesses an individual line of credit in an amount determined by Bank.

(b) Bank shall make available to Company and Company shall utilize primarily a Quick Credit application procedure. Bank shall also make available to Company and Company may elect to utilize in its discretion, Instant Credit, pre-approved solicitations, Batch Prescreen and On-Line Prescreen application procedures as mutually agreed upon.

(c) Subject to Section 2.8, Company agrees that it will keep confidential the information on such applications and shall not disclose the information to anyone other than authorized representatives of Bank.

(d) All Cardholders will receive from Bank a periodic statement (the "Billing Statement") listing the amounts of Purchases made and credits received and other information as required by Applicable Law or deemed desirable by Bank. Company may if desired put text messages on the statements as approved by Bank.

(e) Bank shall make available to Company Internet application procedures and Charge Slip processing. In such event, Company shall be responsible for integrating and maintaining on its website at its sole expense a link to the Bank's Internet application processing website. The parties shall work together on implementing such links from the Bank's Internet application processing website back to Company's Internet site. Bank shall take reasonable efforts to ensure that navigation back to Company's Internet site from the Bank's Internet application processing website, whether through a particular pointer or link, the "back" button on an Internet browser, the closing of an active window, or any other return mechanism, shall not be interrupted by Bank through the use of any intermediate screen or other device not specifically requested by the user, including without limitation through the use of any html pop-up window or any other similar device.

2.3 *Operating Procedures.* Company shall observe and comply with the Operating Procedures. Company shall ensure that Company's Stores personnel are trained regarding the Operating Procedures and shall ensure their compliance with them. The Operating Procedures may be supplemented, amended or modified by Bank from time to time in its reasonable discretion; provided, however, a copy of any such supplement, amendment or modification shall be provided to Company at least ninety (90) days before its effective date (the "Notice Date") unless otherwise required by Applicable Law, and for those changes required by Applicable Law, notice shall be given as soon as practicable. For changes that are (A) required by Applicable Law, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices (both (A) and (B) being referred to herein as the "Required Changes"), where Bank implements such Required Changes with all of its other clients that are also affected by such change in Applicable Law or operate in circumstances similarly requiring changes from the standpoint of safe and sound banking practices, Bank shall identify the changes as Required Changes in the notice to Company. Unless such change is a Required Change, Company shall have the right within thirty (30) days after the Notice Date to object to such change and the parties' representatives will promptly thereafter meet to discuss such change in good faith in order to agree upon such change or a mutually agreeable alternative to such change. In the event the parties are unable to agree upon such change or an alternative within sixty (60) days after the Notice Date, then a senior executive from both Company and Bank shall meet to negotiate in good faith in order to agree upon such change or a mutually agreeable alternative to such change. If the parties' senior

executives are unable to mutually agree within ninety (90) days after the Notice Date, then Bank shall have the right to implement the initially proposed change so long as (i) Bank implements such change with all or substantially all of its other similar clients, (ii) such change does not change the chargebacks section of the Operating Procedures, and (iii) such change does not impose a material adverse financial or operational burden on Company.

2.4 *Plan Documents.* Subject to and in compliance with the requirements of Applicable Law, Bank shall solely author any content, format or other aspect of the Credit Card Agreement, application, Credit Card, card mailer, letters, and other documents and forms and billing statements (collectively, "Forms") to be used under the Plan which (i) relate to the Plan, (ii) relate to the Bank's or the Cardholder's rights or obligations under the Account, or (iii) are required by Applicable Law. Bank and Company shall jointly design all other aspects of the Forms (except for Cardholder letters and other documents and forms used by Bank in maintaining and servicing the Accounts, which Bank shall solely design), subject to and in compliance with the requirements of Applicable Law. Bank will provide Company with copies of the template of any Forms which are to be provided by Bank in a mass mailing or distribution to all Cardholders as a whole or to all Cardholders in a particular state. Bank shall provide at Bank's expense consistent with Bank's standard costs for such documents (any excess costs due to Company's special requests for non-standard documents shall be borne by Company) appropriate quantities of the Credit Card Agreements, Credit Card plastics, card mailer and billing statements. Bank shall notify Company in advance if any form is not consistent with Bank's standard costs and will provide Company with a written estimate of the excess costs to be borne by Company for such form. Company shall pay the costs of all other Plan documentation including, without limitation, applications, promotional material (i.e. collateral), pre-approved solicitations, Instant and Quick Credit contracts and special offers, reissued Credit Card plastics, including but not limited to embossing and encoding, card carriers, envelopes, Credit Card Agreements and postage related to any reissuances requested by Company for any reissuance of Credit Cards to Cardholders (other than replacements made by Bank from time to time at a Cardholder's request on an individual basis). Bank shall have the right to review and approve all materials prepared by Company (or an Affiliate or third party) that refer in any way to the Plan, such approval not to be unreasonably withheld or delayed. In the event any Forms become obsolete as a result of changes requested by Company, Company shall reimburse Bank for the direct costs associated with any unused obsolete Forms. Company shall pay the actual and direct costs associated with any Forms changes or Cardholder notices required as a result of any additions or deletions of Company honored credit cards requested by Company pursuant to Section 3.1. Only one design shall be used for each form.

2.5 *Marketing.* Company agrees to use its reasonable efforts to promote the use of Credit Cards for Purchases and to acquire new Cardholders through such methods mutually agreed upon by Bank and Company. Company agrees to use reasonable marketing efforts to support the Plan. Company and Bank shall annually agree upon a minimum target number of Applicants to be sourced by Company. Bank and Company will jointly agree upon programs to market the Plan, both initially and on a continuing basis. When using any trademarks, logos, service marks or tradenames of the other party, each party will comply with all written guidelines provided to it by the other party related to use of the other party's marks.

2.6 *Administration of Accounts.* Bank shall perform, at its expense and in compliance with Applicable Law, all functions necessary to administer and service the Accounts, including but not limited to: making all necessary credit investigations; notifying Applicants in writing of acceptance or rejection of credit under the Plan; preparing and mailing billing statements; making collections; handling Cardholder inquiries; and processing payments. The Bank is solely responsible for determining the requirements, the method, and the content of any notices to Cardholders required by Applicable Law.

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2.7 *Credit Decision.* The decision to extend credit to any Applicant under the Plan shall be Bank's decision. Bank will work in good faith with Company to develop business strategies with respect to the issuance of Credit Cards which are intended to maximize the potential of the Plan, and which are mutually beneficial to Bank and Company. Company may from time to time request Bank to consider offering certain types of special credit programs. Bank shall reasonably consider Company's requests and negotiate with Company in good faith. However, Bank shall, in its sole discretion, subject to Applicable Laws and safety and soundness considerations, determine whether or not to offer any of such programs. In the event Bank agrees to any special credit program, Bank and Company shall mutually agree upon any special terms and fees associated with the program. Notwithstanding the foregoing, (i) the credit standards established by Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Plan shall be consistent with past practices (as described in Schedule 2.7), with such changes as shall be (A) approved by Company in its reasonable discretion, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices. Bank shall conduct, at least once during each Plan Year, a meeting with Company to review the credit standards being applied by Bank in reaching its credit decisions.

2.8 *Ownership of and Rights in Information.* (a) Bank shall provide to Company free of charge from time to time (generally no more frequently than monthly) at Company's request master file tapes initially containing the information set forth on Schedule 2.8 for Company to the extent such information is available to Bank, and any other information agreed to by Bank and Company (collectively, the "Master File Information"), to the extent permitted by Applicable Law, which Company may use solely in connection with maintaining and servicing the Accounts and for the purpose of marketing goods and services to the Cardholders, as permitted by Applicable Law. The Master File Information may include, at Company's request, the information set forth on Schedule 2.8 for Affiliates of Company, to the extent permitted by Applicable Law.

(b) To the extent permitted by Applicable Law and without undue burden, cost or expense to Bank, Bank intends and will exert its diligent good faith efforts to maintain during the Term a privacy policy, which will permit Bank to allow Company to use the Master File Information for purposes in addition to those set forth in Section 2.8(a) above (the "Additional Purposes") and to share such information with third parties for the Additional Purposes subject to Cardholder opt out and Applicable Law. To the extent permitted by and in accordance with Applicable Law and subject to Cardholder opt out, Company may so provide the Master File Information to third parties for the Additional Purposes and/or use such information for the Additional Purposes.

(c) The Bank is the owner of all information relating to the Cardholders (including names and addresses) as collected by or on behalf of Bank or as set forth in Bank's records, the Accounts and the Credit Cards, the copyright to all written material contained in any Credit Card Agreements, applications, billing statements and other Forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; provided, however, that Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of Company, (ii) persons who, in the sole judgment of Limited Brands, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates, (iii) in the case of disclosure, credit agencies, (iv) as otherwise permitted by this Agreement, and (v) as required by Applicable Law.

(d) The Transaction Records (except for any Account payment information received by Company on Bank's behalf) are the sole property of Company. Bank may use the Transaction Records solely for the purposes permitted by this Agreement (provided that this limitation shall not limit Bank's rights with respect to any Account information). Account payment information received by Company on Bank's behalf shall be the sole property of Bank, provided that Company may use such information solely for the purposes permitted by this Agreement.

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(e) Company is the owner of the names and addresses of Customers, as set forth in Company's records and collected by Company from a source other than Bank. Upon request of Bank and consent of Company, not to be unreasonably withheld, Company shall make the names and addresses of Customers available to Bank, as permitted by Applicable Law, during the Term of this Agreement to be used only for purposes of solicitation of such Customers to become Cardholders of Bank and in connection with the administration of the Plan in accordance with the terms of this Agreement. Names, addresses and other information of Customers obtained by Company from the Customer (and not on Bank's behalf) in connection with point-of-sale, mail order, telephone, internet or other sale (regardless of whether the Customer makes payment for such sale through the use of a Credit Card) are "collected by Company from a source other than Bank".

(f) For the avoidance of doubt, the parties acknowledge that the items of information allocated to each party in this Section 2.8 may overlap, and that each party may independently possess and own the same specific items of information, such as but not limited to, names and addresses of persons who are both Customers and Cardholders. The allocation of ownership of a class of information to one party in this Section 2.8 is not inconsistent with ownership by the other party of the same items of information if so allocated in this Section 2.8.

2.9 *Insurance and Account Enhancement Services.* (a) Bank and Company agree that Bank will exclusively make available to Cardholders various types of insurance products, the premiums for which are based on the Cardholder's account balance, ("Insurance Products") offered by Bank and/or its vendors or Affiliates. Such products shall include credit life, debt cancellation, accidental death and disability and unemployment insurance. The solicitations and offerings shall not contain Company's endorsement. Bank may make at least two (2) and no more than four (4) offers per Plan Year or two (2) times per Season at its expense. The monthly charges for Insurance Products shall be charged to the applicable Cardholder's Account.

(b) Bank and Company agree that Bank may make available to Cardholders various types of other insurance, products and services ("Account Enhancement Services") at its expense through solicitations made in connection with their Accounts, subject to Company's approval as provided in Section 2.9(d). Such Account Enhancement Services may include but are not limited to insurance of types not listed in Section 2.9(a), travel clubs, legal services, card registration programs and merchandise products. Such Account Enhancement Services will be offered through various direct marketing channels including but not limited to direct mail, telemarketing, statement inserts, statement messaging, call transfer and IVR. The charges for the products and services will be billed to the applicable Cardholder's Account when appropriate. The solicitations and offerings shall not contain Company's endorsement.

(c) Company shall receive from Bank fifty percent (50%) of the net profit (Bank's revenues from commissions and other incentives from the vendor minus Bank's total expenses) generated by Account Enhancement Services, payment to be made on a monthly basis, together with a statement setting forth the revenues, expenses and profits in reasonable detail.

(d) Each and every Account Enhancement Service and the related advertising materials shall be subject to the prior approval of Company, which approval shall not be unreasonably withheld or delayed (it being understood that Company may withhold such approval if it determines in its reasonable discretion that the advertising of such products or services is inconsistent with the image of Company's business). With ninety (90) days prior written notice to Bank, Company may reasonably withdraw its approval for an Account Enhancement Service.

2.10 *Ownership of Company Name.* Anything in this Agreement to the contrary notwithstanding, Company shall retain all rights in and to Company's name and the name selected by Company for use on the Credit Card and all trademarks, service marks and other rights pertaining to such names (collectively, the "Name Rights") and all goodwill associated with the use of the Name Rights whether

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under this Agreement or otherwise shall inure to the benefit of the Company. Company shall have the right, in its sole and absolute discretion, to prohibit the use of any of its Name Rights in any Forms, advertisements or other materials proposed to be used by Bank which Company in its reasonable business judgment deems objectionable, improper or undesirable. However, no use, which use is consistent with this Agreement, of the name selected by Company for use on the Credit Card and in the Forms for the purpose of identifying the Accounts in connection with maintaining and servicing such Accounts will be deemed objectionable, improper or undesirable by Company. Bank shall cease all use of the Name Rights upon the termination of this Agreement for any reason unless Bank retains the Accounts after termination of the Agreement, in which case Bank may use the Name Rights solely in connection with the administration and collection of the balance due on the Accounts. Provided, however, that Company grants Bank the right to use Company's Name Rights on a case by case basis and with thirty (30) days advance notice of each category of use in connection with Bank and its Affiliates' product marketing and promotional materials and literature in written and electronic form and their business client lists until such time as this Agreement is terminated or Company chooses to revoke this right for any or all product marketing, promotional materials, literature or client list purposes. All uses of Company's Name Rights are subject to the terms and conditions of this Agreement, including this Section 2.10 and Section 2.5.

2.11 *Payment of Fees Other than Discount Fees.* Bank will invoice Company monthly in arrears for all fees or charges other than Discount Fees properly imposed by Bank pursuant to this Agreement. All such amounts payable by Company under this Section 2.11 shall be paid within thirty (30) days after receipt of the Bank's invoice for such amounts.

SECTION 3. OPERATION OF THE PLAN

3.1 *Honoring Credit Cards.* Company agrees that Company and Company's Stores will honor any Credit Card, and to the extent permitted by Applicable Law Bank will permit Company, at Company's option, to honor other credit cards for Company's Affiliates issued by Bank provided that Company will provide Bank with at least thirty (30) days advance written notice of its intent to honor such other credit cards, (and the Authorized Users of such Credit Cards) properly issued and currently authorized by Bank. In addition, if mutually agreed by Bank and Company, Company agrees that Company and Company's Stores will honor any credit card for Company's former Affiliates issued by Bank (and the Authorized Users of such credit cards) properly issued and currently authorized by Bank. Company agrees that it shall deliver to Bank all Transaction Records evidencing transactions made under the Plan, in accordance with the provisions of this Agreement and the Operating Procedures.

3.2 *Additional Operating Procedures.* In addition to the procedures, instructions and practices contained in the Operating Procedures, Company agrees that Company will comply with the following procedures:

(a) In each Credit Card transaction Company must obtain all the information contained in clause (b) of the definition of Transaction Record. The date which appears on the Charge Slip or Credit Slip will be prima facie evidence of the transaction date, and Company shall be required to transmit all Transaction Records relating to such Charge Slip and/or Credit Slip so that Bank receives such Transaction Records no later than the second Business Day after the transaction date; provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. The "Cardholder Copy" of each Charge Slip shall be delivered to the Cardholder at the time of the transaction if the Cardholder is in the store.

(b) All Charge Slips will evidence the total price of the sale minus any cash down payment. Company shall retain the "Merchant Copy" of all Company generated Charge and Credit Slips for

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each transaction for a period of six (6) months from the date of presentation to Bank or in the case of Deferred Billing Programs, six (6) months from the end of the applicable Deferred Billing Program.

(c) Company will maintain a fair policy for the exchange and return of Goods and adjustment for Services rendered and for that purpose will give credit to Accounts upon such exchange, return or adjustment. Company will not make cash refunds to Cardholders on Credit Card Purchases. If any Goods are returned, price adjustment is allowed, or debt for Services is adjusted, Company will notify the Bank and provide appropriate documentation thereof to the Cardholder. Upon receipt of Transaction Records reflecting a credit to which there has been a corresponding debit, Bank will net against amounts payable by Bank to Company the total shown on the Credit Slip, and credit the Cardholder's Account in the amount of such Credit Slip. If on any day the total amount of the Net Proceeds is a negative amount, Company shall remit the difference to Bank immediately upon written demand.

(d) Company's Stores shall not, when the Cardholder is present in the store, accept a transaction to be charged to an Account without either: presentation of a Credit Card and following any additional identification outlined in the Operating Procedures; or following such proper identification procedures for transactions where a Credit Card is not presented as outlined in the Operating Procedures.

3.3 *Cardholder Disputes Regarding Goods or Services.* Company shall act promptly to investigate and work to resolve disputes with Cardholders regarding Goods or Services obtained through Company pursuant to the Plan. Company shall timely process credits or refunds for Cardholders utilizing the Plan.

3.4 *No Special Agreements.* Company will not extract any special agreement, condition or security from Cardholders in connection with their use of a Credit Card, unless approved in advance by Bank in writing.

3.5 *Cardholder Disputes Regarding Violations of Law or Regulation.* Company shall assist Bank in further investigating and using its reasonable efforts to help resolve any Applicant or Cardholder claim, dispute, or defense which may be asserted under Applicable Law.

3.6 *Payment to Company; Ownership of Accounts; Fees; Accounting.* (a) Company shall electronically transmit all Transaction Records from Company to Bank in a format acceptable to Bank. Upon receipt, Bank shall use commercially reasonable efforts to promptly verify and process such Transaction Records, and in the time frames specified herein, Bank will remit to Company an amount equal to the Net Proceeds indicated by such Transaction Records for the Credit Sales Day(s) for which such remittance is made. In the event Bank discovers any discrepancies in the amount of Transaction Records submitted by Company or paid by Bank to Company, Bank shall notify Company in detail of the discrepancy, and credit Company, or net against amounts owed to Company, as the case may be, in a subsequent daily settlement. Bank will transfer funds via Automated Clearing House ("ACH") to an account designated in writing by Company to Bank (the "Company Deposit Account"). From the Effective Date through January 31, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer on the next Business Day thereafter and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the second Business Day thereafter. Commencing on February 1, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer the same day and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the following Business Day. Bank shall remit funds to one Company designated account and shall not remit funds to individual Company Stores. The term "initiate" shall mean that Bank shall transmit an ACH file to Bank's financial institution for settlement on the next Business Day.

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(b) Bank shall own all the Accounts under the Plan from the time of establishment, and except as otherwise provided herein, Company shall not have any right to any indebtedness on an Account or to any Account payment from a Cardholder arising out of or in connection with any Purchases under the Plan. Effective upon payment to Company by Bank pursuant to Section 3.6(a), with respect to each Charge Slip Company shall be deemed to have transferred, conveyed, assigned and surrendered to Bank all right, title or interest in all such Charge Slips and in all other rights and writings evidencing such Purchases, if any.

(c) All Transaction Records are subject to review and acceptance by Bank. In the event of a computational or similar error of an accounting or record keeping nature with respect to such Transaction Records, Bank may credit to the Company's Deposit Account or net against the Net Proceeds (as the case may be) the proper amount as corrected. If the Net Proceeds are insufficient, Company shall remit the proper amount to Bank immediately upon written demand. Upon any such correction Bank shall give prompt notice and explanation thereof to Company.

(d) Bank may make any changes in the terms of the Credit Card Agreement at any time as required by Applicable Law and will notify Company of such changes with notice to Company reasonable under the circumstances, or on an individual Account by Account basis, without notice to Company, in connection with its servicing of the Accounts. With respect to any other changes in the terms of the Credit Card Agreement affecting the repayment terms, APR or fees charged by Bank, Bank will, prior to making any changes, notify Company of such changes and discuss such changes with Company.

(e) Company shall obtain and maintain at their own expense such point of sale terminals, cash registers, network (electronic communication interchange system), telephone or other communication lines, software, hardware and other items of equipment as are necessary for it to request and receive authorizations, transmit Charge Slip and Credit Slip information, process Credit Card Applications and perform its obligations under this Agreement. The computer programs and telecommunications protocols necessary to facilitate communications between Bank and Company and Company's Stores shall be determined by Bank from time to time subject to reasonable prior notice of any change in such programs, equipment or protocols.

(f) Company may from time to time offer Deferred Billing Programs to Cardholders. Company shall be responsible for ensuring that all Purchases subject to any Deferred Billing Programs are properly designated as such on the Transaction Record in accordance with Bank's instructions.

(g) Bank may if Company fails to pay Bank any amounts due (and such amounts are not subject to a good faith dispute of which Bank has been notified) to Bank pursuant to this Agreement for more than thirty (30) days after the due date, offset such amounts against the Net Proceeds or any other amounts owed by Bank to Company under this Agreement.

3.7 *Insertion of Company's Promotional Materials.* Bank will upon request of Company from time to time insert Company's promotional materials for Company's Goods and Services, which are provided by Company at Company's expense, into the Account billing statements and new Credit Card mailers, so long as: (a) the materials are provided to Bank at least two (2) Business Days prior to the scheduled mailing date of such statements or notices; (b) if the materials reference Bank or the Plan in any manner, are approved by Bank as to content, in Bank's reasonable discretion; (c) the materials meet all size, weight, or other specifications for such inserts as shall be set forth in the Operating Procedures; (d) there is sufficient space in Bank's standard envelope for the insert in addition to any legally required material, Cardholder notices and other materials which Bank is including in the mailing; and (e) Company pays any and all additional postage costs caused by Bank's insertion of materials provided by Company, provided that Bank shall first notify Company of any additional postage cost and Bank will include the materials only if instructed by Company to insert regardless of the additional postage costs.

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3.8 *Payments.* (a) Except as provided in this Section 3.8, all payments to be made by Cardholders with respect to any amounts outstanding on the Accounts shall be made in accordance with the instructions of Bank and at the location or address specified by Bank. Company hereby authorizes Bank, or any of its employees or agents, to endorse "WORLD FINANCIAL NETWORK NATIONAL BANK" upon all or any checks, drafts, money orders or other evidence of payment, made payable to Company and intended as payment on an Account, that may come into Bank's possession from Cardholders and to credit said payment against the appropriate Cardholder's Account. Company further agrees that where, consistent with Section 3.8(b), or such other circumstance authorized by Bank,

Company is permitted by Bank to receive any payment made with respect to the Plan, Company will on Bank's behalf hold such payment in trust for Bank and will include the amount of such payment in the Transaction Records sent to Bank pursuant to this Agreement within two (2) Business Days after receipt provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. Bank will charge the amount of such payment against the settlement amount, or, if the settlement amount is insufficient to cover such payments, Company shall remit the amount of such payment, or any unpaid portion thereof, to Bank immediately upon written demand. Payments made by Cardholders at Company's Stores shall not be deemed received by Bank until Bank receives and accepts the Transaction Records. Bank has the sole right to receive and retain all payments made with respect to all Accounts and to pursue collection of all amounts outstanding, unless an Account or Purchase is charged back to Company pursuant to the provisions of Sections 3.9 and 3.10 hereof. Should any payment made by Cardholders at Company's Stores be made by check and such check is subsequently returned unpaid, Company will include a debit for the face amount of the check plus any actual return check fees paid by Company to its third party depository bank to which the check is first deposited or third party re-presentation vendor in the Transaction Records sent to Bank pursuant to this Agreement. Company will process such returned check in accordance with the procedures mutually agreed upon in writing by Bank and Company. In the event the return check fees imposed by or through any third party vendor retained by Company for re-presentation of such checks for payment following any initial return increase after the Effective Date, Company shall give Bank written notice of the increase in such fees and Bank shall have the right to discontinue paying the fees imposed by or through such third party re-presentation vendor, in which event, Company may discontinue processing such returned checks through the re-presentation vendor and shall submit checks returned unpaid by the bank of first deposit to Bank.

(b) Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Card Accounts ("**In-Store Payments**"). Any In-Store Payments received by Company will be held in trust for Bank and its assigns and netted against amounts payable by Bank pursuant to this Section 3.8 (provided that Company shall not be required to keep In-Store Payments separate from other payments received by Company) and evidence of such payments will be transmitted to Bank on a daily basis, provided that (i) if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such evidence relating to such store locations as soon as reasonably practicable after polling is completed or (ii) if transmittal is not possible due to a force majeure event, such transmittal will be completed within a time reasonable under the circumstances. Notwithstanding the foregoing:

(1) if any bankruptcy or other insolvency proceeding has been commenced against Company (and so long as the same has not been dismissed), Company shall promptly comply with any written instruction (a "**Store Payment Notice**") received by Company from Bank or any successor

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to Bank (Bank or any such successor being the "Servicer") to take either of the following actions (as specified in such instruction):

(i) cease accepting In-Store Payments and thereafter inform Cardholders who wish to make In-Store Payments that payment should instead be sent to Servicer (but only if the Servicer is required to give such notice); or

(ii) (A) deposit an amount equal to all In-Store Payments received by each retail location operated by Company, not later than the Business Day following receipt, into a segregated trust account (the "Store Account") established by Company for this purpose and, pending such deposit, to hold all In-Store Payments in trust for Bank and its assigns, (B) use commercially reasonable efforts not to permit any amounts or items not constituting In-Store Payments to be deposited in the Store Account and (C) cause all available funds in each Store Account to be transferred on a daily basis to an account designated in the Store Payment Notice;

provided that Company need not take the actions specified in clause (i) or clause (ii) if Company or any of its Affiliates provides the Servicer with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all required conditions with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(2) if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, In-Store Payments shall no longer be netted against amounts payable by Bank pursuant to subsection 3.8(a), but instead Company shall transfer to Bank by ACH of immediately available funds not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as Company complies with instructions delivered in accordance with paragraph (1) or (2), any amounts payable by Bank to Company pursuant to Section 3.6 shall be made without deduction for In-Store Payments.

3.9 *Chargebacks.* Bank shall have the right to demand immediate purchase by Company of any Purchase and charge back to Company the unpaid principal balance relating to any such Purchase, for any chargeback reason as set forth in the Operating Procedures.

3.10 *Assignment of Title in Charged Back Purchases.* With respect to any amount of a Purchase to be charged back to and to be purchased by Company, Company shall either pay such amount directly to Bank in immediately available funds or Bank will offset such amount as part of the Net Proceeds to be paid to Company, to the extent the balance thereof is sufficient. Upon payment of such amount by Company to Bank, or off-setting, as the case may be, Bank shall assign and transfer to Company, without recourse, all of Bank's right, title and interest in and to such Purchase and will deliver all documentation (or copies) in Bank's possession, including but not limited to, Cardholder correspondence regarding such Purchase. Company further consents to all extensions or compromises given any Cardholder with respect to any such Purchase, and agrees that such shall not affect any liability of Company hereunder or right of Bank to charge back any Purchase as provided in this Agreement; provided, however, that Bank shall not have the right to charge back for any Purchase the amount of any reductions, or compromises of amounts owed by a Cardholder to Bank. Company shall not resubmit or re-transmit any charged back Purchases to Bank, without Bank's prior written consent.

3.11 *Promotion of Program and Card Plan; Non-Competition.* (a) Throughout the Term of this Agreement, Company shall use its reasonable efforts to market, promote, participate in and support the Plan as set forth in this Agreement. Company agrees that in consideration and as an inducement for Bank to make the Plan available to Company as outlined in this Agreement and the Operating Procedures, from the Effective Date and for as long as this Agreement is in existence, Company will

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not (nor will Company permit any Affiliate to do so on Company's behalf), without the prior written consent of Bank, contract or establish with any other credit card processor/provider or provide or process on its own behalf any "private label" or "co-brand" revolving credit or other credit card issuance or processing arrangement or programs similar in purpose to the Plan or to the services and transactions contemplated under this Agreement, except that if either party provides notice of termination pursuant to Section 9.1 of this Agreement or if Company terminates under Sections 9.3 or 9.5, Company may enter into a contract with another credit card processor/provider effective on or after termination of this Agreement (provided that an agreement for preliminary or planning services related thereto shall not violate this provision).

(b) Notwithstanding the foregoing, nothing contained in this Agreement will be construed to prohibit or prevent Company from: (i) accepting any major general purpose credit card (including without limitation, American Express (and Optima) Card, MasterCard, Visa, or NOVUS), any form of general purpose debit card or fixed payment (installment) credit programs for Applicants declined by Bank, as a means of payment by Cardholders for purchase of Goods and Services; or (ii) accepting a proprietary credit card issued by Bank for an Affiliate; or (iii) entering into a contract with another credit card provider for a particular state after Bank has terminated (or given notice of such termination) the operation of the Plan in such state pursuant to Section 9.4.

(c) Provided, further, that Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing a Mark or any of Company's other Name Rights and to accept any Bona Fide Offer by such third party if, prior to accepting such Bona Fide Offer, Company provides Bank with an opportunity to submit a competing offer and counteroffer (as outlined below) with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark or Name Right, and Bank's competing offer and counteroffer is not deemed to be "Competitive." Bank's competing offer or counteroffer shall be deemed to be "Competitive" if it has terms which are either (i) at least as favorable to Company as such Bona Fide Offer or (ii) taken as a whole, are reasonably competitive in the reasonable judgment of Company to such Bona Fide Offer. A Competitive offer or counteroffer by Bank shall be accepted by Company in lieu of such Bona Fide Offer. Company will provide to Bank a copy of all materials (such as requests for proposals and the like) provided by Company to all third parties for the purposes of soliciting Bona Fide Offers, such materials to be provided to Bank at the same time Company provides them to the third parties. Bank will be given at least thirty (30) days (or such longer period of time as is given to the third parties) to submit a competing offer to Company. In addition, if Bank submits within the thirty (30) day (or longer) period a competing offer in response to a Bona Fide Offer or solicitation of a Bona Fide Offer, and that competing offer is not deemed to be Competitive, then prior to accepting the Bona Fide Offer Company will identify and quantify to Bank the key terms and assumptions (of Company and the third party) of the Bona Fide Offer (however, Company shall not be required to provide Bank with a copy of the actual Bona Fide Offer) and Bank will have fifteen (15) days after receipt of such key terms to submit a counteroffer to Company and Company will evaluate any counteroffer submitted by Bank within such fifteen (15) day period according to the Competitive standards set forth in clauses (i) and (ii) above and will accept Bank's offer in lieu of such Bona Fide Offer if the Competitive standards are met. For purposes of this Section 3.11, "Bona Fide Offer" means an offer to Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to Company, its Affiliates and other retail or catalogue merchants).

3.12 *Postal Rate Adjustment.* From August 1, 2002 through January 31, 2003, Company shall bear the costs of all increases in the cost of mailing Account billing statements, form letters or new

Credit Cards due to increases in the first class pre-sort cost of postage from the United States Postal Service which increases occurred between February 1, 1996 and June 30, 2002.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF COMPANY

Company hereby represents and warrants to Bank as follows:

4.1 *Organization, Power and Qualification.* Division and Factoring are corporations duly organized, validly existing and in good standing under the laws of the state of Delaware and Nevada, respectively, and have full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Company is duly qualified and in good standing to do business in all jurisdictions where Company is located, except where the failure to so qualify would not have a material adverse effect on the business of the Company, or where the failure to so qualify would not have a material adverse effect on Company's or Bank's ability to continue operation of the Plan.

4.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Company and is a valid and legally binding agreement of Company duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Company is required for, and the absence of which would adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Company hereunder and the compliance by Company with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; and (ii) will not conflict with or result in a breach of or default under any of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Company is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Company, nor will such execution, delivery or compliance violate or result in the violation of the Articles of Incorporation or By-Laws of Company.

4.3 *Accuracy of Information.* All factual information furnished by Company to Bank in writing at any time pursuant to any requirement of, or furnished in response to any written request of Bank under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Company to Bank will be, true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information was or will be stated or certified.

4.4 *Validity of Charge Slips.* (a) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, each Charge Slip relating to such Transaction Records shall represent the obligation of a Cardholder in the respective amount set forth therein for Goods sold or

Services rendered, together with applicable taxes, if any, and shall not involve any element of credit for any other purpose.

(b) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, Company has no knowledge or notice of any fact or matter which would immediately or ultimately impair the validity of any Charge Slip relating to such Transaction Records, the transaction evidenced thereby, or its collectibility.

4.5 *Compliance with Law.* Any action or inaction taken by Company (where Company has a duty to act) in connection with the Plan and the sales of Goods and Services and the use and disclosure of Cardholder information by Company shall be in compliance with all Applicable Law

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except where the failure to comply does not or will not have a material adverse effect on Company, the Bank or the Plan.

4.6 *Company's Name, Trademarks and Service Marks.* Company has the legal right to use and to permit the Bank to use, to the extent set forth herein, the Mark and Name Rights utilized by Company in the conduct of its business.

4.7 *Intellectual Property Rights.* In the event Company provides any software or hardware to Bank, Company has the legal right to such software or hardware and the right to permit Bank to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Company or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Bank's request or to accommodate Bank's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Company and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Bank or any third party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Company and/or its Affiliates.

SECTION 5. COVENANTS OF COMPANY

Company hereby covenants and agrees as follows:

5.1 *Notices of Changes.* Company will as soon as reasonably possible notify Bank of any: (a) change in the name or form of business organization of Company, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Company or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Company; (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on Company; or (d) the planned opening or closing of any Company Store. Company will furnish such additional information with respect to any of the foregoing as Bank may reasonably request for the purpose of evaluating the effect of such change on the financial condition and operations of Company and on the Plan.

5.2 *Financial Statements.* In the event Company ceases to be an Affiliate of a publicly traded company or ceases to be a publicly traded company itself, Company shall make available to Bank as soon as available the following information pertaining to Company (or, at the option of Company's parent, consolidated information pertaining to such parent): (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Company's (or, its parent's, as applicable) independent certified public accountants in connection with such of the financial statements as have been audited.

5.3 *Inspection.* Company will permit, if Bank has reasonable cause to do so, authorized representatives designated by Bank, at Bank's expense, to visit and inspect, to the extent permitted by Applicable Law, any of the Company's books and records pertaining to Transaction Records and the Plan and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

5.4 *Company's Business.* Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the sale of Goods and Services.

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5.5 *Insurance.* Company shall self-insure or at its option maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other companies within Company's industry engaged in similar businesses as Company.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF BANK

Bank hereby represents and warrants to Company as follows:

6.1 *Organization, Power and Qualification.* Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America and has full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Bank is duly qualified and in good standing to do business in all jurisdictions where such qualification is necessary for Bank to carry out its obligations under this Agreement.

6.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Bank and is a valid and legally binding agreement of Bank duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Bank is required for, and the absence of which would materially adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Bank hereunder and the compliance by Bank with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; (ii) will not conflict with or result in a breach of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Bank is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Bank, nor will such execution, delivery or compliance violate or result in the violation of the Charter or By-Laws of Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

6.3 *Accuracy of Information.* All factual information furnished by Bank to Company in writing at any time pursuant to any requirement of, or furnished in response to any written request of Company under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Bank to Company will be true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information has or will be stated or certified.

6.4 *Compliance with Law.* Any action or inaction taken by Bank (where Bank has a duty to act) in connection with the Plan shall be in compliance with all Applicable Law, including, without limitation, all Consumer Laws, except where the failure to so comply does not or will not have a material adverse effect on the Bank, Company or the Plan.

6.5 *Intellectual Property Rights.* In the event Bank provides any software or hardware to Company, Bank has the legal right to such software or hardware and the right to permit Company to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Bank or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Company's request or to accommodate Company's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Bank and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Company or any third

party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Bank and/or its Affiliates.

SECTION 7. COVENANTS OF BANK

Bank hereby covenants and agrees as follows:

7.1 *Notices of Changes.* Bank will as soon as reasonably possible notify Company of any: (a) change in the name or form of business organization of Bank, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Bank or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Bank; or (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on the Plan. Bank will furnish such additional information with respect to any of the foregoing as Company may reasonably request for the purpose of evaluating the effect of such transaction on the financial condition and operations of Bank and on the Plan.

7.2 *Financial Statement.* Bank shall furnish to Company upon request by Company and as soon as available the following information pertaining to Bank: (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Bank's independent certified public accountants in connection with such of the financial statements as have been audited.

7.3 *Inspection.* (a) Bank will permit, once per Plan Year unless Company has reasonable cause to request more frequent access, authorized representatives designated by Company, at Company's expense, to visit and inspect, to the extent permitted by Applicable Law, any of Bank's books and records pertaining to the Discount Fees, the Account Enhancement Services commission revenues and expenses set forth in Section 2.9, any fees and charges other than the Discount Fees and Purchases and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

(b) Bank shall permit Company, once per Plan Year unless Company has reasonable cause to request more frequent access, during normal business hours and upon reasonable notice, and in a manner which does not disrupt the operations, to visit the offices at which services relating to the Plan are provided, to review and monitor the activities of Bank and its subcontractors with respect to the performance of services hereunder. Bank shall provide Company with a copy of any annual SAS 70 technical audits performed on the servicing of the Accounts by its outside auditors.

7.4 *Bank's Business.* Bank shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the issuance of credit by Bank.

7.5 *Insurance.* Bank shall maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other banks engaged in similar businesses as Bank.

SECTION 8. INDEMNIFICATION; CLAIMS AND ACTIONS

8.1 *Indemnification by Company.* Company hereby indemnifies Bank, its Affiliates and the directors, officers, employees and agents of Bank or any Affiliate of Bank (each, a "Related Party") against, and agrees to hold them harmless from, any and all losses, claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("Damages") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or

nonperformance of any covenant made by Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of Goods or rendering of Services by Company.

8.2 *Indemnification by Bank.* Bank hereby indemnifies Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by Bank under this Agreement.

8.3 *Third Party Claims.* (a) Bank shall not be liable to Company for or in connection with any claim made against Company by any other Person relating in any manner to this Agreement or to any services or any other transactions contemplated hereby (other than (i) claims based upon Bank's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Bank arising from this Agreement (other than claims based upon Company's or any of its Related Parties' negligence or willful misconduct), (iii) claims relating to acts or omissions of Bank and its agents in connection with the collection of amounts owing from Cardholders and (iv) claims relating to the submission by Bank or its agents of data concerning Cardholders to credit agencies), even if Bank has been advised of the possibility of such claims.

(b) Company shall not be liable to Bank for or in connection with any claim made against Bank by any other Person relating in any manner to this Agreement or to any services or other transactions contemplated hereby (other than (i) claims based upon Company's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Company arising from this Agreement and (iii) claims relating to goods purchased from Company), even if Company has been advised of the possibility of such claims.

(c) Each party shall exert its good faith efforts to notify the other of any claims described in clauses (i) through (iv) of subsections (a) and (b) above of which such party receives notice.

8.4 *Dispute Resolution and Actions.* Bank and Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 8.4.

8.5 *Limitation on Actions.* No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than four (4) years after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

8.6 *Reimbursement for Losses.* If, as a result of any claim made by Bank against any third party (including, but not limited to, an insurer), Bank actually receives from such third party cash proceeds (or non-cash proceeds, whether in the form of goods or services) which represent, in whole or in part, compensation for or reimbursement of losses or costs actually incurred by Company, then Bank will hold that portion of such proceeds fairly allocable to Company (taking into consideration all losses or costs actually incurred by all parties for whose benefit such payments have been received) in trust on behalf of Company and will promptly pay over to Company such allocable amount of any such cash proceeds (or, as to non-cash proceeds, the allocable portion or, at the discretion of Bank, the cash equivalent thereof).

8.7 *Survival.* The provisions of this Section 8 shall survive the termination of this Agreement.

SECTION 9. TERM AND TERMINATION

9.1 *Term.* This Agreement shall become effective as of the Effective Date when executed by authorized officers of each of the parties and shall remain in effect until August 31, 2009 (the "Initial Term") and shall automatically renew for successive one-year terms (each a "Renewal Term") thereafter unless either party provides the other with at least twelve (12) month's written notice of its intention to terminate the Agreement prior to the expiration of the Initial or then current Renewal Term, or unless otherwise terminated as provided herein.

9.2 *Termination with Cause by Bank; Bank Termination Events.* Any of the following conditions or events shall constitute a "Bank Termination Event" hereunder, and Bank may terminate this Agreement immediately without further action if Company causes such Bank Termination Event to occur and be continuing:

(a) If Company shall: (i) generally not pay its debts as they become due; (ii) file, or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Company to perform under this Agreement or the Plan; or (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Company, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Company, or if any petition for any such relief shall be filed against Company and such petition shall not be dismissed within sixty (60) days; or

(c) If Company shall default in the performance of or compliance with any material term or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Company shall not have remedied such default within thirty (30) days after written notice thereof shall have been received by Company from Bank.

9.3 *Termination with Cause by Company; Company Termination Events.* Any of the following conditions or events shall constitute a "Company Termination Event" hereunder, and Company may terminate this Agreement immediately without further action if Bank causes such Company Termination Event to occur and be continuing:

(a) If Bank shall: (i) generally not be paying its debts as they become due; (ii) file or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers for itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Bank to perform under this Agreement or the operation of the Plan; (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or (viii) have a materially adverse

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change in its financial condition, including, but not limited to Bank being downgraded by a rating agency to a rating below an investment grade rating; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Bank, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Bank, or if any petition for any such relief shall be filed against Bank and such petition shall not be dismissed within sixty (60) days; or

(c) If Bank shall default in the performance of or compliance with any material term (other than the Service Standards) or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Bank shall not have remedied such default within thirty (30) days (or within five (5) days in the case of failure to pay Company pursuant to Section 3.6(a)) after written notice thereof shall have been received by Bank from Company; or

(d) A Service Standards Termination Event shall have occurred.

9.4 *Termination of Particular State.* In addition, Bank may terminate the operation of the Plan in a particular state if the Applicable Law of the state or jurisdiction is amended or interpreted in such a manner so as to render all or any part of the Plan illegal or unenforceable, and in such event Bank will, if requested, assist Company with finding a new credit provider for such state. Bank will provide Company with as much advance notice of such termination as is reasonable under the circumstances.

9.5 *Termination for Competitive Reasons.* Company may terminate this Agreement upon not less than sixty (60) days' prior written notice to the Bank at any time after the first anniversary of the Effective Date if, based on the application of the matrix set forth in Schedule 1.1, the applicable Discount Rate exceeds the highest Discount Rate in such matrix and the costs to Company under this Agreement are substantially higher than the costs that would be incurred by Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; provided that Company shall not be entitled to terminate this Agreement pursuant to this Section 9.5 unless Company provides Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and Bank is entitled to submit a counter-proposal within thirty (30) days of receipt of such description. If Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in Bank's counter-proposal.

9.6 *Purchase of Accounts.* Upon termination of this Agreement, Company will have the option to purchase the then-outstanding Credit Card Account balances not previously written-off by Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to Bank, and will be provided with all related Account information and other Account data; *provided* that Company will be required to purchase such then-outstanding Credit Card Account balances on such terms if Company objects to any automatic extension of this Agreement pursuant to Section 9.1. All payments by Company pursuant to this Section 9.6 shall be made not later than one (1) Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by Bank to Company not less than two (2) Business Days prior to the payment date. Upon any termination of this Agreement, (i) Company (at its sole expense) shall notify all Cardholders that Bank is no longer the processor of their Credit Card accounts, and (ii) Company and Bank shall cooperate in facilitating the transition to a new processor.

9.7 *Remedies for Failure to Meet Service Standards.* (a) Each time a Service Event occurs, Bank shall: (i) promptly investigate the root cause(s) of the failure and deliver to Company a written report

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identifying such root cause(s); (ii) use commercially reasonable efforts to correct the problem and to begin meeting such Service Standard as soon as practicable; (iii) provide to Company a schedule and plan for correction of the root cause(s) of the Service Events, and (iv) at Company's request, advise Company of the status of such corrective efforts.

(b) In the event more than three (3) Service Events occur during any calendar month, Bank will, in addition to those steps set forth in Section 9.7(a), arrange for a senior executive of Bank to meet with a senior executive of Company or Company's parent company's senior management to discuss the items delivered under Section 9.7(a).

(c) A "Service Standard Termination Event" shall occur in the event:

(i) a Service Event occurs for a specific Service Standard for three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if the same Base Level Service Standard is failed by Bank in the fourth consecutive month, Company may terminate this Agreement; or

(ii) a total of 10 Service Events occur during any three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if a total of 6 Service Events occur at anytime in the three (3) consecutive months following Company's notice to Bank, then Company may terminate this Agreement.

SECTION 10. MISCELLANEOUS

10.1 *Entire Agreement.* This Agreement constitutes the entire Agreement and supersedes all prior agreements and understandings, whether oral or written, among the parties hereto with respect to the subject matter hereof and merges all prior discussions between them, including without limitation the Credit Card Processing Agreement.

10.2 *Coordination of Public Statements.* Bank's parent company, Alliance Data Systems Corporation, as a public company, will issue a news release disclosing this Agreement between Bank and Company, such news release must be approved by both parties prior to its issuance. In all other cases, except as required by Applicable Law, neither party will make any public announcement of the Plan or provide any information concerning the Plan to any representative of any news, trade or other media without the prior approval of the other party, which approval will not be unreasonably withheld. Neither party will respond to any inquiry from any public or governmental authority, except as required by law, concerning the Plan without prior consultation and coordination with the other party. Upon Bank's reasonable request from time to time, Company in its sole discretion may provide references or participate in marketing campaigns or testimonial initiatives for Bank regarding the services provided by Bank in connection with the Plan.

10.3 *Amendment.* Except as otherwise provided for in this Agreement, the provisions herein may be modified only upon the mutual agreement of the parties, however, no such modification shall be effective until reduced to writing and executed by both parties.

10.4 *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party which will not be unreasonably withheld. Notwithstanding the foregoing, (i) Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of Bank, provided that any such assignee of Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to Company, (ii) Company shall assign or otherwise transfer all of its rights and obligations under this Agreement

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(A) to the purchaser of all or substantially all of the assets of Company, or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to Company or any successor (whether by merger, consolidation or otherwise) thereto, and (iii) Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against Company for any reason whatsoever, and (B) Bank hereby indemnifies Company and its Affiliates against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser).

10.5 *Waiver.* No waiver of the provisions hereto shall be effective unless in writing and signed by the party to be charged with such waiver. No waiver shall be deemed to be a continuing waiver in respect of any subsequent breach or default either of similar or different nature unless expressly so stated in writing. No failure or delay on the part of either party in exercising any power or right under this Agreement shall be deemed to be a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise, or the exercise of any other power or right.

10.6 *Severability.* If any of the provisions or parts of the Agreement are determined to be illegal, invalid or unenforceable in any respect under any applicable statute or rule of law, such provisions or parts shall be deemed omitted without affecting any other provisions or parts of the Agreement which shall remain in full force and effect, unless the declaration of the illegality, invalidity or unenforceability of such provision or provisions substantially frustrates the continued performance by, or entitlement to benefits of, either party, in which case this Agreement may be terminated by the affected party, without penalty.

10.7 *Notices.* All communications and notices pursuant hereto to either party shall be in writing and addressed or delivered to it at its address shown below, or at such other address as may be designated by it by notice to the other party, and shall be deemed given when delivered by hand, or two (2) Business Days after being mailed (with postage prepaid) or when received by receipted courier service:

If to Bank:
800 TechCenter Drive
Gahanna, OH 43230
Attn.: Daniel T. Groomes, President

With a Copy to:
Karen Morauski, VP & Counsel

If to Company:
Three Limited Parkway
Columbus, OH 43230
Attn.: Lisa Klinger, Treasurer

With a Copy to:
Senior Vice President and
General Counsel
Limited Brands, Inc.
Three Limited Parkway
Columbus, OH 43230

10.8 *Captions and Cross-References.* The table of contents and various captions in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any Section are to such Section of this Agreement.

10.9 *GOVERNING LAW.* THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OHIO, REGARDLESS OF THE DICTATES OF OHIO CONFLICTS OF LAW, AND THE PARTIES HEREBY SUBMIT TO EXCLUSIVE JURISDICTION AND VENUE IN THE UNITED STATES FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO OR ANY OF THE STATE COURTS LOCATED IN FRANKLIN COUNTY, OHIO.

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10.10 *Counterparts.* This Agreement may be signed in one or more counterparts, all of which shall be taken together as one agreement.

10.11 *Force Majeure.* Neither party will be responsible for any failure or delay in performance of its obligations under this Agreement because of circumstances beyond its reasonable control, and not due to the fault or negligence of such party, including, but not limited to, acts of God, flood, criminal acts, fire, riot, computer viruses, computer hackers, accident, strikes or work stoppage, embargo, sabotage, inability to obtain material, equipment or phone lines, government action (including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement), and other causes whether or not of the same class or kind as specifically named above. In the event a party is unable to perform substantially for any of the reasons described in this Section, it will notify the other party promptly of its inability so to perform, and if the inability continues for at least ninety (90) consecutive days (fifteen (15) days in the cases of credit authorizations and processing of new Accounts), the party so notified may then terminate this Agreement forthwith. This provision shall not, however, release the party unable to perform from using its best efforts to avoid or remove such circumstance and such party unable to perform shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

10.12 *Relationship of Parties.* This Agreement does not constitute the parties as partners or joint venturers and neither party will so represent itself.

10.13 *Survival.* No termination of this Agreement shall in any way affect or impair the powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring prior to such termination. No powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring after termination shall survive termination except for the following Sections: Section 2.10, Section 2.11, Section 3.3, Section 3.5, Section 3.6, Section 3.8, Section 3.9, Section 3.10, Section 8, Section 9.5, Section 10.7, Section 10.9, Section 10.11, Section 10.17 and Section 10.18.

10.14 *Mutual Drafting.* This Agreement is the joint product of Bank and Company and each provision hereof has been subject to mutual consultation, negotiation and agreement of Bank and Company; therefore to the extent any language in this Agreement is determined to be ambiguous, it shall not be construed for or against any party based on the fact that either party controlled the drafting of the document.

10.15 *Independent Contractor.* The parties hereby declare and agree that Bank is engaged in an independent business, and shall perform its obligations under this Agreement as an independent contractor; that any of Bank's personnel performing the services hereunder are agents, employees, Affiliates, or subcontractors of Bank and are not agents, employees, Affiliates, or subcontractors of Company; that Bank has and hereby retains the right to exercise full control of and supervision over the performance of Bank's obligations hereunder and full control over the employment, direction, compensation and discharge of any and all of the Bank's agents, employees, Affiliates, or subcontractors, including compliance with workers' compensation, unemployment, disability insurance, social security, withholding and all other federal, state and local laws, rules and regulations governing such matters; that Bank shall be responsible for Bank's own acts and those of Bank's agents, employees, Affiliates, and subcontractors; and that except as expressly set forth in this Agreement, Bank does not undertake by this Agreement or otherwise to perform any obligation of Company, whether regulatory or contractual, or to assume any responsibility for Company's business or operations.

10.16 *No Third Party Beneficiaries.* The provisions of this Agreement are for the benefit of the parties hereto and not for any other person or entity.

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10.17 *Confidentiality.* (a) Neither party shall disclose any information not of a public nature concerning the business or properties of the other party which it learns as a result of negotiating or implementing this Agreement, including, without limitation, the terms and conditions of this Agreement, Customer names, Cardholder personal or Account information, sales volumes, test results, and results of marketing programs, Plan reports generated by Bank, trade secrets, business and financial information, source codes, business methods, procedures, know-how, computer software and computer systems (including software licensed from third parties) and other information of every kind that relates to the business of either party except to the extent disclosure is required by Applicable Law, is necessary for the performance of the disclosing party's obligation under this Agreement, or is agreed to in writing by the other party; provided that: (i) prior to disclosing any confidential information to any third party, the party making the disclosure shall give notice to the other party of the nature of such disclosure and of the fact that such disclosure will be made; and (ii) prior to filing a copy of this Agreement with any governmental authority or agency, the filing party will consult with the other party with respect to such filing and shall redact such portions of this Agreement which the other party requests be redacted, unless, in the filing party's reasonable judgment based on the advice of its counsel (which advice shall have been discussed with counsel of the other party), the filing party concludes that such request is inconsistent with the filing party's obligations under Applicable Laws. Neither party shall acquire any property or other right, claim or interest, including any patent right or copyright interest, in any of the systems, procedures, processes, equipment, computer programs and/or information of the other by virtue of this Agreement. Neither party shall use the other party's name for advertising or promotional purposes without such other party's written consent.

(b) The obligations of this Section, shall not apply to any information:

- (i) which is generally known to the trade or to the public at the time of such disclosure; or
- (ii) which becomes generally known to the trade or the public subsequent to the time of such disclosure; provided, however, that such general knowledge is not the result of a disclosure in violation of this Section; or
- (iii) which is obtained by a party from a source other than the other party, without breach of this Agreement or any other obligation of confidentiality or secrecy owed to such other party or any other person or organization; or
- (iv) which is independently conceived and developed by the disclosing party and proven by the disclosing party through tangible evidence not to have been developed as a result of a disclosure of information to the disclosing party, or any other person or organization which has entered into a confidential arrangement with the non-disclosing party.

(c) If any disclosure is made pursuant to the provisions of this Section, to any Affiliate or third party, the disclosing party shall be responsible for ensuring that such Affiliate or third party keeps all such information in confidence and that any third party executes a confidentiality agreement provided by the non-disclosing party. Each party covenants that at all times it shall have in place procedures designed to assure that each of its employees who is given access to the other party's confidential information shall protect the privacy of such information. Each party acknowledges that any breach of the confidentiality provisions of

this Agreement by it will result in irreparable damage to the other party and therefore in addition to any other remedy that may be afforded by law any breach or threatened breach of the confidentiality provisions of this Agreement may be prohibited by restraining order, injunction or other equitable remedies of any court. The provisions of this Section will survive termination or expiration of this Agreement.

10.18 *Taxes.* Company will be responsible for, and agrees to pay, all sales, use, excise, and value-added taxes, or taxes of a similar nature (excluding personal property taxes and taxes based on Bank's income which shall be borne by Bank), imposed by the United States, any state or local government, or

other taxing authority, on all goods and/or services provided by Bank under this Agreement. The parties agree to cooperate with each other to minimize any applicable sales, use, or similar tax and, in connection therewith, the parties shall provide each other with any relevant tax information as reasonably requested (including without limitation, resale or exemption certificates, multi-state exemption certificates, information concerning the use of assets, materials and notices of assessments). All amounts set forth in this Agreement are expressed and shall be paid in lawful U.S. dollars.

(Signature block on following page.)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in manner and form sufficient to bind them as of the date first above written.

EXPRESS, LLC

WORLD FINANCIAL NETWORK NATIONAL BANK

By: /s/ TIM FABER

By: /s/ DANIEL T. GROOMES

Title: Vice President

Daniel T. Groomes
Title: President

Date: August 31, 2002

Date: August 31, 2002

RETAIL FACTORING, INC.

By: /s/ DAVID HASSON

Title: Vice President

Date: August 31, 2002

**Schedule 1.1
Discount Rate**

DISCOUNT RATE

The applicable Discount Rate for all Purchases as of the Effective Date and until changed as set forth below shall be 1.50%. *Provided*, that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by Bank to Cardholders, or if the Discount Rate is substantially higher than the rate that Company would incur for comparable credit card services, Company and Bank agree to negotiate in good faith an increase or decrease in the Discount Rate.

Commencing on January 31, 2004 and annually thereafter, the Discount Rate will be subject to change by Bank on an annual basis in accordance with the matrix set forth below and Bank shall apply the corresponding Discount Rate to *future* Discount Fees applied by Bank until the next adjustment is made. The Fin Chg/STM (95\$) calculation for the matrix will include the amount by which the then current late fees per statement exceed the amount of the late fees per statement calculated using a late fee of \$5. In the event Bank increases (for increases made by Bank on or after March 1, 2003) any of the finance charges and/or late fees charged to Cardholders as a result of increases in Bank's cost of postage for mailing Account billing statements, form letters or new Credit Cards, then Bank will exclude the amount of such increase in the finance charges and/or late fees from its calculation of the Discount Rate using the matrix.

Notwithstanding the foregoing, Bank agrees that Bank will waive any increase Bank is entitled to for the Discount Rate during the calendar year 2003, provided, however, that in the event Bank waives such increase in the Discount Rate, then (i) if the number of Applicants during the calendar year 2003 is less than the number of Applicants during the calendar year 2002, Bank shall invoice Company for the amount of the Discount Fees waived by Bank during the calendar year 2003 and Company shall pay such amount within thirty (30) days after the date of such invoice, or (ii) Bank shall have the right during any future calendar year to defer any decreases in the Discount Rate until such time as Bank has recouped the amount of the Discount Fees waived by Bank during the calendar year 2003.

**Express
Merchant Fee Matrix**

Fin Chg/ STM ('95 \$)	Bad Debt % Credit Sales								
	3.3%	3.5%	3.7%	3.9%	4.1%	4.3%	4.5%	4.7%	4.9%
\$ 5.15	0.00%	0.00%	0.10%	0.20%	0.30%	0.40%	0.50%	0.60%	0.70%
\$ 5.00	0.10%	0.20%	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%
\$ 4.85	0.30%	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%
\$ 4.70	0.40%	0.50%	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%	1.20%
\$ 4.55	0.60%	0.70%	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%
\$ 4.40	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%
\$ 4.25	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.50%	1.50%	1.50%
\$ 4.10	1.20%	1.30%	1.40%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$ 3.95	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$ 3.80	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.70%	1.90%

Minimum ROA 2.0%
ROA over 4% share 50-50

**Schedule 2.1
Service Standards**

	Base Level	Targeted Level
Standard #1		
The Bank will process mailed-in applications five days per week.	95%	98%
The Bank will process % of such applications within five Business Days of receipt.		
Standard #2		
The Bank will process "instant" credit applications from 9:00am to 12:30am (Eastern time) Monday through Saturday and from 10:00am to 9:30pm (Eastern time) Sunday, excluding Holidays ("Normal Store Hours"). The Bank will process at least % of such applications within five minutes of receipt.	90%	92%
Standard #3		
The Bank will issue % of new and replacement Credit Cards within four business days of embossing tape output.	95%	96%
Standard #4		
The Bank will answer at least % of incoming Cardholder service calls within 20 seconds. Bank will provide Cardholder service from 9am - 9pm(Eastern time) Monday - Saturday, excluding Holidays.	85%	86%
Standard #5		
The Bank will not permit the abandoned call rate for Cardholder customer service calls to exceed % measured on a monthly basis.	2.0%	1.7%
Standard #6		
The Bank will provide electronic authorization means to be available at least % of Normal Store Hours. Bank will also provide batch authorizations for catalog sales.	99.5%	99.6%
Standard #7		
The Bank will post valid non-payment Transactions to the Cardholder's Account within 24 hours of receipt.	100%	100%
Standard #8		
The Bank will bill and mail % of Account statements within four business days of the scheduled billing date.	97%	100%
Standard #9		
The Bank will process at least % of payments within 24 hours of receipt. In the event any payment is not processed within 24 hours of receipt, such payment shall be backdated to the date of receipt.	96%	97%
Standard #10		
The Bank will respond to at least % of mailed-in Cardholder inquiries within seven business days of receipt.	90%	97%
Standard #11		
The Bank will provide "Quick Credit" during % of Normal Store Hours.	95%	98%

Service Standards will be calculated and reported in a manner that is consistent with prior practices. Holidays shall mean New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Targeted Levels:

Any failure to meet the Targeted Level for Service Standards will be reported on the monthly Service Standards report. Failure to meet the same Targeted Level for a single Service Standard for more than two consecutive months, will result in Bank taking the actions set forth in the chart below, provided that such failure to meet the Targeted Level was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

Failure to Meet Targeted Level	3 rd Consecutive Month	4 th Consecutive Month	5 th Consecutive Month	6 th Consecutive Month and Each Consecutive Month Thereafter
Actions to be taken by Bank following consecutive month failure to attain Targeted Level	Letter to Company's CEO	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.
Penalty to be Paid by Bank to Company	None	\$5,000	\$10,000	\$20,000

Base Levels:

Failure to meet a Base Level will be reported on the monthly service standards report and may trigger a Service Standard Termination Event as set forth in Section 9.7.

Schedule 2.7 Credit Standards

The new Account cut-off score is based upon the projected sixty (60) month profitability of Accounts within each score range. Account profitability is based upon projected Discount Fees (the current fee percentage), finance charge income, variable billing expenses and write-offs. The projections are derived from actual results to date using historical trends. The cut-off score is established at the score range where Bank's profit for the score range equals zero.

Schedule 2.8 Master File Information

Account Number
Month Account Opened
Year Account Opened
Store Account Opened
Cardholder Name
Cardholder's Street Address
Cardholder's City
Cardholder's State
Cardholder's Zip Code
Cardholder's Home Phone Number
Date of Last Purchase
Cardholder's Open to Buy
Number of Purchases Monthly
Amount of Purchases Monthly, YTD
Number of Returns Monthly
Amount of Returns Monthly
Date of Birth
Items Purchased

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PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

BETWEEN

WORLD FINANCIAL NETWORK NATIONAL BANK

AND

THE LIMITED STORES, INC.

AND

AMERICAN RECEIVABLE FACTORING, INC.

DATED AS OF AUGUST 29, 2002

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PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

THIS PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT is made as of this 29th day of August, 2002 (the "Effective Date") by and between The Limited Stores, Inc., a Delaware corporation, with its principal office at Three Limited Parkway, Columbus, Ohio 43230, (hereinafter referred to as "Division"), American Receivable Factoring, Inc., a Nevada corporation, with its principal office at 4441 South Polaris Avenue, Las Vegas, Nevada 89103, a Nevada corporation ("Factoring") (the Division and Factoring being collectively referred to herein as "Company") and WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association, with its principal office at 800 TechCenter Drive, Gahanna, Ohio 43230, (hereinafter referred to as "Bank").

WITNESSETH:

WHEREAS the Bank, Division and Factoring entered a certain Credit Card Processing Agreement, effective as of January 31, 1996 (the "Credit Card Processing Agreement"), to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Division's retail or catalogue business, which allows the customers of the Division to purchase goods from the Division using funds advanced by the Bank; and

WHEREAS the parties to this Agreement wish to terminate the Credit Card Processing Agreement as of the Effective Date and enter into this Private Label Credit Card Program Agreement, the terms of which shall supersede and replace the Credit Card Processing Agreement; and

NOW THEREFORE, in consideration of the terms and conditions hereof, and for other good and valuable consideration, the receipt of which is hereby mutually acknowledged by the parties, Bank and Company agree as follows.

SECTION 1. DEFINITIONS

1.1 *Certain Definitions.* As used herein and unless otherwise required by the context, the following terms shall have the following respective meanings.

"Account" shall mean an individual open-end revolving line of credit established by Bank for a Customer pursuant to the terms of a Credit Card Agreement, including without limitation, each of the Existing Accounts.

"Affiliate" shall mean with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing. In addition, (i) Aura Science, LLC (and its successors by way of change of organizational form) and (ii) any other similar joint venture or Person (of which Company notifies Bank in writing) formed for the purposes of pursuing a joint venture with Limited Brands, Inc. or any Affiliate (as otherwise defined above) of Limited Brands, Inc. shall be deemed an Affiliate of Company for all purposes (other than for the purposes of Section 3.11 hereof) so long as Limited Brands, Inc. and its Affiliates (as otherwise defined above) possess the power to elect not less than 25% of the whole number of the board of directors of such entity or own not less than 25% of the assets or equity thereof. Company and Bank shall not be deemed to be Affiliates for purposes of this Agreement.

"Agreement" shall mean this Private Label Credit Card Program Agreement and any future amendments or supplements thereto.

"Applicable Law" shall mean any applicable federal, state or local law, rule, or regulation.

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"Applicant" shall mean an individual who is a Customer of Company who applies for an Account under the Plan.

"Authorized User" shall mean an individual authorized by the primary Cardholder(s) to use an Account and as established in accordance with the Operating Procedures.

"Batch Prescreen Application" shall mean a process where Bank's offer of credit is made to certain Customers prequalified by Bank, in a batch mode typically within a catalog environment.

"Business Day" shall mean any day, except Saturday, Sunday or a day on which banks in Ohio are required to be closed.

"Cardholder" shall mean any natural person to whom an Account has been issued by Bank and/or any Authorized User of the Account.

"Charge Slip" shall mean a sales receipt, register receipt tape, invoice or other documentation, whether in hard copy or electronic form, in each case evidencing a Purchase that is to be charged to a Cardholder's Account.

"Company Deposit Account" shall mean a deposit account maintained by Company as set forth in Section 3.6 (a).

"Company's Stores" shall mean those certain retail locations selling Goods and/or Services, which are owned and operated by Company.

"Consumer Laws" shall mean all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws.

"Credit Card" shall mean the plastic credit card bearing one or more of the Marks issued by Bank to Cardholders for purchasing Goods and Services pursuant to the Plan.

"Credit Card Agreement" shall mean the open-end revolving credit agreement between a Cardholder and Bank governing the Account and Cardholder's use of the Credit Card, together with any modifications or amendments which may be made to such agreement as permitted in this Agreement.

"Credit Card Processing Agreement" shall have the meaning set forth in the first recital.

"Credit Sales Day" shall mean any day, whether or not a Business Day, on which Goods and/or Services are sold by Company.

"Credit Slip" shall mean a sales credit receipt or other documentation, whether in hard copy or electronic form, evidencing a return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder.

"Customer" shall mean any individual consumer who is a customer or potential customer of Company.

"Deferred Billing Programs" shall mean any special Cardholder payment terms mutually agreed to by Bank and Company for certain Purchases, including without limitation deferred finance charges and deferred payments and subject to any terms and conditions set forth in writing by Bank.

"Discount Fee" shall mean an amount to be charged by Bank equal to Net Sales multiplied by the Discount Rate. Notwithstanding the foregoing, Bank shall not include taxes for Purchases (and correspondingly Net Sales) when calculating the Discount Fee for Purchases made on or before July 31, 2002.

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"Discount Rate" shall have the meaning set forth in Schedule 1.1.

"Effective Date" shall mean the date set forth in the first paragraph on page one of this Agreement.

"Existing Accounts" shall mean all of the Accounts in existence as of the Effective Date opened under and/or subject to the Plan provided by Bank pursuant to the Credit Card Processing Agreement.

"Forms" shall have the meaning set forth in Section 2.4.

"Goods and/or Services" shall mean those goods and/or services sold at retail by Company to the general public through stores, catalog, the Internet or any other method mutually agreed upon by the Company and Bank, where such goods and/or services are intended by Company for individual, personal, family or household use.

"Initial Term" shall have the meaning set forth in Section 9.1.

"Instant Credit Application" shall mean an in store or catalog application procedure designed to open Accounts at point of sale or order entry whereby an application for credit is communicated to Bank either verbally at point of sale or systemically during the catalog order entry process according to the Operating Procedures.

"Mark" shall mean a trademark or service mark owned by or licensed to Company and designated by Company to Bank for use in connection with the Plan.

"Name Rights" shall have the meaning set forth in Section 2.10.

"Net Proceeds" shall mean Purchases less: (i) credits to Accounts for the return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder, all as shown in the Transaction Records (as corrected by Bank in the event of any computational error), calculated each Business Day; (ii) payments from Cardholders received by Company from Cardholders on Bank's behalf; and (iii) any applicable Discount Fees in effect on the date of calculation. Notwithstanding the foregoing, if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, the credits payable to Bank pursuant to clause (i) above and the payments received by Company in clause (ii) above shall no longer be netted against the Net Proceeds payable by Bank pursuant to Section 3.6 but instead Company shall transfer the amount of each credit and payment to Bank by ACH of immediately available funds not later than the second Business Day following the date on which the events giving rise to such credit or payment occur (and the Net Proceeds payable by the Bank pursuant to Section 3.6 shall be made without deduction for such credits or payments).

"Net Sales" shall mean Purchases less shipping and handling and less credits or refunds for Goods and/or Services, all as shown in the Transaction Records received by the Bank each Business Day (as corrected by Bank in the event of any computational error), and calculated each Business Day.

"On-Line Prescreen" shall mean a process where a pre-screened offer of credit is made to credit-worthy Customers in a real-time pre-approved process according to Bank's Operating Procedures. The process utilizes traditional order entry data elements to build Customer records. The Customer records are pre-screened by a credit bureau using Bank's established criteria to determine if an offer of credit is appropriate. Customer records passing the Bank's pre-screening credit criteria are returned to the point of order entry where the pre-approved offer to open an Account is made. Records not passing the credit criteria are not returned and no offer is made.

"Operating Procedures" shall mean Bank's Company's catalog procedures, Company Store's procedures, Internet or e-commerce procedures and any amendments to the same or additional or different procedures which satisfy the requirements of Section 2.3, to be followed by Company in connection with the Plan.

"Person" shall mean an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" shall mean the private label credit card program established and administered by Bank for Customers of Company by virtue of this Agreement.

"Plan Year" shall mean each consecutive twelve (12) month period commencing on the Effective Date and each anniversary thereof.

"Purchase" shall mean a purchase of Goods and/or Services, including without limitation all applicable taxes and shipping costs, with a specific extension of credit by Bank to a Cardholder using an Account as provided for under this Agreement.

"Quick Credit" shall mean an in-store application procedure designed to open Accounts as expeditiously as possible at point of sale, whereby an application for an Account is processed without a paper application being completed by an Applicant. An Applicant's credit card (Visa, MasterCard, American Express, Discover or other Bank approved private label card) is electronically read by a terminal that captures the Applicant's name and credit card account number. Other data shall be entered into that same terminal by the Company's Store associate as specified in the Operating Procedures. This data is used by Bank to request a credit bureau report and make a decision whether to approve or decline the Applicant.

"Regular Revolving Purchases" shall mean Purchases which are not subject to any Deferred Billing Programs or Equal Payment Purchases.

"Renewal Term" shall have the meaning set forth in Section 9.1.

"Season" shall mean (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January. For the purposes hereof, a "fiscal month" is a monthly period defined

by Company in writing to Bank from time to time to coincide with Company's fiscal calendar.

"Service Event" shall mean a failure by Bank to meet a Base Level (as identified in Schedule 2.1) for a single Service Standard during one calendar month; provided that such failure was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

"Service Standard" shall mean the performance or quantitative levels of performance set forth in Schedule 2.1.

"Service Standards Termination Event" shall have the meaning given in Section 9.7.

"Statemented Account" shall mean each Account for which a billing statement is generated within a particular billing cycle.

"Term" shall mean the Initial Term and any Renewal Terms.

"Transaction Record" shall mean, with respect to each Purchase of Goods or Services by a Cardholder from Company, each credit or return applicable to a Purchase of Goods or Services, and each payment received by Company from a Cardholder on Bank's behalf: (a) the Charge Slip

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or Credit Slip corresponding to the Purchase, credit or return; or (b) a computer readable tape/cartridge or electronic transmission containing the following information: the Account number of the Cardholder, the Company's Store number at which the Purchase, credit or return was made, the total of (i) the Purchase price of Goods or Services purchased or amount of the credit, as applicable, plus (ii) the date of the transaction, a description of the Goods or Services purchased, credited or returned and the authorization code, if any, obtained by Company's Store prior to completing the transaction; or (c) electronic record whereby Company's Store electronically transmits the information described in subsection (b) hereof to a network provider (selected by Company at its expense), which in turn transmits such information to Bank by a computer tape/cartridge or electronic tape or transmission.

1.2 *Other Definitions.* As used herein, terms defined in the introductory paragraph hereof and in other sections of this Agreement shall have such respective defined meanings. Defined terms stated in the singular shall include reference to the plural and vice versa.

SECTION 2. THE PLAN

2.1 *Establishment and Operation of the Plan.* (a) The Plan is established for the primary purpose of providing Customer financing for Goods and Services purchased from Company. Qualified Applicants desiring to use the Plan shall be granted an Account by Bank with a credit line in an amount to be determined by Bank in its discretion for each individual Applicant. Subject to Section 3.6 (d), Bank shall determine the terms and conditions of the Account to be contained in a Credit Card Agreement, which Credit Card Agreement shall be subject to change upon notice given by Bank to the Cardholders in accordance with Applicable Law. All Existing Accounts are deemed provided under the Plan.

(b) Bank shall operate the Plan in accordance with the Service Standards set forth in Schedule 2.1, as such performance standards may be modified from time to time at the reasonable request of Bank or Company and with the consent of the other party. Within fifteen (15) days after the end of each calendar month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards.

(c) Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

(d) Not later than one hundred and twenty (120) days following the Effective Date, Bank will design a Cardholder satisfaction survey process to be administered in accordance with the procedures already in place at the Bank, at a cost comparable to its existing cost. This survey should be an on-going, real-time process by which Bank and Company can measure Cardholder satisfaction. Bank will solicit Company's review and approval of the methodology used to analyze and assess the results of the survey (such approval not to be unreasonably withheld or delayed) and will provide the raw and analyzed survey results to Company. The results will be presented in a mutually agreed format. Bank will deliver Cardholder satisfaction survey results to Company on a quarterly basis and will on a monthly basis discuss the trends based on the prior month's results.

(e) From time to time during the Term, Company may request that Bank provide to Company new products, services or technology in connection with the Plan, identified by Company, which are then commercially available from the top tier of well-managed private label credit card services vendors ("Competitive Vendors") and offered generally to such Competitive Vendors' clients and potential clients. Bank will exert its good faith reasonable efforts to provide such services on terms reasonably competitive to those offered in the marketplace by Competitive Vendors.

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2.2 *Applications for Credit Under the Plan; Billing Statements.* (a) Applicants who wish to apply for an Account under the Plan must submit a completed application on a form or in an electronic format approved by Bank, and Bank shall grant or deny the request for credit based solely upon Bank's credit criteria as specified in Section 2.7. Company shall provide a copy of the Credit Card Agreement to the Applicant to be retained for the Applicant's records. The application shall be submitted to Bank by the Applicant or submitted by Company on behalf of the Applicant, as required in the Operating Procedures. If Bank grants the request for an Account, Bank will issue a Credit Card to the Applicant which accesses an individual line of credit in an amount determined by Bank.

(b) Bank shall make available to Company and Company shall utilize primarily a Quick Credit application procedure. Bank shall also make available to Company and Company may elect to utilize in its discretion, Instant Credit, pre-approved solicitations, Batch Prescreen and On-Line Prescreen application procedures as mutually agreed upon.

(c) Subject to Section 2.8, Company agrees that it will keep confidential the information on such applications and shall not disclose the information to anyone other than authorized representatives of Bank.

(d) All Cardholders will receive from Bank a periodic statement (the "Billing Statement") listing the amounts of Purchases made and credits received and other information as required by Applicable Law or deemed desirable by Bank. Company may if desired put text messages on the statements as approved by Bank.

(e) Bank shall make available to Company Internet application procedures and Charge Slip processing. In such event, Company shall be responsible for integrating and maintaining on its website at its sole expense a link to the Bank's Internet application processing website. The parties shall work together on implementing such links from the Bank's Internet application processing website back to Company's Internet site. Bank shall take reasonable efforts to ensure that navigation back to Company's Internet site from the Bank's Internet application processing website, whether through a particular pointer or link, the "back" button on an Internet browser, the closing of an active window, or any other return mechanism, shall not be interrupted by Bank through the use of any intermediate screen or other device not specifically requested by the user, including without limitation through the use of any html pop-up window or any other similar device.

2.3 Operating Procedures. Company shall observe and comply with the Operating Procedures. Company shall ensure that Company's Stores personnel are trained regarding the Operating Procedures and shall ensure their compliance with them. The Operating Procedures may be supplemented, amended or modified by Bank from time to time in its reasonable discretion; provided, however, a copy of any such supplement, amendment or modification shall be provided to Company at least ninety (90) days before its effective date (the "Notice Date") unless otherwise required by Applicable Law, and for those changes required by Applicable Law, notice shall be given as soon as practicable. For changes that are (A) required by Applicable Law, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices (both (A) and (B) being referred to herein as the "Required Changes"), where Bank implements such Required Changes with all of its other clients that are also affected by such change in Applicable Law or operate in circumstances similarly requiring changes from the standpoint of safe and sound banking practices, Bank shall identify the changes as Required Changes in the notice to Company. Unless such change is a Required Change, Company shall have the right within thirty (30) days after the Notice Date to object to such change and the parties' representatives will promptly thereafter meet to discuss such change in good faith in order to agree upon such change or a mutually agreeable alternative to such change. In the event the parties are unable to agree upon such change or an alternative within sixty (60) days after the Notice Date, then a senior executive from both Company and Bank shall meet to negotiate in good faith in order to agree upon such change or a mutually agreeable alternative to such change. If the parties' senior

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executives are unable to mutually agree within ninety (90) days after the Notice Date, then Bank shall have the right to implement the initially proposed change so long as (i) Bank implements such change with all or substantially all of its other similar clients, (ii) such change does not change the chargebacks section of the Operating Procedures, and (iii) such change does not impose a material adverse financial or operational burden on Company.

2.4 Plan Documents. Subject to and in compliance with the requirements of Applicable Law, Bank shall solely author any content, format or other aspect of the Credit Card Agreement, application, Credit Card, card mailer, letters, and other documents and forms and billing statements (collectively, "Forms") to be used under the Plan which (i) relate to the Plan, (ii) relate to the Bank's or the Cardholder's rights or obligations under the Account, or (iii) are required by Applicable Law. Bank and Company shall jointly design all other aspects of the Forms (except for Cardholder letters and other documents and forms used by Bank in maintaining and servicing the Accounts, which Bank shall solely design), subject to and in compliance with the requirements of Applicable Law. Bank will provide Company with copies of the template of any Forms which are to be provided by Bank in a mass mailing or distribution to all Cardholders as a whole or to all Cardholders in a particular state. Bank shall provide at Bank's expense consistent with Bank's standard costs for such documents (any excess costs due to Company's special requests for non-standard documents shall be borne by Company) appropriate quantities of the Credit Card Agreements, Credit Card plastics, card mailer and billing statements. Bank shall notify Company in advance if any form is not consistent with Bank's standard costs and will provide Company with a written estimate of the excess costs to be borne by Company for such form. Company shall pay the costs of all other Plan documentation including, without limitation, applications, promotional material (i.e. collateral), pre-approved solicitations, Instant and Quick Credit contracts and special offers, reissued Credit Card plastics, including but not limited to embossing and encoding, card carriers, envelopes, Credit Card Agreements and postage related to any reissuances requested by Company for any reissuance of Credit Cards to Cardholders (other than replacements made by Bank from time to time at a Cardholder's request on an individual basis). Bank shall have the right to review and approve all materials prepared by Company (or an Affiliate or third party) that refer in any way to the Plan, such approval not to be unreasonably withheld or delayed. In the event any Forms become obsolete as a result of changes requested by Company, Company shall reimburse Bank for the direct costs associated with any unused obsolete Forms. Company shall pay the actual and direct costs associated with any Forms changes or Cardholder notices required as a result of any additions or deletions of Company honored credit cards requested by Company pursuant to Section 3.1. Only one design shall be used for each form.

2.5 Marketing. Company agrees to use its reasonable efforts to promote the use of Credit Cards for Purchases and to acquire new Cardholders through such methods mutually agreed upon by Bank and Company. Company agrees to use reasonable marketing efforts to support the Plan. Company and Bank shall annually agree upon a minimum target number of Applicants to be sourced by Company. Bank and Company will jointly agree upon programs to market the Plan, both initially and on a continuing basis. When using any trademarks, logos, service marks or tradenames of the other party, each party will comply with all written guidelines provided to it by the other party related to use of the other party's marks.

2.6 Administration of Accounts. Bank shall perform, at its expense and in compliance with Applicable Law, all functions necessary to administer and service the Accounts, including but not limited to: making all necessary credit investigations; notifying Applicants in writing of acceptance or rejection of credit under the Plan; preparing and mailing billing statements; making collections; handling Cardholder inquiries; and processing payments. The Bank is solely responsible for determining the requirements, the method, and the content of any notices to Cardholders required by Applicable Law.

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2.7 Credit Decision. The decision to extend credit to any Applicant under the Plan shall be Bank's decision. Bank will work in good faith with Company to develop business strategies with respect to the issuance of Credit Cards which are intended to maximize the potential of the Plan, and which are mutually beneficial to Bank and Company. Company may from time to time request Bank to consider offering certain types of special credit programs. Bank shall reasonably consider Company's requests and negotiate with Company in good faith. However, Bank shall, in its sole discretion, subject to Applicable Laws and safety and soundness considerations, determine whether or not to offer any of such programs. In the event Bank agrees to any special credit program, Bank and

Company shall mutually agree upon any special terms and fees associated with the program. Notwithstanding the foregoing, (i) the credit standards established by Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Plan shall be consistent with past practices (as described in Schedule 2.7), with such changes as shall be (A) approved by Company in its reasonable discretion, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices. Bank shall conduct, at least once during each Plan Year, a meeting with Company to review the credit standards being applied by Bank in reaching its credit decisions.

2.8 *Ownership of and Rights in Information.* (a) Bank shall provide to Company free of charge from time to time (generally no more frequently than monthly) at Company's request master file tapes initially containing the information set forth on Schedule 2.8 for Company to the extent such information is available to Bank, and any other information agreed to by Bank and Company (collectively, the "Master File Information"), to the extent permitted by Applicable Law, which Company may use solely in connection with maintaining and servicing the Accounts and for the purpose of marketing goods and services to the Cardholders, as permitted by Applicable Law. The Master File Information may include, at Company's request, the information set forth on Schedule 2.8 for Affiliates of Company, to the extent permitted by Applicable Law.

(b) To the extent permitted by Applicable Law and without undue burden, cost or expense to Bank, Bank intends and will exert its diligent good faith efforts to maintain during the Term a privacy policy, which will permit Bank to allow Company to use the Master File Information for purposes in addition to those set forth in Section 2.8(a) above (the "Additional Purposes") and to share such information with third parties for the Additional Purposes subject to Cardholder opt out and Applicable Law. To the extent permitted by and in accordance with Applicable Law and subject to Cardholder opt out, Company may so provide the Master File Information to third parties for the Additional Purposes and/or use such information for the Additional Purposes.

(c) The Bank is the owner of all information relating to the Cardholders (including names and addresses) as collected by or on behalf of Bank or as set forth in Bank's records, the Accounts and the Credit Cards, the copyright to all written material contained in any Credit Card Agreements, applications, billing statements and other Forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; provided, however, that Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of Company, (ii) persons who, in the sole judgment of Limited Brands, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates, (iii) in the case of disclosure, credit agencies, (iv) as otherwise permitted by this Agreement, and (v) as required by Applicable Law.

(d) The Transaction Records (except for any Account payment information received by Company on Bank's behalf) are the sole property of Company. Bank may use the Transaction Records solely for the purposes permitted by this Agreement (provided that this limitation shall not limit Bank's rights with respect to any Account information). Account payment information received by Company on Bank's behalf shall be the sole property of Bank, provided that Company may use such information solely for the purposes permitted by this Agreement.

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(e) Company is the owner of the names and addresses of Customers, as set forth in Company's records and collected by Company from a source other than Bank. Upon request of Bank and consent of Company, not to be unreasonably withheld, Company shall make the names and addresses of Customers available to Bank, as permitted by Applicable Law, during the Term of this Agreement to be used only for purposes of solicitation of such Customers to become Cardholders of Bank and in connection with the administration of the Plan in accordance with the terms of this Agreement. Names, addresses and other information of Customers obtained by Company from the Customer (and not on Bank's behalf) in connection with point-of-sale, mail order, telephone, internet or other sale (regardless of whether the Customer makes payment for such sale through the use of a Credit Card) are "collected by Company from a source other than Bank".

(f) For the avoidance of doubt, the parties acknowledge that the items of information allocated to each party in this Section 2.8 may overlap, and that each party may independently possess and own the same specific items of information, such as but not limited to, names and addresses of persons who are both Customers and Cardholders. The allocation of ownership of a class of information to one party in this Section 2.8 is not inconsistent with ownership by the other party of the same items of information if so allocated in this Section 2.8.

2.9 *Insurance and Account Enhancement Services.* (a) Bank and Company agree that Bank will exclusively make available to Cardholders various types of insurance products, the premiums for which are based on the Cardholder's account balance, ("Insurance Products") offered by Bank and/or its vendors or Affiliates. Such products shall include credit life, debt cancellation, accidental death and disability and unemployment insurance. The solicitations and offerings shall not contain Company's endorsement. Bank may make at least two (2) and no more than four (4) offers per Plan Year or two (2) times per Season at its expense. The monthly charges for Insurance Products shall be charged to the applicable Cardholder's Account.

(b) Bank and Company agree that Bank may make available to Cardholders various types of other insurance, products and services ("Account Enhancement Services") at its expense through solicitations made in connection with their Accounts, subject to Company's approval as provided in Section 2.9(d). Such Account Enhancement Services may include but are not limited to insurance of types not listed in Section 2.9(a), travel clubs, legal services, card registration programs and merchandise products. Such Account Enhancement Services will be offered through various direct marketing channels including but not limited to direct mail, telemarketing, statement inserts, statement messaging, call transfer and IVR. The charges for the products and services will be billed to the applicable Cardholder's Account when appropriate. The solicitations and offerings shall not contain Company's endorsement.

(c) Company shall receive from Bank fifty percent (50%) of the net profit (Bank's revenues from commissions and other incentives from the vendor minus Bank's total expenses) generated by Account Enhancement Services, payment to be made on a monthly basis, together with a statement setting forth the revenues, expenses and profits in reasonable detail.

(d) Each and every Account Enhancement Service and the related advertising materials shall be subject to the prior approval of Company, which approval shall not be unreasonably withheld or delayed (it being understood that Company may withhold such approval if it determines in its reasonable discretion that the advertising of such products or services is inconsistent with the image of Company's business). With ninety (90) days prior written notice to Bank, Company may reasonably withdraw its approval for an Account Enhancement Service.

2.10 *Ownership of Company Name.* Anything in this Agreement to the contrary notwithstanding, Company shall retain all rights in and to Company's name and the name selected by Company for use on the Credit Card and all trademarks, service marks and other rights pertaining to such names (collectively, the "Name Rights") and all goodwill associated with the use of the Name Rights whether

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under this Agreement or otherwise shall inure to the benefit of the Company. Company shall have the right, in its sole and absolute discretion, to prohibit the use of any of its Name Rights in any Forms, advertisements or other materials proposed to be used by Bank which Company in its reasonable business judgment deems objectionable, improper or undesirable. However, no use, which use is consistent with this Agreement, of the name selected by Company for use on the Credit Card and in the Forms for the purpose of identifying the Accounts in connection with maintaining and servicing such Accounts will be deemed objectionable, improper or undesirable by Company. Bank shall cease all use of the Name Rights upon the termination of this Agreement for any reason unless Bank retains the Accounts after termination of the Agreement, in which case Bank may use the Name Rights solely in connection with the administration and collection of the balance due on the Accounts. Provided, however, that Company grants Bank the right to use Company's Name Rights on a case by case basis and with thirty (30) days advance notice of each category of use in connection with Bank and its Affiliates' product marketing and promotional materials and literature in written and electronic form and their business client lists until such time as this Agreement is terminated or Company chooses to revoke this right for any or all product marketing, promotional materials, literature or client list purposes. All uses of Company's Name Rights are subject to the terms and conditions of this Agreement, including this Section 2.10 and Section 2.5.

2.11 *Payment of Fees Other than Discount Fees.* Bank will invoice Company monthly in arrears for all fees or charges other than Discount Fees properly imposed by Bank pursuant to this Agreement. All such amounts payable by Company under this Section 2.11 shall be paid within thirty (30) days after receipt of the Bank's invoice for such amounts.

SECTION 3. OPERATION OF THE PLAN

3.1 *Honoring Credit Cards.* Company agrees that Company and Company's Stores will honor any Credit Card, and to the extent permitted by Applicable Law Bank will permit Company, at Company's option, to honor other credit cards for Company's Affiliates issued by Bank provided that Company will provide Bank with at least thirty (30) days advance written notice of its intent to honor such other credit cards, (and the Authorized Users of such Credit Cards) properly issued and currently authorized by Bank. In addition, if mutually agreed by Bank and Company, Company agrees that Company and Company's Stores will honor any credit card for Company's former Affiliates issued by Bank (and the Authorized Users of such credit cards) properly issued and currently authorized by Bank. Company agrees that it shall deliver to Bank all Transaction Records evidencing transactions made under the Plan, in accordance with the provisions of this Agreement and the Operating Procedures.

3.2 *Additional Operating Procedures.* In addition to the procedures, instructions and practices contained in the Operating Procedures, Company agrees that Company will comply with the following procedures:

(a) In each Credit Card transaction Company must obtain all the information contained in clause (b) of the definition of Transaction Record. The date which appears on the Charge Slip or Credit Slip will be prima facie evidence of the transaction date, and Company shall be required to transmit all Transaction Records relating to such Charge Slip and/or Credit Slip so that Bank receives such Transaction Records no later than the second Business Day after the transaction date; provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. The "Cardholder Copy" of each Charge Slip shall be delivered to the Cardholder at the time of the transaction if the Cardholder is in the store.

(b) All Charge Slips will evidence the total price of the sale minus any cash down payment. Company shall retain the "Merchant Copy" of all Company generated Charge and Credit Slips for

each transaction for a period of six (6) months from the date of presentation to Bank or in the case of Deferred Billing Programs, six (6) months from the end of the applicable Deferred Billing Program.

(c) Company will maintain a fair policy for the exchange and return of Goods and adjustment for Services rendered and for that purpose will give credit to Accounts upon such exchange, return or adjustment. Company will not make cash refunds to Cardholders on Credit Card Purchases. If any Goods are returned, price adjustment is allowed, or debt for Services is adjusted, Company will notify the Bank and provide appropriate documentation thereof to the Cardholder. Upon receipt of Transaction Records reflecting a credit to which there has been a corresponding debit, Bank will net against amounts payable by Bank to Company the total shown on the Credit Slip, and credit the Cardholder's Account in the amount of such Credit Slip. If on any day the total amount of the Net Proceeds is a negative amount, Company shall remit the difference to Bank immediately upon written demand.

(d) Company's Stores shall not, when the Cardholder is present in the store, accept a transaction to be charged to an Account without either: presentation of a Credit Card and following any additional identification outlined in the Operating Procedures; or following such proper identification procedures for transactions where a Credit Card is not presented as outlined in the Operating Procedures.

3.3 *Cardholder Disputes Regarding Goods or Services.* Company shall act promptly to investigate and work to resolve disputes with Cardholders regarding Goods or Services obtained through Company pursuant to the Plan. Company shall timely process credits or refunds for Cardholders utilizing the Plan.

3.4 *No Special Agreements.* Company will not extract any special agreement, condition or security from Cardholders in connection with their use of a Credit Card, unless approved in advance by Bank in writing.

3.5 *Cardholder Disputes Regarding Violations of Law or Regulation.* Company shall assist Bank in further investigating and using its reasonable efforts to help resolve any Applicant or Cardholder claim, dispute, or defense which may be asserted under Applicable Law.

3.6 *Payment to Company; Ownership of Accounts; Fees; Accounting.* (a) Company shall electronically transmit all Transaction Records from Company to Bank in a format acceptable to Bank. Upon receipt, Bank shall use commercially reasonable efforts to promptly verify and process such Transaction Records, and in the time frames specified herein, Bank will remit to Company an amount equal to the Net Proceeds indicated by such Transaction Records for the Credit Sales Day(s) for which such remittance is made. In the event Bank discovers any discrepancies in the amount of Transaction Records submitted by Company or paid by Bank to Company, Bank shall notify Company in detail of the discrepancy, and credit Company, or net against amounts owed to Company, as the case may be, in a subsequent daily settlement. Bank will transfer funds via Automated Clearing House ("ACH") to an account designated in writing by Company to

Bank (the "Company Deposit Account"). From the Effective Date through January 31, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer on the next Business Day thereafter and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the second Business Day thereafter. Commencing on February 1, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer the same day and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the following Business Day. Bank shall remit funds to one Company designated account and shall not remit funds to individual Company Stores. The term "initiate" shall mean that Bank shall transmit an ACH file to Bank's financial institution for settlement on the next Business Day.

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(b) Bank shall own all the Accounts under the Plan from the time of establishment, and except as otherwise provided herein, Company shall not have any right to any indebtedness on an Account or to any Account payment from a Cardholder arising out of or in connection with any Purchases under the Plan. Effective upon payment to Company by Bank pursuant to Section 3.6(a), with respect to each Charge Slip Company shall be deemed to have transferred, conveyed, assigned and surrendered to Bank all right, title or interest in all such Charge Slips and in all other rights and writings evidencing such Purchases, if any.

(c) All Transaction Records are subject to review and acceptance by Bank. In the event of a computational or similar error of an accounting or record keeping nature with respect to such Transaction Records, Bank may credit to the Company's Deposit Account or net against the Net Proceeds (as the case may be) the proper amount as corrected. If the Net Proceeds are insufficient, Company shall remit the proper amount to Bank immediately upon written demand. Upon any such correction Bank shall give prompt notice and explanation thereof to Company.

(d) Bank may make any changes in the terms of the Credit Card Agreement at any time as required by Applicable Law and will notify Company of such changes with notice to Company reasonable under the circumstances, or on an individual Account by Account basis, without notice to Company, in connection with its servicing of the Accounts. With respect to any other changes in the terms of the Credit Card Agreement affecting the repayment terms, APR or fees charged by Bank, Bank will, prior to making any changes, notify Company of such changes and discuss such changes with Company.

(e) Company shall obtain and maintain at their own expense such point of sale terminals, cash registers, network (electronic communication interchange system), telephone or other communication lines, software, hardware and other items of equipment as are necessary for it to request and receive authorizations, transmit Charge Slip and Credit Slip information, process Credit Card Applications and perform its obligations under this Agreement. The computer programs and telecommunications protocols necessary to facilitate communications between Bank and Company and Company's Stores shall be determined by Bank from time to time subject to reasonable prior notice of any change in such programs, equipment or protocols.

(f) Company may from time to time offer Deferred Billing Programs to Cardholders. Company shall be responsible for ensuring that all Purchases subject to any Deferred Billing Programs are properly designated as such on the Transaction Record in accordance with Bank's instructions.

(g) Bank may if Company fails to pay Bank any amounts due (and such amounts are not subject to a good faith dispute of which Bank has been notified) to Bank pursuant to this Agreement for more than thirty (30) days after the due date, offset such amounts against the Net Proceeds or any other amounts owed by Bank to Company under this Agreement.

3.7 Insertion of Company's Promotional Materials. Bank will upon request of Company from time to time insert Company's promotional materials for Company's Goods and Services, which are provided by Company at Company's expense, into the Account billing statements and new Credit Card mailers, so long as: (a) the materials are provided to Bank at least two (2) Business Days prior to the scheduled mailing date of such statements or notices; (b) if the materials reference Bank or the Plan in any manner, are approved by Bank as to content, in Bank's reasonable discretion; (c) the materials meet all size, weight, or other specifications for such inserts as shall be set forth in the Operating Procedures; (d) there is sufficient space in Bank's standard envelope for the insert in addition to any legally required material, Cardholder notices and other materials which Bank is including in the mailing; and (e) Company pays any and all additional postage costs caused by Bank's insertion of materials provided by Company, provided that Bank shall first notify Company of any additional postage cost and Bank will include the materials only if instructed by Company to insert regardless of the additional postage costs.

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3.8 Payments. (a) Except as provided in this Section 3.8, all payments to be made by Cardholders with respect to any amounts outstanding on the Accounts shall be made in accordance with the instructions of Bank and at the location or address specified by Bank. Company hereby authorizes Bank, or any of its employees or agents, to endorse "WORLD FINANCIAL NETWORK NATIONAL BANK" upon all or any checks, drafts, money orders or other evidence of payment, made payable to Company and intended as payment on an Account, that may come into Bank's possession from Cardholders and to credit said payment against the appropriate Cardholder's Account. Company further agrees that where, consistent with Section 3.8(b), or such other circumstance authorized by Bank, Company is permitted by Bank to receive any payment made with respect to the Plan, Company will on Bank's behalf hold such payment in trust for Bank and will include the amount of such payment in the Transaction Records sent to Bank pursuant to this Agreement within two (2) Business Days after receipt provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. Bank will charge the amount of such payment against the settlement amount, or, if the settlement amount is insufficient to cover such payments, Company shall remit the amount of such payment, or any unpaid portion thereof, to Bank immediately upon written demand. Payments made by Cardholders at Company's Stores shall not be deemed received by Bank until Bank receives and accepts the Transaction Records. Bank has the sole right to receive and retain all payments made with respect to all Accounts and to pursue collection of all amounts outstanding, unless an Account or Purchase is charged back to Company pursuant to the provisions of Sections 3.9 and 3.10 hereof. Should any payment made by Cardholders at Company's Stores be made by check and such check is subsequently returned unpaid, Company will include a debit for the face amount of the check plus any actual return check fees paid by Company to its third party depository bank to which the check is first deposited or third party re-presentation vendor in the Transaction Records sent to Bank pursuant to this Agreement. Company will process such returned check in accordance with the procedures mutually agreed upon in writing by Bank and Company. In the event the return check fees imposed by or through any third party vendor retained by Company for re-presentation of such checks for payment following any initial return increase after the Effective Date, Company shall give Bank written notice of the increase in such fees and Bank shall have the right to discontinue paying the fees imposed by or through such third party re-presentation vendor, in which

event, Company may discontinue processing such returned checks through the re-presentment vendor and shall submit checks returned unpaid by the bank of first deposit to Bank.

(b) Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Card Accounts ("**In-Store Payments**"). Any In-Store Payments received by Company will be held in trust for Bank and its assigns and netted against amounts payable by Bank pursuant to this Section 3.8 (*provided* that Company shall not be required to keep In-Store Payments separate from other payments received by Company) and evidence of such payments will be transmitted to Bank on a daily basis, provided that (i) if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such evidence relating to such store locations as soon as reasonably practicable after polling is completed or (ii) if transmittal is not possible due to a force majeure event, such transmittal will be completed within a time reasonable under the circumstances. Notwithstanding the foregoing:

(1) if any bankruptcy or other insolvency proceeding has been commenced against Company (and so long as the same has not been dismissed), Company shall promptly comply with any written instruction (a "**Store Payment Notice**") received by Company from Bank or any successor

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to Bank (Bank or any such successor being the "Servicer") to take either of the following actions (as specified in such instruction):

(i) cease accepting In-Store Payments and thereafter inform Cardholders who wish to make In-Store Payments that payment should instead be sent to Servicer (but only if the Servicer is required to give such notice); or

(ii) (A) deposit an amount equal to all In-Store Payments received by each retail location operated by Company, not later than the Business Day following receipt, into a segregated trust account (the "Store Account") established by Company for this purpose and, pending such deposit, to hold all In-Store Payments in trust for Bank and its assigns, (B) use commercially reasonable efforts not to permit any amounts or items not constituting In-Store Payments to be deposited in the Store Account and (C) cause all available funds in each Store Account to be transferred on a daily basis to an account designated in the Store Payment Notice;

provided that Company need not take the actions specified in clause (i) or clause (ii) if Company or any of its Affiliates provides the Servicer with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all required conditions with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(2) if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, In-Store Payments shall no longer be netted against amounts payable by Bank pursuant to subsection 3.8(a), but instead Company shall transfer to Bank by ACH of immediately available funds not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as Company complies with instructions delivered in accordance with paragraph (1) or (2), any amounts payable by Bank to Company pursuant to Section 3.6 shall be made without deduction for In-Store Payments.

3.9 *Chargebacks.* Bank shall have the right to demand immediate purchase by Company of any Purchase and charge back to Company the unpaid principal balance relating to any such Purchase, for any chargeback reason as set forth in the Operating Procedures.

3.10 *Assignment of Title in Charged Back Purchases.* With respect to any amount of a Purchase to be charged back to and to be purchased by Company, Company shall either pay such amount directly to Bank in immediately available funds or Bank will offset such amount as part of the Net Proceeds to be paid to Company, to the extent the balance thereof is sufficient. Upon payment of such amount by Company to Bank, or off-setting, as the case may be, Bank shall assign and transfer to Company, without recourse, all of Bank's right, title and interest in and to such Purchase and will deliver all documentation (or copies) in Bank's possession, including but not limited to, Cardholder correspondence regarding such Purchase. Company further consents to all extensions or compromises given any Cardholder with respect to any such Purchase, and agrees that such shall not affect any liability of Company hereunder or right of Bank to charge back any Purchase as provided in this Agreement; provided, however, that Bank shall not have the right to charge back for any Purchase the amount of any reductions, or compromises of amounts owed by a Cardholder to Bank. Company shall not resubmit or re-transmit any charged back Purchases to Bank, without Bank's prior written consent.

3.11 *Promotion of Program and Card Plan; Non-Competition.* (a) Throughout the Term of this Agreement, Company shall use its reasonable efforts to market, promote, participate in and support the Plan as set forth in this Agreement. Company agrees that in consideration and as an inducement for Bank to make the Plan available to Company as outlined in this Agreement and the Operating Procedures, from the Effective Date and for as long as this Agreement is in existence, Company will

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not (nor will Company permit any Affiliate to do so on Company's behalf), without the prior written consent of Bank, contract or establish with any other credit card processor/provider or provide or process on its own behalf any "private label" or "co-brand" revolving credit or other credit card issuance or processing arrangement or programs similar in purpose to the Plan or to the services and transactions contemplated under this Agreement, except that if either party provides notice of termination pursuant to Section 9.1 of this Agreement or if Company terminates under Sections 9.3 or 9.5, Company may enter into a contract with another credit card processor/provider effective on or after termination of this Agreement (provided that an agreement for preliminary or planning services related thereto shall not violate this provision).

(b) Notwithstanding the foregoing, nothing contained in this Agreement will be construed to prohibit or prevent Company from: (i) accepting any major general purpose credit card (including without limitation, American Express (and Optima) Card, MasterCard, Visa, or NOVUS), any form of general purpose debit card or fixed payment (installment) credit programs for Applicants declined by Bank, as a means of payment by Cardholders for purchase of Goods and Services; or (ii) accepting a proprietary credit card issued by Bank for an Affiliate; or (iii) entering into a contract with another credit card provider for a particular state after Bank has terminated (or given notice of such termination) the operation of the Plan in such state pursuant to Section 9.4.

(c) Provided, further, that Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing a Mark or any of Company's other Name Rights and to accept any Bona Fide Offer by such third party if, prior to accepting such Bona Fide Offer, Company provides Bank with an opportunity to submit a competing offer and counteroffer (as outlined below) with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark or Name Right, and Bank's competing offer and counteroffer is not deemed to be "Competitive." Bank's competing offer or counteroffer shall be deemed to be "Competitive" if it has terms which are either (i) at least as favorable to Company as such Bona Fide Offer or (ii) taken as a whole, are reasonably competitive in the reasonable judgment of Company to such Bona Fide Offer. A Competitive offer or counteroffer by Bank shall be accepted by Company in lieu of such Bona Fide Offer. Company will provide to Bank a copy of all materials (such as requests for proposals and the like) provided by Company to all third parties for the purposes of soliciting Bona Fide Offers, such materials to be provided to Bank at the same time Company provides them to the third parties. Bank will be given at least thirty (30) days (or such longer period of time as is given to the third parties) to submit a competing offer to Company. In addition, if Bank submits within the thirty (30) day (or longer) period a competing offer in response to a Bona Fide Offer or solicitation of a Bona Fide Offer, and that competing offer is not deemed to be Competitive, then prior to accepting the Bona Fide Offer Company will identify and quantify to Bank the key terms and assumptions (of Company and the third party) of the Bona Fide Offer (however, Company shall not be required to provide Bank with a copy of the actual Bona Fide Offer) and Bank will have fifteen (15) days after receipt of such key terms to submit a counteroffer to Company and Company will evaluate any counteroffer submitted by Bank within such fifteen (15) day period according to the Competitive standards set forth in clauses (i) and (ii) above and will accept Bank's offer in lieu of such Bona Fide Offer if the Competitive standards are met. For purposes of this Section 3.11, "Bona Fide Offer" means an offer to Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to Company, its Affiliates and other retail or catalogue merchants).

3.12 *Postal Rate Adjustment.* From August 1, 2002 through January 31, 2003, Company shall bear the costs of all increases in the cost of mailing Account billing statements, form letters or new

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Credit Cards due to increases in the first class pre-sort cost of postage from the United States Postal Service which increases occurred between February 1, 1996 and June 30, 2002.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF COMPANY

Company hereby represents and warrants to Bank as follows:

4.1 *Organization, Power and Qualification.* Division and Factoring are corporations duly organized, validly existing and in good standing under the laws of the state of Delaware and Nevada, respectively, and have full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Company is duly qualified and in good standing to do business in all jurisdictions where Company is located, except where the failure to so qualify would not have a material adverse effect on the business of the Company, or where the failure to so qualify would not have a material adverse effect on Company's or Bank's ability to continue operation of the Plan.

4.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Company and is a valid and legally binding agreement of Company duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Company is required for, and the absence of which would adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Company hereunder and the compliance by Company with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; and (ii) will not conflict with or result in a breach of or default under any of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Company is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Company, nor will such execution, delivery or compliance violate or result in the violation of the Articles of Incorporation or By-Laws of Company.

4.3 *Accuracy of Information.* All factual information furnished by Company to Bank in writing at any time pursuant to any requirement of, or furnished in response to any written request of Bank under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Company to Bank will be, true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information was or will be stated or certified.

4.4 *Validity of Charge Slips.* (a) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, each Charge Slip relating to such Transaction Records shall represent the obligation of a Cardholder in the respective amount set forth therein for Goods sold or Services rendered, together with applicable taxes, if any, and shall not involve any element of credit for any other purpose.

(b) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, Company has no knowledge or notice of any fact or matter which would immediately or ultimately impair the validity of any Charge Slip relating to such Transaction Records, the transaction evidenced thereby, or its collectibility.

4.5 *Compliance with Law.* Any action or inaction taken by Company (where Company has a duty to act) in connection with the Plan and the sales of Goods and Services and the use and disclosure of Cardholder information by Company shall be in compliance with all Applicable Law

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except where the failure to comply does not or will not have a material adverse effect on Company, the Bank or the Plan.

4.6 *Company's Name, Trademarks and Service Marks.* Company has the legal right to use and to permit the Bank to use, to the extent set forth herein, the Mark and Name Rights utilized by Company in the conduct of its business.

4.7 *Intellectual Property Rights.* In the event Company provides any software or hardware to Bank, Company has the legal right to such software or hardware and the right to permit Bank to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Company or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Bank's request or to accommodate Bank's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Company and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Bank or any third party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Company and/or its Affiliates.

SECTION 5. COVENANTS OF COMPANY

Company hereby covenants and agrees as follows:

5.1 *Notices of Changes.* Company will as soon as reasonably possible notify Bank of any: (a) change in the name or form of business organization of Company, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Company or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Company; (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on Company; or (d) the planned opening or closing of any Company Store. Company will furnish such additional information with respect to any of the foregoing as Bank may reasonably request for the purpose of evaluating the effect of such change on the financial condition and operations of Company and on the Plan.

5.2 *Financial Statements.* In the event Company ceases to be an Affiliate of a publicly traded company or ceases to be a publicly traded company itself, Company shall make available to Bank as soon as available the following information pertaining to Company (or, at the option of Company's parent, consolidated information pertaining to such parent): (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Company's (or, its parent's, as applicable) independent certified public accountants in connection with such of the financial statements as have been audited.

5.3 *Inspection.* Company will permit, if Bank has reasonable cause to do so, authorized representatives designated by Bank, at Bank's expense, to visit and inspect, to the extent permitted by Applicable Law, any of the Company's books and records pertaining to Transaction Records and the Plan and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

5.4 *Company's Business.* Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the sale of Goods and Services.

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5.5 *Insurance.* Company shall self-insure or at its option maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other companies within Company's industry engaged in similar businesses as Company.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF BANK

Bank hereby represents and warrants to Company as follows:

6.1 *Organization, Power and Qualification.* Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America and has full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Bank is duly qualified and in good standing to do business in all jurisdictions where such qualification is necessary for Bank to carry out its obligations under this Agreement.

6.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Bank and is a valid and legally binding agreement of Bank duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Bank is required for, and the absence of which would materially adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Bank hereunder and the compliance by Bank with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; (ii) will not conflict with or result in a breach of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Bank is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Bank, nor will such execution, delivery or compliance violate or result in the violation of the Charter or By-Laws of Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

6.3 *Accuracy of Information.* All factual information furnished by Bank to Company in writing at any time pursuant to any requirement of, or furnished in response to any written request of Company under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Bank to Company will be true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information has or will be stated or certified.

6.4 *Compliance with Law.* Any action or inaction taken by Bank (where Bank has a duty to act) in connection with the Plan shall be in compliance with all Applicable Law, including, without limitation, all Consumer Laws, except where the failure to so comply does not or will not have a material adverse effect on the Bank, Company or the Plan.

6.5 *Intellectual Property Rights.* In the event Bank provides any software or hardware to Company, Bank has the legal right to such software or hardware and the right to permit Company to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Bank or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Company's request or to accommodate Company's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Bank and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Company or any third

party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Bank and/or its Affiliates.

SECTION 7. COVENANTS OF BANK

Bank hereby covenants and agrees as follows:

7.1 *Notices of Changes.* Bank will as soon as reasonably possible notify Company of any: (a) change in the name or form of business organization of Bank, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Bank or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Bank; or (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on the Plan. Bank will furnish such additional information with respect to any of the foregoing as Company may reasonably request for the purpose of evaluating the effect of such transaction on the financial condition and operations of Bank and on the Plan.

7.2 *Financial Statement.* Bank shall furnish to Company upon request by Company and as soon as available the following information pertaining to Bank: (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Bank's independent certified public accountants in connection with such of the financial statements as have been audited.

7.3 *Inspection.* (a) Bank will permit, once per Plan Year unless Company has reasonable cause to request more frequent access, authorized representatives designated by Company, at Company's expense, to visit and inspect, to the extent permitted by Applicable Law, any of Bank's books and records pertaining to the Discount Fees, the Account Enhancement Services commission revenues and expenses set forth in Section 2.9, any fees and charges other than the Discount Fees and Purchases and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

(b) Bank shall permit Company, once per Plan Year unless Company has reasonable cause to request more frequent access, during normal business hours and upon reasonable notice, and in a manner which does not disrupt the operations, to visit the offices at which services relating to the Plan are provided, to review and monitor the activities of Bank and its subcontractors with respect to the performance of services hereunder. Bank shall provide Company with a copy of any annual SAS 70 technical audits performed on the servicing of the Accounts by its outside auditors.

7.4 *Bank's Business.* Bank shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the issuance of credit by Bank.

7.5 *Insurance.* Bank shall maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other banks engaged in similar businesses as Bank.

SECTION 8. INDEMNIFICATION; CLAIMS AND ACTIONS

8.1 *Indemnification by Company.* Company hereby indemnifies Bank, its Affiliates and the directors, officers, employees and agents of Bank or any Affiliate of Bank (each, a "Related Party") against, and agrees to hold them harmless from, any and all losses, claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("Damages") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or

nonperformance of any covenant made by Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of Goods or rendering of Services by Company.

8.2 *Indemnification by Bank.* Bank hereby indemnifies Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by Bank under this Agreement.

8.3 *Third Party Claims.* (a) Bank shall not be liable to Company for or in connection with any claim made against Company by any other Person relating in any manner to this Agreement or to any services or any other transactions contemplated hereby (other than (i) claims based upon Bank's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Bank arising from this Agreement (other than claims based upon Company's or any of its Related Parties' negligence or willful misconduct), (iii) claims relating to acts or omissions of Bank and its agents in connection with the

collection of amounts owing from Cardholders and (iv) claims relating to the submission by Bank or its agents of data concerning Cardholders to credit agencies), even if Bank has been advised of the possibility of such claims.

(b) Company shall not be liable to Bank for or in connection with any claim made against Bank by any other Person relating in any manner to this Agreement or to any services or other transactions contemplated hereby (other than (i) claims based upon Company's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Company arising from this Agreement and (iii) claims relating to goods purchased from Company), even if Company has been advised of the possibility of such claims.

(c) Each party shall exert its good faith efforts to notify the other of any claims described in clauses (i) through (iv) of subsections (a) and (b) above of which such party receives notice.

8.4. *Dispute Resolution and Actions.* Bank and Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 8.4.

8.5. *Limitation on Actions.* No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than four (4) years after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

8.6. *Reimbursement for Losses.* If, as a result of any claim made by Bank against any third party (including, but not limited to, an insurer), Bank actually receives from such third party cash proceeds (or non-cash proceeds, whether in the form of goods or services) which represent, in whole or in part, compensation for or reimbursement of losses or costs actually incurred by Company, then Bank will hold that portion of such proceeds fairly allocable to Company (taking into consideration all losses or costs actually incurred by all parties for whose benefit such payments have been received) in trust on behalf of Company and will promptly pay over to Company such allocable amount of any such cash proceeds (or, as to non-cash proceeds, the allocable portion or, at the discretion of Bank, the cash equivalent thereof).

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8.7. *Survival.* The provisions of this Section 8 shall survive the termination of this Agreement.

SECTION 9. TERM AND TERMINATION

9.1 *Term.* This Agreement shall become effective as of the Effective Date when executed by authorized officers of each of the parties and shall remain in effect until August 31, 2009 (the "Initial Term") and shall automatically renew for successive one-year terms (each a "Renewal Term") thereafter unless either party provides the other with at least twelve (12) month's written notice of its intention to terminate the Agreement prior to the expiration of the Initial or then current Renewal Term, or unless otherwise terminated as provided herein.

9.2 *Termination with Cause by Bank; Bank Termination Events.* Any of the following conditions or events shall constitute a "Bank Termination Event" hereunder, and Bank may terminate this Agreement immediately without further action if Company causes such Bank Termination Event to occur and be continuing:

(a) If Company shall: (i) generally not pay its debts as they become due; (ii) file, or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Company to perform under this Agreement or the Plan; or (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Company, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Company, or if any petition for any such relief shall be filed against Company and such petition shall not be dismissed within sixty (60) days; or

(c) If Company shall default in the performance of or compliance with any material term or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Company shall not have remedied such default within thirty (30) days after written notice thereof shall have been received by Company from Bank.

9.3 *Termination with Cause by Company; Company Termination Events.* Any of the following conditions or events shall constitute a "Company Termination Event" hereunder, and Company may terminate this Agreement immediately without further action if Bank causes such Company Termination Event to occur and be continuing:

(a) If Bank shall: (i) generally not be paying its debts as they become due; (ii) file or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers for itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Bank to perform under this Agreement or the operation of the Plan; (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or (viii) have a materially adverse

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change in its financial condition, including, but not limited to Bank being downgraded by a rating agency to a rating below an investment grade rating; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Bank, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Bank, or if any petition for any such relief shall be filed against Bank and such petition shall not be dismissed within sixty (60) days; or

(c) If Bank shall default in the performance of or compliance with any material term (other than the Service Standards) or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Bank shall not have remedied such default within thirty (30) days (or within five (5) days in the case of failure to pay Company pursuant to Section 3.6(a)) after written notice thereof shall have been received by Bank from Company; or

(d) A Service Standards Termination Event shall have occurred.

9.4 *Termination of Particular State.* In addition, Bank may terminate the operation of the Plan in a particular state if the Applicable Law of the state or jurisdiction is amended or interpreted in such a manner so as to render all or any part of the Plan illegal or unenforceable, and in such event Bank will, if requested, assist Company with finding a new credit provider for such state. Bank will provide Company with as much advance notice of such termination as is reasonable under the circumstances.

9.5 *Termination for Competitive Reasons.* Company may terminate this Agreement upon not less than sixty (60) days' prior written notice to the Bank at any time after the first anniversary of the Effective Date if, based on the application of the matrix set forth in Schedule 1.1, the applicable Discount Rate exceeds the highest Discount Rate in such matrix and the costs to Company under this Agreement are substantially higher than the costs that would be incurred by Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; provided that Company shall not be entitled to terminate this Agreement pursuant to this Section 9.5 unless Company provides Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and Bank is entitled to submit a counter-proposal within thirty (30) days of receipt of such description. If Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in Bank's counter-proposal.

9.6 *Purchase of Accounts.* Upon termination of this Agreement, Company will have the option to purchase the then-outstanding Credit Card Account balances not previously written-off by Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to Bank, and will be provided with all related Account information and other Account data; provided that Company will be required to purchase such then-outstanding Credit Card Account balances on such terms if Company objects to any automatic extension of this Agreement pursuant to Section 9.1. All payments by Company pursuant to this Section 9.6 shall be made not later than one (1) Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by Bank to Company not less than two (2) Business Days prior to the payment date. Upon any termination of this Agreement, (i) Company (at its sole expense) shall notify all Cardholders that Bank is no longer the processor of their Credit Card accounts, and (ii) Company and Bank shall cooperate in facilitating the transition to a new processor.

9.7 *Remedies for Failure to Meet Service Standards.* (a) Each time a Service Event occurs, Bank shall: (i) promptly investigate the root cause(s) of the failure and deliver to Company a written report

identifying such root cause(s); (ii) use commercially reasonable efforts to correct the problem and to begin meeting such Service Standard as soon as practicable; (iii) provide to Company a schedule and plan for correction of the root cause(s) of the Service Events, and (iv) at Company's request, advise Company of the status of such corrective efforts.

(b) In the event more than three (3) Service Events occur during any calendar month, Bank will, in addition to those steps set forth in Section 9.7(a), arrange for a senior executive of Bank to meet with a senior executive of Company or Company's parent company's senior management to discuss the items delivered under Section 9.7(a).

(c) A "Service Standard Termination Event" shall occur in the event:

(i) a Service Event occurs for a specific Service Standard for three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if the same Base Level Service Standard is failed by Bank in the fourth consecutive month, Company may terminate this Agreement; or

(ii) a total of 10 Service Events occur during any three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if a total of 6 Service Events occur at anytime in the three (3) consecutive months following Company's notice to Bank, then Company may terminate this Agreement.

SECTION 10. MISCELLANEOUS

10.1 *Entire Agreement.* This Agreement constitutes the entire Agreement and supersedes all prior agreements and understandings, whether oral or written, among the parties hereto with respect to the subject matter hereof and merges all prior discussions between them, including without limitation the Credit Card Processing Agreement.

10.2 *Coordination of Public Statements.* Bank's parent company, Alliance Data Systems Corporation, as a public company, will issue a news release disclosing this Agreement between Bank and Company, such news release must be approved by both parties prior to its issuance. In all other cases, except as required by Applicable Law, neither party will make any public announcement of the Plan or provide any information concerning the Plan to any representative of

any news, trade or other media without the prior approval of the other party, which approval will not be unreasonably withheld. Neither party will respond to any inquiry from any public or governmental authority, except as required by law, concerning the Plan without prior consultation and coordination with the other party. Upon Bank's reasonable request from time to time, Company in its sole discretion may provide references or participate in marketing campaigns or testimonial initiatives for Bank regarding the services provided by Bank in connection with the Plan.

10.3 *Amendment.* Except as otherwise provided for in this Agreement, the provisions herein may be modified only upon the mutual agreement of the parties, however, no such modification shall be effective until reduced to writing and executed by both parties.

10.4 *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party which will not be unreasonably withheld. Notwithstanding the foregoing, (i) Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of Bank, provided that any such assignee of Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to Company, (ii) Company shall assign or otherwise transfer all of its rights and obligations under this Agreement

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(A) to the purchaser of all or substantially all of the assets of Company, or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to Company or any successor (whether by merger, consolidation or otherwise) thereto, and (iii) Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against Company for any reason whatsoever, and (B) Bank hereby indemnifies Company and its Affiliates against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser).

10.5 *Waiver.* No waiver of the provisions hereto shall be effective unless in writing and signed by the party to be charged with such waiver. No waiver shall be deemed to be a continuing waiver in respect of any subsequent breach or default either of similar or different nature unless expressly so stated in writing. No failure or delay on the part of either party in exercising any power or right under this Agreement shall be deemed to be a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise, or the exercise of any other power or right.

10.6 *Severability.* If any of the provisions or parts of the Agreement are determined to be illegal, invalid or unenforceable in any respect under any applicable statute or rule of law, such provisions or parts shall be deemed omitted without affecting any other provisions or parts of the Agreement which shall remain in full force and effect, unless the declaration of the illegality, invalidity or unenforceability of such provision or provisions substantially frustrates the continued performance by, or entitlement to benefits of, either party, in which case this Agreement may be terminated by the affected party, without penalty.

10.7 *Notices.* All communications and notices pursuant hereto to either party shall be in writing and addressed or delivered to it at its address shown below, or at such other address as may be designated by it by notice to the other party, and shall be deemed given when delivered by hand, or two (2) Business Days after being mailed (with postage prepaid) or when received by receipted courier service:

If to Bank:
800 TechCenter Drive
Gahanna, OH 43230
Attn.: Daniel T. Groomes, President

If to Company:
Three Limited Parkway
Columbus, OH 43230
Attn.: Lisa Klinger, Treasurer

With a Copy to:
Karen Morauski, VP & Counsel

With a Copy to:
Senior Vice President and
General Counsel
Limited Brands, Inc.
Three Limited Parkway
Columbus, OH 43230

10.8 *Captions and Cross-References.* The table of contents and various captions in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any Section are to such Section of this Agreement.

10.9 *GOVERNING LAW.* THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OHIO, REGARDLESS OF THE DICTATES OF OHIO CONFLICTS OF LAW, AND THE PARTIES HEREBY SUBMIT TO EXCLUSIVE JURISDICTION AND VENUE IN THE UNITED STATES FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO OR ANY OF THE STATE COURTS LOCATED IN FRANKLIN COUNTY, OHIO.

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10.10 *Counterparts.* This Agreement may be signed in one or more counterparts, all of which shall be taken together as one agreement.

10.11 *Force Majeure.* Neither party will be responsible for any failure or delay in performance of its obligations under this Agreement because of circumstances beyond its reasonable control, and not due to the fault or negligence of such party, including, but not limited to, acts of God, flood, criminal acts, fire, riot, computer viruses, computer hackers, accident, strikes or work stoppage, embargo, sabotage, inability to obtain material, equipment or phone lines, government action (including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement), and other causes whether or not of the same class or kind as specifically named above. In the event a party is unable to perform substantially for any of the reasons described in this Section, it will notify the other party promptly of its inability so to perform, and if the inability continues for at least ninety (90) consecutive days (fifteen (15) days in the cases of credit authorizations and processing of new Accounts), the party so notified may then terminate this Agreement forthwith. This provision shall not, however, release the party unable to perform from using its best efforts to avoid or remove such circumstance and such party unable to perform shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

10.12 *Relationship of Parties.* This Agreement does not constitute the parties as partners or joint venturers and neither party will so represent itself.

10.13 *Survival.* No termination of this Agreement shall in any way affect or impair the powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring prior to such termination. No powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring after termination shall survive termination except for the following Sections: Section 2.10, Section 2.11, Section 3.3, Section 3.5, Section 3.6, Section 3.8, Section 3.9, Section 3.10, Section 8, Section 9.5, Section 10.7, Section 10.9, Section 10.11, Section 10.17 and Section 10.18.

10.14 *Mutual Drafting.* This Agreement is the joint product of Bank and Company and each provision hereof has been subject to mutual consultation, negotiation and agreement of Bank and Company; therefore to the extent any language in this Agreement is determined to be ambiguous, it shall not be construed for or against any party based on the fact that either party controlled the drafting of the document.

10.15 *Independent Contractor.* The parties hereby declare and agree that Bank is engaged in an independent business, and shall perform its obligations under this Agreement as an independent contractor; that any of Bank's personnel performing the services hereunder are agents, employees, Affiliates, or subcontractors of Bank and are not agents, employees, Affiliates, or subcontractors of Company; that Bank has and hereby retains the right to exercise full control of and supervision over the performance of Bank's obligations hereunder and full control over the employment, direction, compensation and discharge of any and all of the Bank's agents, employees, Affiliates, or subcontractors, including compliance with workers' compensation, unemployment, disability insurance, social security, withholding and all other federal, state and local laws, rules and regulations governing such matters; that Bank shall be responsible for Bank's own acts and those of Bank's agents, employees, Affiliates, and subcontractors; and that except as expressly set forth in this Agreement, Bank does not undertake by this Agreement or otherwise to perform any obligation of Company, whether regulatory or contractual, or to assume any responsibility for Company's business or operations.

10.16 *No Third Party Beneficiaries.* The provisions of this Agreement are for the benefit of the parties hereto and not for any other person or entity.

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10.17 *Confidentiality.* (a) Neither party shall disclose any information not of a public nature concerning the business or properties of the other party which it learns as a result of negotiating or implementing this Agreement, including, without limitation, the terms and conditions of this Agreement, Customer names, Cardholder personal or Account information, sales volumes, test results, and results of marketing programs, Plan reports generated by Bank, trade secrets, business and financial information, source codes, business methods, procedures, know-how, computer software and computer systems (including software licensed from third parties) and other information of every kind that relates to the business of either party except to the extent disclosure is required by Applicable Law, is necessary for the performance of the disclosing party's obligation under this Agreement, or is agreed to in writing by the other party; provided that: (i) prior to disclosing any confidential information to any third party, the party making the disclosure shall give notice to the other party of the nature of such disclosure and of the fact that such disclosure will be made; and (ii) prior to filing a copy of this Agreement with any governmental authority or agency, the filing party will consult with the other party with respect to such filing and shall redact such portions of this Agreement which the other party requests be redacted, unless, in the filing party's reasonable judgment based on the advice of its counsel (which advice shall have been discussed with counsel of the other party), the filing party concludes that such request is inconsistent with the filing party's obligations under Applicable Laws. Neither party shall acquire any property or other right, claim or interest, including any patent right or copyright interest, in any of the systems, procedures, processes, equipment, computer programs and/or information of the other by virtue of this Agreement. Neither party shall use the other party's name for advertising or promotional purposes without such other party's written consent.

(b) The obligations of this Section, shall not apply to any information:

- (i) which is generally known to the trade or to the public at the time of such disclosure; or
- (ii) which becomes generally known to the trade or the public subsequent to the time of such disclosure; provided, however, that such general knowledge is not the result of a disclosure in violation of this Section; or
- (iii) which is obtained by a party from a source other than the other party, without breach of this Agreement or any other obligation of confidentiality or secrecy owed to such other party or any other person or organization; or
- (iv) which is independently conceived and developed by the disclosing party and proven by the disclosing party through tangible evidence not to have been developed as a result of a disclosure of information to the disclosing party, or any other person or organization which has entered into a confidential arrangement with the non-disclosing party.

(c) If any disclosure is made pursuant to the provisions of this Section, to any Affiliate or third party, the disclosing party shall be responsible for ensuring that such Affiliate or third party keeps all such information in confidence and that any third party executes a confidentiality agreement provided by the non-disclosing party. Each party covenants that at all times it shall have in place procedures designed to assure that each of its employees who is given access to the other party's confidential information shall protect the privacy of such information. Each party acknowledges that any breach of the confidentiality provisions of this Agreement by it will result in irreparable damage to the other party and therefore in addition to any other remedy that may be afforded by law any breach or threatened breach of the confidentiality provisions of this Agreement may be prohibited by restraining order, injunction or other equitable remedies of any court. The provisions of this Section will survive termination or expiration of this Agreement.

10.18 *Taxes.* Company will be responsible for, and agrees to pay, all sales, use, excise, and value-added taxes, or taxes of a similar nature (excluding personal property taxes and taxes based on Bank's income which shall be borne by Bank), imposed by the United States, any state or local government, or

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other taxing authority, on all goods and/or services provided by Bank under this Agreement. The parties agree to cooperate with each other to minimize any applicable sales, use, or similar tax and, in connection therewith, the parties shall provide each other with any relevant tax information as reasonably requested

\$	4.80	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.50%
\$	4.65	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.50%	1.50%	1.50%
\$	4.50	1.20%	1.30%	1.40%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$	4.35	1.40%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
\$	4.20	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.70%
\$	4.05	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.60%	1.80%	2.00%
\$	3.90	1.50%	1.50%	1.50%	1.50%	1.50%	1.70%	1.90%	2.10%	2.10%
\$	3.75	1.50%	1.50%	1.50%	1.60%	1.80%	2.00%	2.10%	2.10%	2.10%

Minimum ROA 2.0%
ROA over 4% share 50-50

**Schedule 2.1
Service Standards**

		<u>Base Level</u>	<u>Targeted Level</u>
Standard #1	The Bank will process mailed-in applications five days per week. The Bank will process % of such applications within five Business Days of receipt.	95%	98%
Standard #2	The Bank will process "instant" credit applications from 9:00am to 12:30am (Eastern time) Monday through Saturday and from 10:00am to 9:30pm (Eastern time) Sunday, excluding Holidays ("Normal Store Hours"). The Bank will process at least % of such applications within five minutes of receipt.	90%	92%
Standard #3	The Bank will issue % of new and replacement Credit Cards within four business days of embossing tape output.	95%	96%
Standard #4	The Bank will answer at least % of incoming Cardholder service calls within 20 seconds. Bank will provide Cardholder service from 9am-9pm(Eastern time) Monday-Saturday, excluding Holidays.	85%	86%
Standard #5	The Bank will not permit the abandoned call rate for Cardholder customer service calls to exceed % measured on a monthly basis.	2.0%	1.7%
Standard #6	The Bank will provide electronic authorization means to be available at least % of Normal Store Hours. Bank will also provide batch authorizations for catalog sales.	99.5%	99.6%
Standard #7	The Bank will post valid non-payment Transactions to the Cardholder's Account within 24 hours of receipt.	100%	100%
Standard #8	The Bank will bill and mail % of Account statements within four business days of the scheduled billing date.	97%	100%
Standard #9	The Bank will process at least % of payments within 24 hours of receipt. In the event any payment is not processed within 24 hours of receipt, such payment shall be backdated to the date of receipt.	96%	97%
Standard #10	The Bank will respond to at least % of mailed-in Cardholder inquiries within seven business days of receipt.	90%	97%
Standard #11	The Bank will provide "Quick Credit" during % of Normal Store Hours.	95%	98%

Service Standards will be calculated and reported in a manner that is consistent with prior practices. Holidays shall mean New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Targeted Levels:

Any failure to meet the Targeted Level for Service Standards will be reported on the monthly Service Standards report. Failure to meet the same Targeted Level for a single Service Standard for more than two consecutive months, will result in Bank taking the actions set forth in the chart below, provided that such failure to meet the Targeted Level was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

<u>Failure to Meet Targeted Level</u>	<u>3rd Consecutive Month</u>	<u>4th Consecutive Month</u>	<u>5th Consecutive Month</u>	<u>6th Consecutive Month and Each Consecutive Month Thereafter</u>

Actions to be taken by Bank following consecutive month failure to attain Targeted Level	Letter to Company's CEO	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.
Penalty to be Paid by Bank to Company	None	\$5,000	\$10,000	\$20,000

Base Levels:

Failure to meet a Base Level will be reported on the monthly service standards report and may trigger a Service Standard Termination Event as set forth in Section 9.7.

**Schedule 2.7
Credit Standards**

The new Account cut-off score is based upon the projected sixty (60) month profitability of Accounts within each score range. Account profitability is based upon projected Discount Fees (the current fee percentage), finance charge income, variable billing expenses and write-offs. The projections are derived from actual results to date using historical trends. The cut-off score is established at the score range where Bank's profit for the score range equals zero.

**Schedule 2.8
Master File Information**

Account Number
Month Account Opened
Year Account Opened
Store Account Opened
Cardholder Name
Cardholder's Street Address
Cardholder's City
Cardholder's State
Cardholder's Zip Code
Cardholder's Home Phone Number
Date of Last Purchase
Cardholder's Open to Buy
Number of Purchases Monthly
Amount of Purchases Monthly, YTD
Number of Returns Monthly
Amount of Returns Monthly
Date of Birth
Items Purchased

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PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

BETWEEN

WORLD FINANCIAL NETWORK NATIONAL BANK

AND

STRUCTURE, INC.

AND

MOUNTAIN FACTORING, INC.

DATED AS OF AUGUST 29, 2002

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PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

THIS PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT is made as of this 29th day of August, 2002 (the "Effective Date") by and between Structure, Inc., a Delaware corporation, with its principal office at One Limited Parkway, Columbus, Ohio 43230, (hereinafter referred to as "Division"), Mountain Factoring, Inc., a Nevada corporation, with its principal office at 4441 South Polaris Avenue, Las Vegas, Nevada 89103, a Nevada corporation

("Factoring") (the Division and Factoring being collectively referred to herein as "Company") and WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association, with its principal office at 800 TechCenter Drive, Gahanna, Ohio 43230, (hereinafter referred to as "Bank").

WITNESSETH:

WHEREAS the Bank, Division and Factoring entered a certain Credit Card Processing Agreement, effective as of January 31, 1996 (the "Credit Card Processing Agreement"), to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Division's retail or catalogue business, which allows the customers of the Division to purchase goods from the Division using funds advanced by the Bank; and

WHEREAS the parties to this Agreement wish to terminate the Credit Card Processing Agreement as of the Effective Date and enter into this Private Label Credit Card Program Agreement, the terms of which shall supersede and replace the Credit Card Processing Agreement; and

NOW THEREFORE, in consideration of the terms and conditions hereof, and for other good and valuable consideration, the receipt of which is hereby mutually acknowledged by the parties, Bank and Company agree as follows.

SECTION 1. DEFINITIONS

1.1 *Certain Definitions.* As used herein and unless otherwise required by the context, the following terms shall have the following respective meanings.

"Account" shall mean an individual open-end revolving line of credit established by Bank for a Customer pursuant to the terms of a Credit Card Agreement, including without limitation, each of the Existing Accounts.

"Affiliate" shall mean with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing. In addition, (i) Aura Science, LLC (and its successors by way of change of organizational form) and (ii) any other similar joint venture or Person (of which Company notifies Bank in writing) formed for the purposes of pursuing a joint venture with Limited Brands, Inc. or any Affiliate (as otherwise defined above) of Limited Brands, Inc. shall be deemed an Affiliate of Company for all purposes (other than for the purposes of Section 3.11 hereof) so long as Limited Brands, Inc. and its Affiliates (as otherwise defined above) possess the power to elect not less than 25% of the whole number of the board of directors of such entity or own not less than 25% of the assets or equity thereof. Company and Bank shall not be deemed to be Affiliates for purposes of this Agreement.

"Agreement" shall mean this Private Label Credit Card Program Agreement and any future amendments or supplements thereto.

"Applicable Law" shall mean any applicable federal, state or local law, rule, or regulation.

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"Applicant" shall mean an individual who is a Customer of Company who applies for an Account under the Plan.

"Authorized User" shall mean an individual authorized by the primary Cardholder(s) to use an Account and as established in accordance with the Operating Procedures.

"Batch Prescreen Application" shall mean a process where Bank's offer of credit is made to certain Customers prequalified by Bank, in a batch mode typically within a catalog environment.

"Business Day" shall mean any day, except Saturday, Sunday or a day on which banks in Ohio are required to be closed.

"Cardholder" shall mean any natural person to whom an Account has been issued by Bank and/or any Authorized User of the Account.

"Charge Slip" shall mean a sales receipt, register receipt tape, invoice or other documentation, whether in hard copy or electronic form, in each case evidencing a Purchase that is to be charged to a Cardholder's Account.

"Company Deposit Account" shall mean a deposit account maintained by Company as set forth in Section 3.6 (a).

"Company's Stores" shall mean those certain retail locations selling Goods and/or Services, which are owned and operated by Company.

"Consumer Laws" shall mean all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws.

"Credit Card" shall mean the plastic credit card bearing one or more of the Marks issued by Bank to Cardholders for purchasing Goods and Services pursuant to the Plan.

"Credit Card Agreement" shall mean the open-end revolving credit agreement between a Cardholder and Bank governing the Account and Cardholder's use of the Credit Card, together with any modifications or amendments which may be made to such agreement as permitted in this Agreement.

"Credit Card Processing Agreement" shall have the meaning set forth in the first recital.

"Credit Sales Day" shall mean any day, whether or not a Business Day, on which Goods and/or Services are sold by Company.

"Credit Slip" shall mean a sales credit receipt or other documentation, whether in hard copy or electronic form, evidencing a return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder.

"Customer" shall mean any individual consumer who is a customer or potential customer of Company.

"Deferred Billing Programs" shall mean any special Cardholder payment terms mutually agreed to by Bank and Company for certain Purchases, including without limitation deferred finance charges and deferred payments and subject to any terms and conditions set forth in writing by Bank.

"Discount Fee" shall mean an amount to be charged by Bank equal to Net Sales multiplied by the Discount Rate. Notwithstanding the foregoing, Bank shall not include taxes for Purchases (and correspondingly Net Sales) when calculating the Discount Fee for Purchases made on or before July 31, 2002.

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"Discount Rate" shall have the meaning set forth in Schedule 1.1.

"Effective Date" shall mean the date set forth in the first paragraph on page one of this Agreement.

"Existing Accounts" shall mean all of the Accounts in existence as of the Effective Date opened under and/or subject to the Plan provided by Bank pursuant to the Credit Card Processing Agreement.

"Forms" shall have the meaning set forth in Section 2.4.

"Goods and/or Services" shall mean those goods and/or services sold at retail by Company to the general public through stores, catalog, the Internet or any other method mutually agreed upon by the Company and Bank, where such goods and/or services are intended by Company for individual, personal, family or household use.

"Initial Term" shall have the meaning set forth in Section 9.1.

"Instant Credit Application" shall mean an in store or catalog application procedure designed to open Accounts at point of sale or order entry whereby an application for credit is communicated to Bank either verbally at point of sale or systemically during the catalog order entry process according to the Operating Procedures.

"Mark" shall mean a trademark or service mark owned by or licensed to Company and designated by Company to Bank for use in connection with the Plan.

"Name Rights" shall have the meaning set forth in Section 2.10.

"Net Proceeds" shall mean Purchases less: (i) credits to Accounts for the return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder, all as shown in the Transaction Records (as corrected by Bank in the event of any computational error), calculated each Business Day; (ii) payments from Cardholders received by Company from Cardholders on Bank's behalf; and (iii) any applicable Discount Fees in effect on the date of calculation. Notwithstanding the foregoing, if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, the credits payable to Bank pursuant to clause (i) above and the payments received by Company in clause (ii) above shall no longer be netted against the Net Proceeds payable by Bank pursuant to Section 3.6 but instead Company shall transfer the amount of each credit and payment to Bank by ACH of immediately available funds not later than the second Business Day following the date on which the events giving rise to such credit or payment occur (and the Net Proceeds payable by the Bank pursuant to Section 3.6 shall be made without deduction for such credits or payments).

"Net Sales" shall mean Purchases less shipping and handling and less credits or refunds for Goods and/or Services, all as shown in the Transaction Records received by the Bank each Business Day (as corrected by Bank in the event of any computational error), and calculated each Business Day.

"On-Line Prescreen" shall mean a process where a pre-screened offer of credit is made to credit-worthy Customers in a real-time pre-approved process according to Bank's Operating Procedures. The process utilizes traditional order entry data elements to build Customer records. The Customer records are pre-screened by a credit bureau using Bank's established criteria to determine if an offer of credit is appropriate. Customer records passing the Bank's pre-screening credit criteria are returned to the point of order entry where the pre-approved offer to open an Account is made. Records not passing the credit criteria are not returned and no offer is made.

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"Operating Procedures" shall mean Bank's Company's catalog procedures, Company Store's procedures, Internet or e-commerce procedures and any amendments to the same or additional or different procedures which satisfy the requirements of Section 2.3, to be followed by Company in connection with the Plan.

"Person" shall mean an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" shall mean the private label credit card program established and administered by Bank for Customers of Company by virtue of this Agreement.

"Plan Year" shall mean each consecutive twelve (12) month period commencing on the Effective Date and each anniversary thereof.

"Purchase" shall mean a purchase of Goods and/or Services, including without limitation all applicable taxes and shipping costs, with a specific extension of credit by Bank to a Cardholder using an Account as provided for under this Agreement.

"Quick Credit" shall mean an in-store application procedure designed to open Accounts as expeditiously as possible at point of sale, whereby an application for an Account is processed without a paper application being completed by an Applicant. An Applicant's credit card (Visa, MasterCard, American Express, Discover or other Bank approved private label card) is electronically read by a terminal that captures the Applicant's name and credit card account number. Other data shall be entered into that same terminal by the Company's Store associate as specified in the Operating Procedures. This data is used by Bank to request a credit bureau report and make a decision whether to approve or decline the Applicant.

"Regular Revolving Purchases" shall mean Purchases which are not subject to any Deferred Billing Programs or Equal Payment Purchases.

"Renewal Term" shall have the meaning set forth in Section 9.1.

"Season" shall mean (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January. For the purposes hereof, a "fiscal month" is a monthly period defined by Company in writing to Bank from time to time to coincide with Company's fiscal calendar.

"Service Event" shall mean a failure by Bank to meet a Base Level (as identified in Schedule 2.1) for a single Service Standard during one calendar month; provided that such failure was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

"Service Standard" shall mean the performance or quantitative levels of performance set forth in Schedule 2.1.

"Service Standards Termination Event" shall have the meaning given in Section 9.7.

"Statemented Account" shall mean each Account for which a billing statement is generated within a particular billing cycle.

"Term" shall mean the Initial Term and any Renewal Terms.

"Transaction Record" shall mean, with respect to each Purchase of Goods or Services by a Cardholder from Company, each credit or return applicable to a Purchase of Goods or Services, and each payment received by Company from a Cardholder on Bank's behalf: (a) the Charge Slip

or Credit Slip corresponding to the Purchase, credit or return; or (b) a computer readable tape/cartridge or electronic transmission containing the following information: the Account number of the Cardholder, the Company's Store number at which the Purchase, credit or return was made, the total of (i) the Purchase price of Goods or Services purchased or amount of the credit, as applicable, plus (ii) the date of the transaction, a description of the Goods or Services purchased, credited or returned and the authorization code, if any, obtained by Company's Store prior to completing the transaction; or (c) electronic record whereby Company's Store electronically transmits the information described in subsection (b) hereof to a network provider (selected by Company at its expense), which in turn transmits such information to Bank by a computer tape/cartridge or electronic tape or transmission.

1.2 *Other Definitions.* As used herein, terms defined in the introductory paragraph hereof and in other sections of this Agreement shall have such respective defined meanings. Defined terms stated in the singular shall include reference to the plural and vice versa.

SECTION 2. THE PLAN

2.1 *Establishment and Operation of the Plan.* (a) The Plan is established for the primary purpose of providing Customer financing for Goods and Services purchased from Company. Qualified Applicants desiring to use the Plan shall be granted an Account by Bank with a credit line in an amount to be determined by Bank in its discretion for each individual Applicant. Subject to Section 3.6 (d), Bank shall determine the terms and conditions of the Account to be contained in a Credit Card Agreement, which Credit Card Agreement shall be subject to change upon notice given by Bank to the Cardholders in accordance with Applicable Law. All Existing Accounts are deemed provided under the Plan.

(b) Bank shall operate the Plan in accordance with the Service Standards set forth in Schedule 2.1, as such performance standards may be modified from time to time at the reasonable request of Bank or Company and with the consent of the other party. Within fifteen (15) days after the end of each calendar month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards.

(c) Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

(d) Not later than one hundred and twenty (120) days following the Effective Date, Bank will design a Cardholder satisfaction survey process to be administered in accordance with the procedures already in place at the Bank, at a cost comparable to its existing cost. This survey should be an on-going, real-time process by which Bank and Company can measure Cardholder satisfaction. Bank will solicit Company's review and approval of the methodology used to analyze and assess the results of the survey (such approval not to be unreasonably withheld or delayed) and will provide the raw and analyzed survey results to Company. The results will be presented in a mutually agreed format. Bank will deliver Cardholder satisfaction survey results to Company on a quarterly basis and will on a monthly basis discuss the trends based on the prior month's results.

(e) From time to time during the Term, Company may request that Bank provide to Company new products, services or technology in connection with the Plan, identified by Company, which are then commercially available from the top tier of well-managed private label credit card services vendors ("Competitive Vendors") and offered generally to such Competitive Vendors' clients and potential clients. Bank will exert its good faith reasonable efforts to provide such services on terms reasonably competitive to those offered in the marketplace by Competitive Vendors.

2.2 *Applications for Credit Under the Plan; Billing Statements.* (a) Applicants who wish to apply for an Account under the Plan must submit a completed application on a form or in an electronic format approved by Bank, and Bank shall grant or deny the request for credit based solely upon Bank's credit criteria as specified in Section 2.7. Company shall provide a copy of the Credit Card Agreement to the Applicant to be retained for the Applicant's records. The application shall be submitted to Bank by the Applicant or submitted by Company on behalf of the Applicant, as required in the Operating Procedures. If Bank grants the request for an Account, Bank will issue a Credit Card to the Applicant which accesses an individual line of credit in an amount determined by Bank.

(b) Bank shall make available to Company and Company shall utilize primarily a Quick Credit application procedure. Bank shall also make available to Company and Company may elect to utilize in its discretion, Instant Credit, pre-approved solicitations, Batch Prescreen and On-Line Prescreen application procedures as mutually agreed upon.

(c) Subject to Section 2.8, Company agrees that it will keep confidential the information on such applications and shall not disclose the information to anyone other than authorized representatives of Bank.

(d) All Cardholders will receive from Bank a periodic statement (the "Billing Statement") listing the amounts of Purchases made and credits received and other information as required by Applicable Law or deemed desirable by Bank. Company may if desired put text messages on the statements as approved by Bank.

(e) Bank shall make available to Company Internet application procedures and Charge Slip processing. In such event, Company shall be responsible for integrating and maintaining on its website at its sole expense a link to the Bank's Internet application processing website. The parties shall work together on implementing such links from the Bank's Internet application processing website back to Company's Internet site. Bank shall take reasonable efforts to ensure that navigation back to Company's Internet site from the Bank's Internet application processing website, whether through a particular pointer or link, the "back" button on an Internet browser, the closing of an active window, or any other return mechanism, shall not be interrupted by Bank through the use of any intermediate screen or other device not specifically requested by the user, including without limitation through the use of any html pop-up window or any other similar device.

2.3 *Operating Procedures.* Company shall observe and comply with the Operating Procedures. Company shall ensure that Company's Stores personnel are trained regarding the Operating Procedures and shall ensure their compliance with them. The Operating Procedures may be supplemented, amended or modified by Bank from time to time in its reasonable discretion; provided, however, a copy of any such supplement, amendment or modification shall be provided to Company at least ninety (90) days before its effective date (the "Notice Date") unless otherwise required by Applicable Law, and for those changes required by Applicable Law, notice shall be given as soon as practicable. For changes that are (A) required by Applicable Law, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices (both (A) and (B) being referred to herein as the "Required Changes"), where Bank implements such Required Changes with all of its other clients that are also affected by such change in Applicable Law or operate in circumstances similarly requiring changes from the standpoint of safe and sound banking practices, Bank shall identify the changes as Required Changes in the notice to Company. Unless such change is a Required Change, Company shall have the right within thirty (30) days after the Notice Date to object to such change and the parties' representatives will promptly thereafter meet to discuss such change in good faith in order to agree upon such change or a mutually agreeable alternative to such change. In the event the parties are unable to agree upon such change or an alternative within sixty (60) days after the Notice Date, then a senior executive from both Company and Bank shall meet to negotiate in good faith in order to agree upon such change or a mutually agreeable alternative to such change. If the parties' senior

executives are unable to mutually agree within ninety (90) days after the Notice Date, then Bank shall have the right to implement the initially proposed change so long as (i) Bank implements such change with all or substantially all of its other similar clients, (ii) such change does not change the chargebacks section of the Operating Procedures, and (iii) such change does not impose a material adverse financial or operational burden on Company.

2.4 *Plan Documents.* Subject to and in compliance with the requirements of Applicable Law, Bank shall solely author any content, format or other aspect of the Credit Card Agreement, application, Credit Card, card mailer, letters, and other documents and forms and billing statements (collectively, "Forms") to be used under the Plan which (i) relate to the Plan, (ii) relate to the Bank's or the Cardholder's rights or obligations under the Account, or (iii) are required by Applicable Law. Bank and Company shall jointly design all other aspects of the Forms (except for Cardholder letters and other documents and forms used by Bank in maintaining and servicing the Accounts, which Bank shall solely design), subject to and in compliance with the requirements of Applicable Law. Bank will provide Company with copies of the template of any Forms which are to be provided by Bank in a mass mailing or distribution to all Cardholders as a whole or to all Cardholders in a particular state. Bank shall provide at Bank's expense consistent with Bank's standard costs for such documents (any excess costs due to Company's special requests for non-standard documents shall be borne by Company) appropriate quantities of the Credit Card Agreements, Credit Card plastics, card mailer and billing statements. Bank shall notify Company in advance if any form is not consistent with Bank's standard costs and will provide Company with a written estimate of the excess costs to be borne by Company for such form. Company shall pay the costs of all other Plan documentation including, without limitation, applications, promotional material (i.e. collateral), pre-approved solicitations, Instant and Quick Credit contracts and special offers, reissued Credit Card plastics, including but not limited to embossing and encoding, card carriers, envelopes, Credit Card Agreements and postage related to any reissuances requested by Company for any reissuance of Credit Cards to Cardholders (other than replacements made by Bank from time to time at a Cardholder's request on an individual basis). Bank shall have the right to review and approve all materials prepared by Company (or an Affiliate or third party) that refer in any way to the Plan, such approval not to be unreasonably withheld or delayed. In the event any Forms become obsolete as a result of changes requested by Company, Company shall reimburse Bank for the direct costs associated with any unused obsolete Forms. Company shall pay the actual and direct costs associated with any Forms changes or Cardholder notices required as a result of any additions or deletions of Company honored credit cards requested by Company pursuant to Section 3.1. Only one design shall be used for each form.

2.5 *Marketing.* Company agrees to use its reasonable efforts to promote the use of Credit Cards for Purchases and to acquire new Cardholders through such methods mutually agreed upon by Bank and Company. Company agrees to use reasonable marketing efforts to support the Plan. Company and Bank shall annually agree upon a minimum target number of Applicants to be sourced by Company. Bank and Company will jointly agree upon programs to market the Plan, both initially and on a continuing basis. When using any trademarks, logos, service marks or tradenames of the other party, each party will comply with all written guidelines provided to it by the other party related to use of the other party's marks.

2.6 *Administration of Accounts.* Bank shall perform, at its expense and in compliance with Applicable Law, all functions necessary to administer and service the Accounts, including but not limited to: making all necessary credit investigations; notifying Applicants in writing of acceptance or rejection of credit under the Plan; preparing and mailing billing statements; making collections; handling Cardholder inquiries; and processing payments. The Bank is solely responsible for determining the requirements, the method, and the content of any notices to Cardholders required by Applicable Law.

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2.7 *Credit Decision.* The decision to extend credit to any Applicant under the Plan shall be Bank's decision. Bank will work in good faith with Company to develop business strategies with respect to the issuance of Credit Cards which are intended to maximize the potential of the Plan, and which are mutually beneficial to Bank and Company. Company may from time to time request Bank to consider offering certain types of special credit programs. Bank shall reasonably consider Company's requests and negotiate with Company in good faith. However, Bank shall, in its sole discretion, subject to Applicable Laws and safety and soundness considerations, determine whether or not to offer any of such programs. In the event Bank agrees to any special credit program, Bank and Company shall mutually agree upon any special terms and fees associated with the program. Notwithstanding the foregoing, (i) the credit standards established by Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Plan shall be consistent with past practices (as described in Schedule 2.7), with such changes as shall be (A) approved by Company in its reasonable discretion, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices. Bank shall conduct, at least once during each Plan Year, a meeting with Company to review the credit standards being applied by Bank in reaching its credit decisions.

2.8 *Ownership of and Rights in Information.* (a) Bank shall provide to Company free of charge from time to time (generally no more frequently than monthly) at Company's request master file tapes initially containing the information set forth on Schedule 2.8 for Company to the extent such information is available to Bank, and any other information agreed to by Bank and Company (collectively, the "Master File Information"), to the extent permitted by Applicable Law, which Company may use solely in connection with maintaining and servicing the Accounts and for the purpose of marketing goods and services to the Cardholders, as permitted by Applicable Law. The Master File Information may include, at Company's request, the information set forth on Schedule 2.8 for Affiliates of Company, to the extent permitted by Applicable Law.

(b) To the extent permitted by Applicable Law and without undue burden, cost or expense to Bank, Bank intends and will exert its diligent good faith efforts to maintain during the Term a privacy policy, which will permit Bank to allow Company to use the Master File Information for purposes in addition to those set forth in Section 2.8(a) above (the "Additional Purposes") and to share such information with third parties for the Additional Purposes subject to Cardholder opt out and Applicable Law. To the extent permitted by and in accordance with Applicable Law and subject to Cardholder opt out, Company may so provide the Master File Information to third parties for the Additional Purposes and/or use such information for the Additional Purposes.

(c) The Bank is the owner of all information relating to the Cardholders (including names and addresses) as collected by or on behalf of Bank or as set forth in Bank's records, the Accounts and the Credit Cards, the copyright to all written material contained in any Credit Card Agreements, applications, billing statements and other Forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; provided, however, that Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of Company, (ii) persons who, in the sole judgment of Limited Brands, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates, (iii) in the case of disclosure, credit agencies, (iv) as otherwise permitted by this Agreement, and (v) as required by Applicable Law.

(d) The Transaction Records (except for any Account payment information received by Company on Bank's behalf) are the sole property of Company. Bank may use the Transaction Records solely for the purposes permitted by this Agreement (provided that this limitation shall not limit Bank's rights with respect to any Account information). Account payment information received by Company on Bank's behalf shall be the sole property of Bank, provided that Company may use such information solely for the purposes permitted by this Agreement.

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(e) Company is the owner of the names and addresses of Customers, as set forth in Company's records and collected by Company from a source other than Bank. Upon request of Bank and consent of Company, not to be unreasonably withheld, Company shall make the names and addresses of Customers available to Bank, as permitted by Applicable Law, during the Term of this Agreement to be used only for purposes of solicitation of such Customers to become Cardholders of Bank and in connection with the administration of the Plan in accordance with the terms of this Agreement. Names, addresses and other information of Customers obtained by Company from the Customer (and not on Bank's behalf) in connection with point-of-sale, mail order, telephone, internet or other sale (regardless of whether the Customer makes payment for such sale through the use of a Credit Card) are "collected by Company from a source other than Bank".

(f) For the avoidance of doubt, the parties acknowledge that the items of information allocated to each party in this Section 2.8 may overlap, and that each party may independently possess and own the same specific items of information, such as but not limited to, names and addresses of persons who are both Customers and Cardholders. The allocation of ownership of a class of information to one party in this Section 2.8 is not inconsistent with ownership by the other party of the same items of information if so allocated in this Section 2.8.

2.9 *Insurance and Account Enhancement Services.* (a) Bank and Company agree that Bank will exclusively make available to Cardholders various types of insurance products, the premiums for which are based on the Cardholder's account balance, ("Insurance Products") offered by Bank and/or its vendors or Affiliates. Such products shall include credit life, debt cancellation, accidental death and disability and unemployment insurance. The solicitations and offerings shall not contain Company's endorsement. Bank may make at least two (2) and no more than four (4) offers per Plan Year or two (2) times per Season at its expense. The monthly charges for Insurance Products shall be charged to the applicable Cardholder's Account.

(b) Bank and Company agree that Bank may make available to Cardholders various types of other insurance, products and services ("Account Enhancement Services") at its expense through solicitations made in connection with their Accounts, subject to Company's approval as provided in Section 2.9(d). Such Account Enhancement Services may include but are not limited to insurance of types not listed in Section 2.9(a), travel clubs, legal services, card registration programs and merchandise products. Such Account Enhancement Services will be offered through various direct marketing channels including but not limited to direct mail, telemarketing, statement inserts, statement messaging, call transfer and IVR. The charges for the products and services will be billed to the applicable Cardholder's Account when appropriate. The solicitations and offerings shall not contain Company's endorsement.

(c) Company shall receive from Bank fifty percent (50%) of the net profit (Bank's revenues from commissions and other incentives from the vendor minus Bank's total expenses) generated by Account Enhancement Services, payment to be made on a monthly basis, together with a statement setting forth the revenues, expenses and profits in reasonable detail.

(d) Each and every Account Enhancement Service and the related advertising materials shall be subject to the prior approval of Company, which approval shall not be unreasonably withheld or delayed (it being understood that Company may withhold such approval if it determines in its reasonable discretion that the advertising of such products or services is inconsistent with the image of Company's business). With ninety (90) days prior written notice to Bank, Company may reasonably withdraw its approval for an Account Enhancement Service.

2.10 *Ownership of Company Name.* Anything in this Agreement to the contrary notwithstanding, Company shall retain all rights in and to Company's name and the name selected by Company for use on the Credit Card and all trademarks, service marks and other rights pertaining to such names (collectively, the "Name Rights") and all goodwill associated with the use of the Name Rights whether

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under this Agreement or otherwise shall inure to the benefit of the Company. Company shall have the right, in its sole and absolute discretion, to prohibit the use of any of its Name Rights in any Forms, advertisements or other materials proposed to be used by Bank which Company in its reasonable business judgment deems objectionable, improper or undesirable. However, no use, which use is consistent with this Agreement, of the name selected by Company for use on the Credit Card and in the Forms for the purpose of identifying the Accounts in connection with maintaining and servicing such Accounts will be deemed objectionable, improper or undesirable by Company. Bank shall cease all use of the Name Rights upon the termination of this Agreement for any reason unless Bank retains the Accounts after termination of the Agreement, in which case Bank may use the Name Rights solely in connection with the administration and collection of the balance due on the Accounts. Provided, however, that Company grants Bank the right to use Company's Name Rights on a case by case basis and with thirty (30) days advance notice of each category of use in connection with Bank and its Affiliates' product marketing and promotional materials and literature in written and electronic form and their business client lists until such time as this Agreement is terminated or Company chooses to revoke this right for any or all product marketing, promotional materials, literature or client list purposes. All uses of Company's Name Rights are subject to the terms and conditions of this Agreement, including this Section 2.10 and Section 2.5.

2.11 *Payment of Fees Other than Discount Fees.* Bank will invoice Company monthly in arrears for all fees or charges other than Discount Fees properly imposed by Bank pursuant to this Agreement. All such amounts payable by Company under this Section 2.11 shall be paid within thirty (30) days after receipt of the Bank's invoice for such amounts.

SECTION 3. OPERATION OF THE PLAN

3.1 *Honoring Credit Cards.* Company agrees that Company and Company's Stores will honor any Credit Card, and to the extent permitted by Applicable Law Bank will permit Company, at Company's option, to honor other credit cards for Company's Affiliates issued by Bank provided that Company will provide Bank with at least thirty (30) days advance written notice of its intent to honor such other credit cards, (and the Authorized Users of such Credit Cards) properly issued and currently authorized by Bank. In addition, if mutually agreed by Bank and Company, Company agrees that Company and Company's Stores will honor any credit card for Company's former Affiliates issued by Bank (and the Authorized Users of such credit cards) properly issued and currently authorized by Bank. Company agrees that it shall deliver to Bank all Transaction Records evidencing transactions made under the Plan, in accordance with the provisions of this Agreement and the Operating Procedures.

3.2 *Additional Operating Procedures.* In addition to the procedures, instructions and practices contained in the Operating Procedures, Company agrees that Company will comply with the following procedures:

(a) In each Credit Card transaction Company must obtain all the information contained in clause (b) of the definition of Transaction Record. The date which appears on the Charge Slip or Credit Slip will be prima facie evidence of the transaction date, and Company shall be required to transmit all Transaction Records relating to such Charge Slip and/or Credit Slip so that Bank receives such Transaction Records no later than the second Business Day after the transaction date; provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. The "Cardholder Copy" of each Charge Slip shall be delivered to the Cardholder at the time of the transaction if the Cardholder is in the store.

(b) All Charge Slips will evidence the total price of the sale minus any cash down payment. Company shall retain the "Merchant Copy" of all Company generated Charge and Credit Slips for

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each transaction for a period of six (6) months from the date of presentation to Bank or in the case of Deferred Billing Programs, six (6) months from the end of the applicable Deferred Billing Program.

(c) Company will maintain a fair policy for the exchange and return of Goods and adjustment for Services rendered and for that purpose will give credit to Accounts upon such exchange, return or adjustment. Company will not make cash refunds to Cardholders on Credit Card Purchases. If any Goods are returned, price adjustment is allowed, or debt for Services is adjusted, Company will notify the Bank and provide appropriate documentation thereof to the Cardholder. Upon receipt of Transaction Records reflecting a credit to which there has been a corresponding debit, Bank will net against amounts payable by Bank to Company the total shown on the Credit Slip, and credit the Cardholder's Account in the amount of such Credit Slip. If on any day the total amount of the Net Proceeds is a negative amount, Company shall remit the difference to Bank immediately upon written demand.

(d) Company's Stores shall not, when the Cardholder is present in the store, accept a transaction to be charged to an Account without either: presentation of a Credit Card and following any additional identification outlined in the Operating Procedures; or following such proper identification procedures for transactions where a Credit Card is not presented as outlined in the Operating Procedures.

3.3 *Cardholder Disputes Regarding Goods or Services.* Company shall act promptly to investigate and work to resolve disputes with Cardholders regarding Goods or Services obtained through Company pursuant to the Plan. Company shall timely process credits or refunds for Cardholders utilizing the Plan.

3.4 *No Special Agreements.* Company will not extract any special agreement, condition or security from Cardholders in connection with their use of a Credit Card, unless approved in advance by Bank in writing.

3.5 *Cardholder Disputes Regarding Violations of Law or Regulation.* Company shall assist Bank in further investigating and using its reasonable efforts to help resolve any Applicant or Cardholder claim, dispute, or defense which may be asserted under Applicable Law.

3.6 *Payment to Company; Ownership of Accounts; Fees; Accounting.* (a) Company shall electronically transmit all Transaction Records from Company to Bank in a format acceptable to Bank. Upon receipt, Bank shall use commercially reasonable efforts to promptly verify and process such Transaction Records, and in the time frames specified herein, Bank will remit to Company an amount equal to the Net Proceeds indicated by such Transaction Records for the Credit Sales Day(s) for which such remittance is made. In the event Bank discovers any discrepancies in the amount of Transaction Records submitted by Company or paid by Bank to Company, Bank shall notify Company in detail of the discrepancy, and credit Company, or net against amounts owed to Company, as the case may be, in a subsequent daily settlement. Bank will transfer funds via Automated Clearing House ("ACH") to an account designated in writing by Company to Bank (the "Company Deposit Account"). From the Effective Date through January 31, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer on the next Business Day thereafter and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the second Business Day thereafter. Commencing on February 1, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer the same day and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the following Business Day. Bank shall remit funds to one Company designated account and shall not remit funds to individual Company Stores. The term "initiate" shall mean that Bank shall transmit an ACH file to Bank's financial institution for settlement on the next Business Day.

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(b) Bank shall own all the Accounts under the Plan from the time of establishment, and except as otherwise provided herein, Company shall not have any right to any indebtedness on an Account or to any Account payment from a Cardholder arising out of or in connection with any Purchases under the Plan. Effective upon payment to Company by Bank pursuant to Section 3.6(a), with respect to each Charge Slip Company shall be deemed to have transferred, conveyed, assigned and surrendered to Bank all right, title or interest in all such Charge Slips and in all other rights and writings evidencing such Purchases, if any.

(c) All Transaction Records are subject to review and acceptance by Bank. In the event of a computational or similar error of an accounting or record keeping nature with respect to such Transaction Records, Bank may credit to the Company's Deposit Account or net against the Net Proceeds (as the case may be) the proper amount as corrected. If the Net Proceeds are insufficient, Company shall remit the proper amount to Bank immediately upon written demand. Upon any such correction Bank shall give prompt notice and explanation thereof to Company.

(d) Bank may make any changes in the terms of the Credit Card Agreement at any time as required by Applicable Law and will notify Company of such changes with notice to Company reasonable under the circumstances, or on an individual Account by Account basis, without notice to Company, in connection with its servicing of the Accounts. With respect to any other changes in the terms of the Credit Card Agreement affecting the repayment terms, APR or fees charged by Bank, Bank will, prior to making any changes, notify Company of such changes and discuss such changes with Company.

(e) Company shall obtain and maintain at their own expense such point of sale terminals, cash registers, network (electronic communication interchange system), telephone or other communication lines, software, hardware and other items of equipment as are necessary for it to request and receive authorizations, transmit Charge Slip and Credit Slip information, process Credit Card Applications and perform its obligations under this Agreement. The computer programs and telecommunications protocols necessary to facilitate communications between Bank and Company and Company's Stores shall be determined by Bank from time to time subject to reasonable prior notice of any change in such programs, equipment or protocols.

(f) Company may from time to time offer Deferred Billing Programs to Cardholders. Company shall be responsible for ensuring that all Purchases subject to any Deferred Billing Programs are properly designated as such on the Transaction Record in accordance with Bank's instructions.

(g) Bank may if Company fails to pay Bank any amounts due (and such amounts are not subject to a good faith dispute of which Bank has been notified) to Bank pursuant to this Agreement for more than thirty (30) days after the due date, offset such amounts against the Net Proceeds or any other amounts owed by Bank to Company under this Agreement.

3.7 *Insertion of Company's Promotional Materials.* Bank will upon request of Company from time to time insert Company's promotional materials for Company's Goods and Services, which are provided by Company at Company's expense, into the Account billing statements and new Credit Card mailers, so long as: (a) the materials are provided to Bank at least two (2) Business Days prior to the scheduled mailing date of such statements or notices; (b) if the materials reference Bank or the Plan in any manner, are approved by Bank as to content, in Bank's reasonable discretion; (c) the materials meet all size, weight, or other specifications for such inserts as shall be set forth in the Operating Procedures; (d) there is sufficient space in Bank's standard envelope for the insert in addition to any legally required material, Cardholder notices and other materials which Bank is including in the mailing; and (e) Company pays any and all additional postage costs caused by Bank's insertion of materials provided by Company, provided that Bank shall first notify Company of any additional postage cost and Bank will include the materials only if instructed by Company to insert regardless of the additional postage costs.

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3.8 *Payments.* (a) Except as provided in this Section 3.8, all payments to be made by Cardholders with respect to any amounts outstanding on the Accounts shall be made in accordance with the instructions of Bank and at the location or address specified by Bank. Company hereby authorizes Bank, or any of its employees or agents, to endorse "WORLD FINANCIAL NETWORK NATIONAL BANK" upon all or any checks, drafts, money orders or other evidence of payment, made payable to Company and intended as payment on an Account, that may come into Bank's possession from Cardholders and to credit said payment against the appropriate Cardholder's Account. Company further agrees that where, consistent with Section 3.8(b), or such other circumstance authorized by Bank,

Company is permitted by Bank to receive any payment made with respect to the Plan, Company will on Bank's behalf hold such payment in trust for Bank and will include the amount of such payment in the Transaction Records sent to Bank pursuant to this Agreement within two (2) Business Days after receipt provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. Bank will charge the amount of such payment against the settlement amount, or, if the settlement amount is insufficient to cover such payments, Company shall remit the amount of such payment, or any unpaid portion thereof, to Bank immediately upon written demand. Payments made by Cardholders at Company's Stores shall not be deemed received by Bank until Bank receives and accepts the Transaction Records. Bank has the sole right to receive and retain all payments made with respect to all Accounts and to pursue collection of all amounts outstanding, unless an Account or Purchase is charged back to Company pursuant to the provisions of Sections 3.9 and 3.10 hereof. Should any payment made by Cardholders at Company's Stores be made by check and such check is subsequently returned unpaid, Company will include a debit for the face amount of the check plus any actual return check fees paid by Company to its third party depository bank to which the check is first deposited or third party re-presentation vendor in the Transaction Records sent to Bank pursuant to this Agreement. Company will process such returned check in accordance with the procedures mutually agreed upon in writing by Bank and Company. In the event the return check fees imposed by or through any third party vendor retained by Company for re-presentation of such checks for payment following any initial return increase after the Effective Date, Company shall give Bank written notice of the increase in such fees and Bank shall have the right to discontinue paying the fees imposed by or through such third party re-presentation vendor, in which event, Company may discontinue processing such returned checks through the re-presentation vendor and shall submit checks returned unpaid by the bank of first deposit to Bank.

(b) Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Card Accounts ("**In-Store Payments**"). Any In-Store Payments received by Company will be held in trust for Bank and its assigns and netted against amounts payable by Bank pursuant to this Section 3.8 (provided that Company shall not be required to keep In-Store Payments separate from other payments received by Company) and evidence of such payments will be transmitted to Bank on a daily basis, provided that (i) if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such evidence relating to such store locations as soon as reasonably practicable after polling is completed or (ii) if transmittal is not possible due to a force majeure event, such transmittal will be completed within a time reasonable under the circumstances. Notwithstanding the foregoing:

(1) if any bankruptcy or other insolvency proceeding has been commenced against Company (and so long as the same has not been dismissed), Company shall promptly comply with any written instruction (a "**Store Payment Notice**") received by Company from Bank or any successor

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to Bank (Bank or any such successor being the "Servicer") to take either of the following actions (as specified in such instruction):

(i) cease accepting In-Store Payments and thereafter inform Cardholders who wish to make In-Store Payments that payment should instead be sent to Servicer (but only if the Servicer is required to give such notice); or

(ii) (A) deposit an amount equal to all In-Store Payments received by each retail location operated by Company, not later than the Business Day following receipt, into a segregated trust account (the "Store Account") established by Company for this purpose and, pending such deposit, to hold all In-Store Payments in trust for Bank and its assigns, (B) use commercially reasonable efforts not to permit any amounts or items not constituting In-Store Payments to be deposited in the Store Account and (C) cause all available funds in each Store Account to be transferred on a daily basis to an account designated in the Store Payment Notice;

provided that Company need not take the actions specified in clause (i) or clause (ii) if Company or any of its Affiliates provides the Servicer with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all required conditions with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(2) if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, In-Store Payments shall no longer be netted against amounts payable by Bank pursuant to subsection 3.8(a), but instead Company shall transfer to Bank by ACH of immediately available funds not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as Company complies with instructions delivered in accordance with paragraph (1) or (2), any amounts payable by Bank to Company pursuant to Section 3.6 shall be made without deduction for In-Store Payments.

3.9 *Chargebacks.* Bank shall have the right to demand immediate purchase by Company of any Purchase and charge back to Company the unpaid principal balance relating to any such Purchase, for any chargeback reason as set forth in the Operating Procedures.

3.10 *Assignment of Title in Charged Back Purchases.* With respect to any amount of a Purchase to be charged back to and to be purchased by Company, Company shall either pay such amount directly to Bank in immediately available funds or Bank will offset such amount as part of the Net Proceeds to be paid to Company, to the extent the balance thereof is sufficient. Upon payment of such amount by Company to Bank, or off-setting, as the case may be, Bank shall assign and transfer to Company, without recourse, all of Bank's right, title and interest in and to such Purchase and will deliver all documentation (or copies) in Bank's possession, including but not limited to, Cardholder correspondence regarding such Purchase. Company further consents to all extensions or compromises given any Cardholder with respect to any such Purchase, and agrees that such shall not affect any liability of Company hereunder or right of Bank to charge back any Purchase as provided in this Agreement; provided, however, that Bank shall not have the right to charge back for any Purchase the amount of any reductions, or compromises of amounts owed by a Cardholder to Bank. Company shall not resubmit or re-transmit any charged back Purchases to Bank, without Bank's prior written consent.

3.11 *Promotion of Program and Card Plan; Non-Competition.* (a) Throughout the Term of this Agreement, Company shall use its reasonable efforts to market, promote, participate in and support the Plan as set forth in this Agreement. Company agrees that in consideration and as an inducement for Bank to make the Plan available to Company as outlined in this Agreement and the Operating Procedures, from the Effective Date and for as long as this Agreement is in existence, Company will

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not (nor will Company permit any Affiliate to do so on Company's behalf), without the prior written consent of Bank, contract or establish with any other credit card processor/provider or provide or process on its own behalf any "private label" or "co-brand" revolving credit or other credit card issuance or processing arrangement or programs similar in purpose to the Plan or to the services and transactions contemplated under this Agreement, except that if either party provides notice of termination pursuant to Section 9.1 of this Agreement or if Company terminates under Sections 9.3 or 9.5, Company may enter into a contract with another credit card processor/provider effective on or after termination of this Agreement (provided that an agreement for preliminary or planning services related thereto shall not violate this provision).

(b) Notwithstanding the foregoing, nothing contained in this Agreement will be construed to prohibit or prevent Company from: (i) accepting any major general purpose credit card (including without limitation, American Express (and Optima) Card, MasterCard, Visa, or NOVUS), any form of general purpose debit card or fixed payment (installment) credit programs for Applicants declined by Bank, as a means of payment by Cardholders for purchase of Goods and Services; or (ii) accepting a proprietary credit card issued by Bank for an Affiliate; or (iii) entering into a contract with another credit card provider for a particular state after Bank has terminated (or given notice of such termination) the operation of the Plan in such state pursuant to Section 9.4.

(c) Provided, further, that Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing a Mark or any of Company's other Name Rights and to accept any Bona Fide Offer by such third party if, prior to accepting such Bona Fide Offer, Company provides Bank with an opportunity to submit a competing offer and counteroffer (as outlined below) with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark or Name Right, and Bank's competing offer and counteroffer is not deemed to be "Competitive." Bank's competing offer or counteroffer shall be deemed to be "Competitive" if it has terms which are either (i) at least as favorable to Company as such Bona Fide Offer or (ii) taken as a whole, are reasonably competitive in the reasonable judgment of Company to such Bona Fide Offer. A Competitive offer or counteroffer by Bank shall be accepted by Company in lieu of such Bona Fide Offer. Company will provide to Bank a copy of all materials (such as requests for proposals and the like) provided by Company to all third parties for the purposes of soliciting Bona Fide Offers, such materials to be provided to Bank at the same time Company provides them to the third parties. Bank will be given at least thirty (30) days (or such longer period of time as is given to the third parties) to submit a competing offer to Company. In addition, if Bank submits within the thirty (30) day (or longer) period a competing offer in response to a Bona Fide Offer or solicitation of a Bona Fide Offer, and that competing offer is not deemed to be Competitive, then prior to accepting the Bona Fide Offer Company will identify and quantify to Bank the key terms and assumptions (of Company and the third party) of the Bona Fide Offer (however, Company shall not be required to provide Bank with a copy of the actual Bona Fide Offer) and Bank will have fifteen (15) days after receipt of such key terms to submit a counteroffer to Company and Company will evaluate any counteroffer submitted by Bank within such fifteen (15) day period according to the Competitive standards set forth in clauses (i) and (ii) above and will accept Bank's offer in lieu of such Bona Fide Offer if the Competitive standards are met. For purposes of this Section 3.11, "Bona Fide Offer" means an offer to Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to Company, its Affiliates and other retail or catalogue merchants).

3.12 *Postal Rate Adjustment.* From August 1, 2002 through January 31, 2003, Company shall bear the costs of all increases in the cost of mailing Account billing statements, form letters or new

Credit Cards due to increases in the first class pre-sort cost of postage from the United States Postal Service which increases occurred between February 1, 1996 and June 30, 2002.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF COMPANY

Company hereby represents and warrants to Bank as follows:

4.1 *Organization, Power and Qualification.* Division and Factoring are corporations duly organized, validly existing and in good standing under the laws of the state of Delaware and Nevada, respectively, and have full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Company is duly qualified and in good standing to do business in all jurisdictions where Company is located, except where the failure to so qualify would not have a material adverse effect on the business of the Company, or where the failure to so qualify would not have a material adverse effect on Company's or Bank's ability to continue operation of the Plan.

4.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Company and is a valid and legally binding agreement of Company duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Company is required for, and the absence of which would adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Company hereunder and the compliance by Company with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; and (ii) will not conflict with or result in a breach of or default under any of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Company is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Company, nor will such execution, delivery or compliance violate or result in the violation of the Articles of Incorporation or By-Laws of Company.

4.3 *Accuracy of Information.* All factual information furnished by Company to Bank in writing at any time pursuant to any requirement of, or furnished in response to any written request of Bank under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Company to Bank will be, true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information was or will be stated or certified.

4.4 *Validity of Charge Slips.* (a) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, each Charge Slip relating to such Transaction Records shall represent the obligation of a Cardholder in the respective amount set forth therein for Goods sold or

Services rendered, together with applicable taxes, if any, and shall not involve any element of credit for any other purpose.

(b) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, Company has no knowledge or notice of any fact or matter which would immediately or ultimately impair the validity of any Charge Slip relating to such Transaction Records, the transaction evidenced thereby, or its collectibility.

4.5 *Compliance with Law.* Any action or inaction taken by Company (where Company has a duty to act) in connection with the Plan and the sales of Goods and Services and the use and disclosure of Cardholder information by Company shall be in compliance with all Applicable Law

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except where the failure to comply does not or will not have a material adverse effect on Company, the Bank or the Plan.

4.6 *Company's Name, Trademarks and Service Marks.* Company has the legal right to use and to permit the Bank to use, to the extent set forth herein, the Mark and Name Rights utilized by Company in the conduct of its business.

4.7 *Intellectual Property Rights.* In the event Company provides any software or hardware to Bank, Company has the legal right to such software or hardware and the right to permit Bank to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Company or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Bank's request or to accommodate Bank's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Company and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Bank or any third party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Company and/or its Affiliates.

SECTION 5. COVENANTS OF COMPANY

Company hereby covenants and agrees as follows:

5.1 *Notices of Changes.* Company will as soon as reasonably possible notify Bank of any: (a) change in the name or form of business organization of Company, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Company or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Company; (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on Company; or (d) the planned opening or closing of any Company Store. Company will furnish such additional information with respect to any of the foregoing as Bank may reasonably request for the purpose of evaluating the effect of such change on the financial condition and operations of Company and on the Plan.

5.2 *Financial Statements.* In the event Company ceases to be an Affiliate of a publicly traded company or ceases to be a publicly traded company itself, Company shall make available to Bank as soon as available the following information pertaining to Company (or, at the option of Company's parent, consolidated information pertaining to such parent): (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Company's (or, its parent's, as applicable) independent certified public accountants in connection with such of the financial statements as have been audited.

5.3 *Inspection.* Company will permit, if Bank has reasonable cause to do so, authorized representatives designated by Bank, at Bank's expense, to visit and inspect, to the extent permitted by Applicable Law, any of the Company's books and records pertaining to Transaction Records and the Plan and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

5.4 *Company's Business.* Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the sale of Goods and Services.

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5.5 *Insurance.* Company shall self-insure or at its option maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other companies within Company's industry engaged in similar businesses as Company.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF BANK

Bank hereby represents and warrants to Company as follows:

6.1 *Organization, Power and Qualification.* Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America and has full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Bank is duly qualified and in good standing to do business in all jurisdictions where such qualification is necessary for Bank to carry out its obligations under this Agreement.

6.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Bank and is a valid and legally binding agreement of Bank duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Bank is required for, and the absence of which would materially adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Bank hereunder and the compliance by Bank with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; (ii) will not conflict with or result in a breach of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Bank is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Bank, nor will such execution, delivery or compliance violate or result in the violation of the Charter or By-Laws of Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

6.3 *Accuracy of Information.* All factual information furnished by Bank to Company in writing at any time pursuant to any requirement of, or furnished in response to any written request of Company under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Bank to Company will be true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information has or will be stated or certified.

6.4 *Compliance with Law.* Any action or inaction taken by Bank (where Bank has a duty to act) in connection with the Plan shall be in compliance with all Applicable Law, including, without limitation, all Consumer Laws, except where the failure to so comply does not or will not have a material adverse effect on the Bank, Company or the Plan.

6.5 *Intellectual Property Rights.* In the event Bank provides any software or hardware to Company, Bank has the legal right to such software or hardware and the right to permit Company to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Bank or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Company's request or to accommodate Company's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Bank and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Company or any third

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party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Bank and/or its Affiliates.

SECTION 7. COVENANTS OF BANK

Bank hereby covenants and agrees as follows:

7.1 *Notices of Changes.* Bank will as soon as reasonably possible notify Company of any: (a) change in the name or form of business organization of Bank, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Bank or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Bank; or (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on the Plan. Bank will furnish such additional information with respect to any of the foregoing as Company may reasonably request for the purpose of evaluating the effect of such transaction on the financial condition and operations of Bank and on the Plan.

7.2 *Financial Statement.* Bank shall furnish to Company upon request by Company and as soon as available the following information pertaining to Bank: (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Bank's independent certified public accountants in connection with such of the financial statements as have been audited.

7.3 *Inspection.* (a) Bank will permit, once per Plan Year unless Company has reasonable cause to request more frequent access, authorized representatives designated by Company, at Company's expense, to visit and inspect, to the extent permitted by Applicable Law, any of Bank's books and records pertaining to the Discount Fees, the Account Enhancement Services commission revenues and expenses set forth in Section 2.9, any fees and charges other than the Discount Fees and Purchases and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

(b) Bank shall permit Company, once per Plan Year unless Company has reasonable cause to request more frequent access, during normal business hours and upon reasonable notice, and in a manner which does not disrupt the operations, to visit the offices at which services relating to the Plan are provided, to review and monitor the activities of Bank and its subcontractors with respect to the performance of services hereunder. Bank shall provide Company with a copy of any annual SAS 70 technical audits performed on the servicing of the Accounts by its outside auditors.

7.4 *Bank's Business.* Bank shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the issuance of credit by Bank.

7.5 *Insurance.* Bank shall maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other banks engaged in similar businesses as Bank.

SECTION 8. INDEMNIFICATION; CLAIMS AND ACTIONS

8.1 *Indemnification by Company.* Company hereby indemnifies Bank, its Affiliates and the directors, officers, employees and agents of Bank or any Affiliate of Bank (each, a "Related Party") against, and agrees to hold them harmless from, any and all losses, claims, damages and liabilities (including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("Damages") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or

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nonperformance of any covenant made by Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of Goods or rendering of Services by Company.

8.2. *Indemnification by Bank.* Bank hereby indemnifies Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by Bank under this Agreement.

8.3. *Third Party Claims.* (a) Bank shall not be liable to Company for or in connection with any claim made against Company by any other Person relating in any manner to this Agreement or to any services or any other transactions contemplated hereby (other than (i) claims based upon Bank's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Bank arising from this Agreement (other than claims based upon Company's or any of its Related Parties' negligence or willful misconduct), (iii) claims relating to acts or omissions of Bank and its agents in connection with the collection of amounts owing from Cardholders and (iv) claims relating to the submission by Bank or its agents of data concerning Cardholders to credit agencies), even if Bank has been advised of the possibility of such claims.

(b) Company shall not be liable to Bank for or in connection with any claim made against Bank by any other Person relating in any manner to this Agreement or to any services or other transactions contemplated hereby (other than (i) claims based upon Company's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Company arising from this Agreement and (iii) claims relating to goods purchased from Company), even if Company has been advised of the possibility of such claims.

(c) Each party shall exert its good faith efforts to notify the other of any claims described in clauses (i) through (iv) of subsections (a) and (b) above of which such party receives notice.

8.4. *Dispute Resolution and Actions.* Bank and Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 8.4.

8.5. *Limitation on Actions.* No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than four (4) years after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

8.6. *Reimbursement for Losses.* If, as a result of any claim made by Bank against any third party (including, but not limited to, an insurer), Bank actually receives from such third party cash proceeds (or non-cash proceeds, whether in the form of goods or services) which represent, in whole or in part, compensation for or reimbursement of losses or costs actually incurred by Company, then Bank will hold that portion of such proceeds fairly allocable to Company (taking into consideration all losses or costs actually incurred by all parties for whose benefit such payments have been received) in trust on behalf of Company and will promptly pay over to Company such allocable amount of any such cash proceeds (or, as to non-cash proceeds, the allocable portion or, at the discretion of Bank, the cash equivalent thereof).

8.7. *Survival.* The provisions of this Section 8 shall survive the termination of this Agreement.

SECTION 9. TERM AND TERMINATION

9.1 *Term.* This Agreement shall become effective as of the Effective Date when executed by authorized officers of each of the parties and shall remain in effect until August 31, 2009 (the "Initial Term") and shall automatically renew for successive one-year terms (each a "Renewal Term") thereafter unless either party provides the other with at least twelve (12) month's written notice of its intention to terminate the Agreement prior to the expiration of the Initial or then current Renewal Term, or unless otherwise terminated as provided herein.

9.2 *Termination with Cause by Bank; Bank Termination Events.* Any of the following conditions or events shall constitute a "Bank Termination Event" hereunder, and Bank may terminate this Agreement immediately without further action if Company causes such Bank Termination Event to occur and be continuing:

(a) If Company shall: (i) generally not pay its debts as they become due; (ii) file, or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Company to perform under this Agreement or the Plan; or (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Company, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Company, or if any petition for any such relief shall be filed against Company and such petition shall not be dismissed within sixty (60) days; or

(c) If Company shall default in the performance of or compliance with any material term or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Company shall not have remedied such default within thirty (30) days after written notice thereof shall have been received by Company from Bank.

9.3 *Termination with Cause by Company; Company Termination Events.* Any of the following conditions or events shall constitute a "Company Termination Event" hereunder, and Company may terminate this Agreement immediately without further action if Bank causes such Company Termination Event to occur and be continuing:

(a) If Bank shall: (i) generally not be paying its debts as they become due; (ii) file or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers for itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Bank to perform under this Agreement or the operation of the Plan; (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or (viii) have a materially adverse

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change in its financial condition, including, but not limited to Bank being downgraded by a rating agency to a rating below an investment grade rating; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Bank, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Bank, or if any petition for any such relief shall be filed against Bank and such petition shall not be dismissed within sixty (60) days; or

(c) If Bank shall default in the performance of or compliance with any material term (other than the Service Standards) or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Bank shall not have remedied such default within thirty (30) days (or within five (5) days in the case of failure to pay Company pursuant to Section 3.6(a)) after written notice thereof shall have been received by Bank from Company; or

(d) A Service Standards Termination Event shall have occurred.

9.4 *Termination of Particular State.* In addition, Bank may terminate the operation of the Plan in a particular state if the Applicable Law of the state or jurisdiction is amended or interpreted in such a manner so as to render all or any part of the Plan illegal or unenforceable, and in such event Bank will, if requested, assist Company with finding a new credit provider for such state. Bank will provide Company with as much advance notice of such termination as is reasonable under the circumstances.

9.5 *Termination for Competitive Reasons.* Company may terminate this Agreement upon not less than sixty (60) days' prior written notice to the Bank at any time after the first anniversary of the Effective Date if, based on the application of the matrix set forth in Schedule 1.1, the applicable Discount Rate exceeds the highest Discount Rate in such matrix and the costs to Company under this Agreement are substantially higher than the costs that would be incurred by Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; provided that Company shall not be entitled to terminate this Agreement pursuant to this Section 9.5 unless Company provides Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and Bank is entitled to submit a counter-proposal within thirty (30) days of receipt of such description. If Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in Bank's counter-proposal.

9.6 *Purchase of Accounts.* Upon termination of this Agreement, Company will have the option to purchase the then-outstanding Credit Card Account balances not previously written-off by Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to Bank, and will be provided with all related Account information and other Account data; *provided* that Company will be required to purchase such then-outstanding Credit Card Account balances on such terms if Company objects to any automatic extension of this Agreement pursuant to Section 9.1. All payments by Company pursuant to this Section 9.6 shall be made not later than one (1) Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by Bank to Company not less than two (2) Business Days prior to the payment date. Upon any termination of this Agreement, (i) Company (at its sole expense) shall notify all Cardholders that Bank is no longer the processor of their Credit Card accounts, and (ii) Company and Bank shall cooperate in facilitating the transition to a new processor.

9.7 *Remedies for Failure to Meet Service Standards.* (a) Each time a Service Event occurs, Bank shall: (i) promptly investigate the root cause(s) of the failure and deliver to Company a written report

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identifying such root cause(s); (ii) use commercially reasonable efforts to correct the problem and to begin meeting such Service Standard as soon as practicable; (iii) provide to Company a schedule and plan for correction of the root cause(s) of the Service Events, and (iv) at Company's request, advise Company of the status of such corrective efforts.

(b) In the event more than three (3) Service Events occur during any calendar month, Bank will, in addition to those steps set forth in Section 9.7(a), arrange for a senior executive of Bank to meet with a senior executive of Company or Company's parent company's senior management to discuss the items delivered under Section 9.7(a).

(c) A "Service Standard Termination Event" shall occur in the event:

(i) a Service Event occurs for a specific Service Standard for three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if the same Base Level Service Standard is failed by Bank in the fourth consecutive month, Company may terminate this Agreement; or

(ii) a total of 10 Service Events occur during any three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if a total of 6 Service Events occur at anytime in the three (3) consecutive months following Company's notice to Bank, then Company may terminate this Agreement.

SECTION 10. MISCELLANEOUS

10.1 *Entire Agreement.* This Agreement constitutes the entire Agreement and supersedes all prior agreements and understandings, whether oral or written, among the parties hereto with respect to the subject matter hereof and merges all prior discussions between them, including without limitation the Credit Card Processing Agreement.

10.2 *Coordination of Public Statements.* Bank's parent company, Alliance Data Systems Corporation, as a public company, will issue a news release disclosing this Agreement between Bank and Company, such news release must be approved by both parties prior to its issuance. In all other cases, except as required by Applicable Law, neither party will make any public announcement of the Plan or provide any information concerning the Plan to any representative of any news, trade or other media without the prior approval of the other party, which approval will not be unreasonably withheld. Neither party will respond to any inquiry from any public or governmental authority, except as required by law, concerning the Plan without prior consultation and coordination with the other party. Upon Bank's reasonable request from time to time, Company in its sole discretion may provide references or participate in marketing campaigns or testimonial initiatives for Bank regarding the services provided by Bank in connection with the Plan.

10.3 *Amendment.* Except as otherwise provided for in this Agreement, the provisions herein may be modified only upon the mutual agreement of the parties, however, no such modification shall be effective until reduced to writing and executed by both parties.

10.4 *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party which will not be unreasonably withheld. Notwithstanding the foregoing, (i) Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of Bank, provided that any such assignee of Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to Company, (ii) Company shall assign or otherwise transfer all of its rights and obligations under this Agreement

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(A) to the purchaser of all or substantially all of the assets of Company, or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to Company or any successor (whether by merger, consolidation or otherwise) thereto, and (iii) Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against Company for any reason whatsoever, and (B) Bank hereby indemnifies Company and its Affiliates against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser).

10.5 *Waiver.* No waiver of the provisions hereto shall be effective unless in writing and signed by the party to be charged with such waiver. No waiver shall be deemed to be a continuing waiver in respect of any subsequent breach or default either of similar or different nature unless expressly so stated in writing. No failure or delay on the part of either party in exercising any power or right under this Agreement shall be deemed to be a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise, or the exercise of any other power or right.

10.6 *Severability.* If any of the provisions or parts of the Agreement are determined to be illegal, invalid or unenforceable in any respect under any applicable statute or rule of law, such provisions or parts shall be deemed omitted without affecting any other provisions or parts of the Agreement which shall remain in full force and effect, unless the declaration of the illegality, invalidity or unenforceability of such provision or provisions substantially frustrates the continued performance by, or entitlement to benefits of, either party, in which case this Agreement may be terminated by the affected party, without penalty.

10.7 *Notices.* All communications and notices pursuant hereto to either party shall be in writing and addressed or delivered to it at its address shown below, or at such other address as may be designated by it by notice to the other party, and shall be deemed given when delivered by hand, or two (2) Business Days after being mailed (with postage prepaid) or when received by receipted courier service:

If to Bank:
800 TechCenter Drive
Gahanna, OH 43230
Attn.: Daniel T. Groomes, President

With a Copy to:
Karen Morauski, VP & Counsel

If to Company:
Three Limited Parkway
Columbus, OH 43230
Attn.: Lisa Klinger, Treasurer

With a Copy to:
Senior Vice President and
General Counsel
Limited Brands, Inc.
Three Limited Parkway
Columbus, OH 43230

10.8 *Captions and Cross-References.* The table of contents and various captions in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any Section are to such Section of this Agreement.

10.9 *GOVERNING LAW.* THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OHIO, REGARDLESS OF THE DICTATES OF OHIO CONFLICTS OF LAW, AND THE PARTIES HEREBY SUBMIT TO EXCLUSIVE JURISDICTION AND VENUE IN THE UNITED STATES FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO OR ANY OF THE STATE COURTS LOCATED IN FRANKLIN COUNTY, OHIO.

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10.10 *Counterparts.* This Agreement may be signed in one or more counterparts, all of which shall be taken together as one agreement.

10.11 *Force Majeure.* Neither party will be responsible for any failure or delay in performance of its obligations under this Agreement because of circumstances beyond its reasonable control, and not due to the fault or negligence of such party, including, but not limited to, acts of God, flood, criminal acts, fire, riot, computer viruses, computer hackers, accident, strikes or work stoppage, embargo, sabotage, inability to obtain material, equipment or phone lines, government action (including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement), and other causes whether or not of the same class or kind as specifically named above. In the event a party is unable to perform substantially for any of the reasons described in this Section, it will notify the other party promptly of its inability so to perform, and if the inability continues for at least ninety (90) consecutive days (fifteen (15) days in the cases of credit authorizations and processing of new Accounts), the party so notified may then terminate this Agreement forthwith. This provision shall not, however, release the party unable to perform from using its best efforts to avoid or remove such circumstance and such party unable to perform shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

10.12 *Relationship of Parties.* This Agreement does not constitute the parties as partners or joint venturers and neither party will so represent itself.

10.13 *Survival.* No termination of this Agreement shall in any way affect or impair the powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring prior to such termination. No powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring after termination shall survive termination except for the following Sections: Section 2.10, Section 2.11, Section 3.3, Section 3.5, Section 3.6, Section 3.8, Section 3.9, Section 3.10, Section 8, Section 9.5, Section 10.7, Section 10.9, Section 10.11, Section 10.17 and Section 10.18.

10.14 *Mutual Drafting.* This Agreement is the joint product of Bank and Company and each provision hereof has been subject to mutual consultation, negotiation and agreement of Bank and Company; therefore to the extent any language in this Agreement is determined to be ambiguous, it shall not be construed for or against any party based on the fact that either party controlled the drafting of the document.

10.15 *Independent Contractor.* The parties hereby declare and agree that Bank is engaged in an independent business, and shall perform its obligations under this Agreement as an independent contractor; that any of Bank's personnel performing the services hereunder are agents, employees, Affiliates, or subcontractors of Bank and are not agents, employees, Affiliates, or subcontractors of Company; that Bank has and hereby retains the right to exercise full control of and supervision over the performance of Bank's obligations hereunder and full control over the employment, direction, compensation and discharge of any and all of the Bank's agents, employees, Affiliates, or subcontractors, including compliance with workers' compensation, unemployment, disability insurance, social security, withholding and all other federal, state and local laws, rules and regulations governing such matters; that Bank shall be responsible for Bank's own acts and those of Bank's agents, employees, Affiliates, and subcontractors; and that except as expressly set forth in this Agreement, Bank does not undertake by this Agreement or otherwise to perform any obligation of Company, whether regulatory or contractual, or to assume any responsibility for Company's business or operations.

10.16 *No Third Party Beneficiaries.* The provisions of this Agreement are for the benefit of the parties hereto and not for any other person or entity.

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10.17 *Confidentiality.* (a) Neither party shall disclose any information not of a public nature concerning the business or properties of the other party which it learns as a result of negotiating or implementing this Agreement, including, without limitation, the terms and conditions of this Agreement, Customer names, Cardholder personal or Account information, sales volumes, test results, and results of marketing programs, Plan reports generated by Bank, trade secrets, business and financial information, source codes, business methods, procedures, know-how, computer software and computer systems (including software licensed from third parties) and other information of every kind that relates to the business of either party except to the extent disclosure is required by Applicable Law, is necessary for the performance of the disclosing party's obligation under this Agreement, or is agreed to in writing by the other party; provided that: (i) prior to disclosing any confidential information to any third party, the party making the disclosure shall give notice to the other party of the nature of such disclosure and of the fact that such disclosure will be made; and (ii) prior to filing a copy of this Agreement with any governmental authority or agency, the filing party will consult with the other party with respect to such filing and shall redact such portions of this Agreement which the other party requests be redacted, unless, in the filing party's reasonable judgment based on the advice of its counsel (which advice shall have been discussed with counsel of the other party), the filing party concludes that such request is inconsistent with the filing party's obligations under Applicable Laws. Neither party shall acquire any property or other right, claim or interest, including any patent right or copyright interest, in any of the systems, procedures, processes, equipment, computer programs and/or information of the other by virtue of this Agreement. Neither party shall use the other party's name for advertising or promotional purposes without such other party's written consent.

(b) The obligations of this Section, shall not apply to any information:

- (i) which is generally known to the trade or to the public at the time of such disclosure; or
- (ii) which becomes generally known to the trade or the public subsequent to the time of such disclosure; provided, however, that such general knowledge is not the result of a disclosure in violation of this Section; or
- (iii) which is obtained by a party from a source other than the other party, without breach of this Agreement or any other obligation of confidentiality or secrecy owed to such other party or any other person or organization; or
- (iv) which is independently conceived and developed by the disclosing party and proven by the disclosing party through tangible evidence not to have been developed as a result of a disclosure of information to the disclosing party, or any other person or organization which has entered into a confidential arrangement with the non-disclosing party.

(c) If any disclosure is made pursuant to the provisions of this Section, to any Affiliate or third party, the disclosing party shall be responsible for ensuring that such Affiliate or third party keeps all such information in confidence and that any third party executes a confidentiality agreement provided by the non-disclosing party. Each party covenants that at all times it shall have in place procedures designed to assure that each of its employees who is given access to the other party's confidential information shall protect the privacy of such information. Each party acknowledges that any breach of the confidentiality provisions of

this Agreement by it will result in irreparable damage to the other party and therefore in addition to any other remedy that may be afforded by law any breach or threatened breach of the confidentiality provisions of this Agreement may be prohibited by restraining order, injunction or other equitable remedies of any court. The provisions of this Section will survive termination or expiration of this Agreement.

10.18 *Taxes.* Company will be responsible for, and agrees to pay, all sales, use, excise, and value-added taxes, or taxes of a similar nature (excluding personal property taxes and taxes based on Bank's income which shall be borne by Bank), imposed by the United States, any state or local government, or

other taxing authority, on all goods and/or services provided by Bank under this Agreement. The parties agree to cooperate with each other to minimize any applicable sales, use, or similar tax and, in connection therewith, the parties shall provide each other with any relevant tax information as reasonably requested (including without limitation, resale or exemption certificates, multi-state exemption certificates, information concerning the use of assets, materials and notices of assessments). All amounts set forth in this Agreement are expressed and shall be paid in lawful U.S. dollars.

(Signature block on following page.)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in manner and form sufficient to bind them as of the date first above written.

STRUCTURE, INC.

WORLD FINANCIAL NETWORK NATIONAL BANK

By: /s/ TIM FABER

By: /s/ DANIEL T. GROOMES

Title: Vice President

Daniel T. Groomes
Title: President

Date: August 30, 2002

Date: August 30, 2002

MOUNTAIN FACTORING, INC.

By: DAVID HASSON

Title: Vice President

Date: August 30, 2002

**Schedule 1.1
Discount Rate**

DISCOUNT RATE

The applicable Discount Rate for all Purchases as of the Effective Date and until changed as set forth below shall be 1.50%. *Provided*, that in the event of a legislated or judicial reduction in the annual percentage rate or fees that may be charged by Bank to Cardholders, or if the Discount Rate is substantially higher than the rate that Company would incur for comparable credit card services, Company and Bank agree to negotiate in good faith an increase or decrease in the Discount Rate.

Commencing on January 31, 2004 and annually thereafter, the Discount Rate will be subject to change by Bank on an annual basis in accordance with the matrix set forth below and Bank shall apply the corresponding Discount Rate to *future* Discount Fees applied by Bank until the next adjustment is made. The Fin Chg/STM ('95\$) calculation for the matrix will include the amount by which the then current late fees per statement exceed the amount of the late fees per statement calculated using a late fee of \$5. In the event Bank increases (for increases made by Bank on or after March 1, 2003) any of the finance charges and/or late fees charged to Cardholders as a result of increases in Bank's cost of postage for mailing Account billing statements, form letters or new Credit Cards, then Bank will exclude the amount of such increase in the finance charges and/or late fees from its calculation of the Discount Rate using the matrix.

Notwithstanding the foregoing, Bank agrees that Bank will waive any increase Bank is entitled to for the Discount Rate during the calendar year 2003, provided, however, that in the event Bank waives such increase in the Discount Rate, then (i) if the number of Applicants during the calendar year 2003 is less than the number of Applicants during the calendar year 2002, Bank shall invoice Company for the amount of the Discount Fees waived by Bank during the calendar year 2003 and Company shall pay such amount within thirty (30) days after the date of such invoice, or (ii) Bank shall have the right during any future calendar year to defer any decreases in the Discount Rate until such time as Bank has recouped the amount of the Discount Fees waived by Bank during the calendar year 2003.

**Structure
Merchant Fee Matrix**

Fin Chg/ STM ('95 \$)	Bad Debt % Credit Sales								
	5.4%	5.6%	5.8%	6.0%	6.2%	6.4%	6.6%	6.8%	7.0%
\$ 4.60	1.70%	1.80%	1.90%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
\$ 4.45	1.90%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
\$ 4.30	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
\$ 4.15	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
\$ 4.00	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
\$ 3.85	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
\$ 3.70	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
\$ 3.55	2.00%	2.00%	2.00%	2.10%	2.30%	2.50%	2.70%	2.90%	3.10%
\$ 3.40	2.00%	2.10%	2.20%	2.40%	2.60%	2.80%	3.00%	3.20%	3.40%
\$ 3.25	2.10%	2.30%	2.50%	2.70%	2.90%	3.10%	3.30%	3.50%	3.50%
\$ 3.10	2.40%	2.60%	2.80%	3.00%	3.20%	3.40%	3.50%	3.50%	3.50%

Minimum ROA 2.0%
ROA over 4% share 50-50

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**Schedule 2.1
Service Standards**

	Base Level	Targeted Level
Standard #1 The Bank will process mailed-in applications five days per week. The Bank will process % of such applications within five Business Days of receipt.	95%	98%
Standard #2 The Bank will process "instant" credit applications from 9:00am to 12:30am (Eastern time) Monday through Saturday and from 10:00am to 9:30pm (Eastern time) Sunday, excluding Holidays ("Normal Store Hours"). The Bank will process at least % of such applications within five minutes of receipt.	90%	92%
Standard #3 The Bank will issue % of new and replacement Credit Cards within four business days of embossing tape output.	95%	96%
Standard #4 The Bank will answer at least % of incoming Cardholder service calls within 20 seconds. Bank will provide Cardholder service from 9am-9pm(Eastern time) Monday-Saturday, excluding Holidays.	85%	86%
Standard #5 The Bank will not permit the abandoned call rate for Cardholder customer service calls to exceed % measured on a monthly basis.	2.0%	1.7%
Standard #6 The Bank will provide electronic authorization means to be available at least % of Normal Store Hours. Bank will also provide batch authorizations for catalog sales.	99.5%	99.6%
Standard #7 The Bank will post valid non-payment Transactions to the Cardholder's Account within 24 hours of receipt.	100%	100%
Standard #8 The Bank will bill and mail % of Account statements within four business days of the scheduled billing date.	97%	100%
Standard #9 The Bank will process at least % of payments within 24 hours of receipt. In the event any payment is not processed within 24 hours of receipt, such payment shall be backdated to the date of receipt.	96%	97%
Standard #10 The Bank will respond to at least % of mailed-in Cardholder inquiries within seven business days of receipt.	90%	97%
Standard #11 The Bank will provide "Quick Credit" during % of Normal Store Hours.	95%	98%

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Service Standards will be calculated and reported in a manner that is consistent with prior practices. Holidays shall mean New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Targeted Levels:

Any failure to meet the Targeted Level for Service Standards will be reported on the monthly Service Standards report. Failure to meet the same Targeted Level for a single Service Standard for more than two consecutive months, will result in Bank taking the actions set forth in the chart below, provided that such failure to meet the Targeted Level was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

Failure to Meet Targeted Level	3rd Consecutive Month	4th Consecutive Month	5th Consecutive Month	6th Consecutive Month and Each Consecutive Month Thereafter
Actions to be taken by Bank following consecutive month failure to attain Targeted Level	Letter to Company's CEO	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.
Penalty to be Paid by Bank to Company	None	\$5,000	\$10,000	\$20,000

Base Levels:

Failure to meet a Base Level will be reported on the monthly service standards report and may trigger a Service Standard Termination Event as set forth in Section 9.7.

**Schedule 2.7
Credit Standards**

The new Account cut-off score is based upon the projected sixty (60) month profitability of Accounts within each score range. Account profitability is based upon projected Discount Fees (the current fee percentage), finance charge income, variable billing expenses and write-offs. The projections are derived from actual results to date using historical trends. The cut-off score is established at the score range where Bank's profit for the score range equals zero.

**Schedule 2.8
Master File Information**

Account Number
Month Account Opened
Year Account Opened
Store Account Opened
Cardholder Name
Cardholder's Street Address
Cardholder's City
Cardholder's State
Cardholder's Zip Code
Cardholder's Home Phone Number
Date of Last Purchase
Cardholder's Open to Buy
Number of Purchases Monthly
Amount of Purchases Monthly, YTD
Number of Returns Monthly
Amount of Returns Monthly
Date of Birth
Items Purchased

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PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

BETWEEN

WORLD FINANCIAL NETWORK NATIONAL BANK

AND

HENRI BENDEL, INC.

AND

WESTERN FACTORING, INC.

DATED AS OF AUGUST 29, 2002

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PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT

THIS PRIVATE LABEL CREDIT CARD PROGRAM AGREEMENT is made as of this 29th day of August, 2002 (the "Effective Date") by and between Henri Bendel, Inc., a Delaware corporation, with its principal office at 712 5th Avenue, New York, New York 10019, (hereinafter referred to as "Division"), Western Factoring, Inc., a Nevada corporation, with its principal office at 4441 South Polaris Avenue, Las Vegas, Nevada 89103, a Nevada corporation

("Factoring") (the Division and Factoring being collectively referred to herein as "Company") and WORLD FINANCIAL NETWORK NATIONAL BANK, a national banking association, with its principal office at 800 TechCenter Drive, Gahanna, Ohio 43230, (hereinafter referred to as "Bank").

WITNESSETH:

WHEREAS the Bank, Division and Factoring entered a certain Credit Card Processing Agreement, effective as of January 31, 1996 (the "Credit Card Processing Agreement"), to issue credit cards bearing the trade names, trademarks, logos and service marks used in the Division's retail or catalogue business, which allows the customers of the Division to purchase goods from the Division using funds advanced by the Bank; and

WHEREAS the parties to this Agreement wish to terminate the Credit Card Processing Agreement as of the Effective Date and enter into this Private Label Credit Card Program Agreement, the terms of which shall supersede and replace the Credit Card Processing Agreement; and

NOW THEREFORE, in consideration of the terms and conditions hereof, and for other good and valuable consideration, the receipt of which is hereby mutually acknowledged by the parties, Bank and Company agree as follows.

SECTION 1. DEFINITIONS

1.1 *Certain Definitions.* As used herein and unless otherwise required by the context, the following terms shall have the following respective meanings.

"Account" shall mean an individual open-end revolving line of credit established by Bank for a Customer pursuant to the terms of a Credit Card Agreement, including without limitation, each of the Existing Accounts.

"Affiliate" shall mean with respect to any Person, any Person directly or indirectly controlling, controlled by, or under common control with such other Person. For purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing. In addition, (i) Aura Science, LLC (and its successors by way of change of organizational form) and (ii) any other similar joint venture or Person (of which Company notifies Bank in writing) formed for the purposes of pursuing a joint venture with Limited Brands, Inc. or any Affiliate (as otherwise defined above) of Limited Brands, Inc. shall be deemed an Affiliate of Company for all purposes (other than for the purposes of Section 3.11 hereof) so long as Limited Brands, Inc. and its Affiliates (as otherwise defined above) possess the power to elect not less than 25% of the whole number of the board of directors of such entity or own not less than 25% of the assets or equity thereof. Company and Bank shall not be deemed to be Affiliates for purposes of this Agreement.

"Agreement" shall mean this Private Label Credit Card Program Agreement and any future amendments or supplements thereto.

"Applicable Law" shall mean any applicable federal, state or local law, rule, or regulation.

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"Applicant" shall mean an individual who is a Customer of Company who applies for an Account under the Plan.

"Authorized User" shall mean an individual authorized by the primary Cardholder(s) to use an Account and as established in accordance with the Operating Procedures.

"Batch Prescreen Application" shall mean a process where Bank's offer of credit is made to certain Customers prequalified by Bank, in a batch mode typically within a catalog environment.

"Business Day" shall mean any day, except Saturday, Sunday or a day on which banks in Ohio are required to be closed.

"Cardholder" shall mean any natural person to whom an Account has been issued by Bank and/or any Authorized User of the Account.

"Charge Slip" shall mean a sales receipt, register receipt tape, invoice or other documentation, whether in hard copy or electronic form, in each case evidencing a Purchase that is to be charged to a Cardholder's Account.

"Company Deposit Account" shall mean a deposit account maintained by Company as set forth in Section 3.6 (a).

"Company's Stores" shall mean those certain retail locations selling Goods and/or Services, which are owned and operated by Company.

"Consumer Laws" shall mean all federal or state laws or regulations applicable to the extension of credit to or the collection of amounts from consumers including, without limitation, the Truth-in-Lending Act, the Equal Credit Opportunity Act, the Fair Credit Reporting Act and federal and state bankruptcy and debtor relief laws.

"Credit Card" shall mean the plastic credit card bearing one or more of the Marks issued by Bank to Cardholders for purchasing Goods and Services pursuant to the Plan.

"Credit Card Agreement" shall mean the open-end revolving credit agreement between a Cardholder and Bank governing the Account and Cardholder's use of the Credit Card, together with any modifications or amendments which may be made to such agreement as permitted in this Agreement.

"Credit Card Processing Agreement" shall have the meaning set forth in the first recital.

"Credit Sales Day" shall mean any day, whether or not a Business Day, on which Goods and/or Services are sold by Company.

"Credit Slip" shall mean a sales credit receipt or other documentation, whether in hard copy or electronic form, evidencing a return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder.

"Customer" shall mean any individual consumer who is a customer or potential customer of Company.

"Deferred Billing Programs" shall mean any special Cardholder payment terms mutually agreed to by Bank and Company for certain Purchases, including without limitation deferred finance charges and deferred payments and subject to any terms and conditions set forth in writing by Bank.

"Discount Fee" shall mean an amount to be charged by Bank equal to Net Sales multiplied by the Discount Rate. Notwithstanding the foregoing, Bank shall not include taxes for Purchases (and correspondingly Net Sales) when calculating the Discount Fee for Purchases made on or before July 31, 2002.

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"Discount Rate" shall have the meaning set forth in Schedule 1.1.

"Effective Date" shall mean the date set forth in the first paragraph on page one of this Agreement.

"Existing Accounts" shall mean all of the Accounts in existence as of the Effective Date opened under and/or subject to the Plan provided by Bank pursuant to the Credit Card Processing Agreement.

"Forms" shall have the meaning set forth in Section 2.4.

"Goods and/or Services" shall mean those goods and/or services sold at retail by Company to the general public through stores, catalog, the Internet or any other method mutually agreed upon by the Company and Bank, where such goods and/or services are intended by Company for individual, personal, family or household use.

"Initial Term" shall have the meaning set forth in Section 9.1.

"Instant Credit Application" shall mean an in store or catalog application procedure designed to open Accounts at point of sale or order entry whereby an application for credit is communicated to Bank either verbally at point of sale or systemically during the catalog order entry process according to the Operating Procedures.

"Mark" shall mean a trademark or service mark owned by or licensed to Company and designated by Company to Bank for use in connection with the Plan.

"Name Rights" shall have the meaning set forth in Section 2.10.

"Net Proceeds" shall mean Purchases less: (i) credits to Accounts for the return or exchange of Goods or a credit on an Account as an adjustment by Company for goodwill or for Services rendered or not rendered by Company to a Cardholder, all as shown in the Transaction Records (as corrected by Bank in the event of any computational error), calculated each Business Day; (ii) payments from Cardholders received by Company from Cardholders on Bank's behalf; and (iii) any applicable Discount Fees in effect on the date of calculation. Notwithstanding the foregoing, if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, the credits payable to Bank pursuant to clause (i) above and the payments received by Company in clause (ii) above shall no longer be netted against the Net Proceeds payable by Bank pursuant to Section 3.6 but instead Company shall transfer the amount of each credit and payment to Bank by ACH of immediately available funds not later than the second Business Day following the date on which the events giving rise to such credit or payment occur (and the Net Proceeds payable by the Bank pursuant to Section 3.6 shall be made without deduction for such credits or payments).

"Net Sales" shall mean Purchases less shipping and handling and less credits or refunds for Goods and/or Services, all as shown in the Transaction Records received by the Bank each Business Day (as corrected by Bank in the event of any computational error), and calculated each Business Day.

"On-Line Prescreen" shall mean a process where a pre-screened offer of credit is made to credit-worthy Customers in a real-time pre-approved process according to Bank's Operating Procedures. The process utilizes traditional order entry data elements to build Customer records. The Customer records are pre-screened by a credit bureau using Bank's established criteria to determine if an offer of credit is appropriate. Customer records passing the Bank's pre-screening credit criteria are returned to the point of order entry where the pre-approved offer to open an Account is made. Records not passing the credit criteria are not returned and no offer is made.

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"Operating Procedures" shall mean Bank's Company's catalog procedures, Company Store's procedures, Internet or e-commerce procedures and any amendments to the same or additional or different procedures which satisfy the requirements of Section 2.3, to be followed by Company in connection with the Plan.

"Person" shall mean an individual, a corporation, a partnership, an association, a trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" shall mean the private label credit card program established and administered by Bank for Customers of Company by virtue of this Agreement.

"Plan Year" shall mean each consecutive twelve (12) month period commencing on the Effective Date and each anniversary thereof.

"Purchase" shall mean a purchase of Goods and/or Services, including without limitation all applicable taxes and shipping costs, with a specific extension of credit by Bank to a Cardholder using an Account as provided for under this Agreement.

"Quick Credit" shall mean an in-store application procedure designed to open Accounts as expeditiously as possible at point of sale, whereby an application for an Account is processed without a paper application being completed by an Applicant. An Applicant's credit card (Visa, MasterCard, American Express, Discover or other Bank approved private label card) is electronically read by a terminal that captures the Applicant's name and credit card account number. Other data shall be entered into that same terminal by the Company's Store associate as specified in the Operating Procedures. This data is used by Bank to request a credit bureau report and make a decision whether to approve or decline the Applicant.

"Regular Revolving Purchases" shall mean Purchases which are not subject to any Deferred Billing Programs or Equal Payment Purchases.

"Renewal Term" shall have the meaning set forth in Section 9.1.

"Season" shall mean (i) the period from the first day of the fiscal month of February to the last day of the fiscal month of July and (ii) the period from the first day of the fiscal month of August to the last day of the fiscal month of January. For the purposes hereof, a "fiscal month" is a monthly period defined by Company in writing to Bank from time to time to coincide with Company's fiscal calendar.

"Service Event" shall mean a failure by Bank to meet a Base Level (as identified in Schedule 2.1) for a single Service Standard during one calendar month; provided that such failure was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

"Service Standard" shall mean the performance or quantitative levels of performance set forth in Schedule 2.1.

"Service Standards Termination Event" shall have the meaning given in Section 9.7.

"Statemented Account" shall mean each Account for which a billing statement is generated within a particular billing cycle.

"Term" shall mean the Initial Term and any Renewal Terms.

"Transaction Record" shall mean, with respect to each Purchase of Goods or Services by a Cardholder from Company, each credit or return applicable to a Purchase of Goods or Services, and each payment received by Company from a Cardholder on Bank's behalf: (a) the Charge Slip

or Credit Slip corresponding to the Purchase, credit or return; or (b) a computer readable tape/cartridge or electronic transmission containing the following information: the Account number of the Cardholder, the Company's Store number at which the Purchase, credit or return was made, the total of (i) the Purchase price of Goods or Services purchased or amount of the credit, as applicable, plus (ii) the date of the transaction, a description of the Goods or Services purchased, credited or returned and the authorization code, if any, obtained by Company's Store prior to completing the transaction; or (c) electronic record whereby Company's Store electronically transmits the information described in subsection (b) hereof to a network provider (selected by Company at its expense), which in turn transmits such information to Bank by a computer tape/cartridge or electronic tape or transmission.

1.2 *Other Definitions.* As used herein, terms defined in the introductory paragraph hereof and in other sections of this Agreement shall have such respective defined meanings. Defined terms stated in the singular shall include reference to the plural and vice versa.

SECTION 2. THE PLAN

2.1 *Establishment and Operation of the Plan.* (a) The Plan is established for the primary purpose of providing Customer financing for Goods and Services purchased from Company. Qualified Applicants desiring to use the Plan shall be granted an Account by Bank with a credit line in an amount to be determined by Bank in its discretion for each individual Applicant. Subject to Section 3.6 (d), Bank shall determine the terms and conditions of the Account to be contained in a Credit Card Agreement, which Credit Card Agreement shall be subject to change upon notice given by Bank to the Cardholders in accordance with Applicable Law. All Existing Accounts are deemed provided under the Plan.

(b) Bank shall operate the Plan in accordance with the Service Standards set forth in Schedule 2.1, as such performance standards may be modified from time to time at the reasonable request of Bank or Company and with the consent of the other party. Within fifteen (15) days after the end of each calendar month, the Bank will deliver to the Company a compliance certificate of the chief executive officer or chief financial officer of the Bank setting forth in reasonable detail data demonstrating compliance during such calendar month with such performance standards.

(c) Enhancements to, and modifications or upgrades of, the computer processing, payment, billing and information services provided by the Bank will be made from time to time at the reasonable request of the Company. Any such enhancements, modifications or upgrades shall, to the extent requested by the Company, be made on terms to be agreed upon.

(d) Not later than one hundred and twenty (120) days following the Effective Date, Bank will design a Cardholder satisfaction survey process to be administered in accordance with the procedures already in place at the Bank, at a cost comparable to its existing cost. This survey should be an on-going, real-time process by which Bank and Company can measure Cardholder satisfaction. Bank will solicit Company's review and approval of the methodology used to analyze and assess the results of the survey (such approval not to be unreasonably withheld or delayed) and will provide the raw and analyzed survey results to Company. The results will be presented in a mutually agreed format. Bank will deliver Cardholder satisfaction survey results to Company on a quarterly basis and will on a monthly basis discuss the trends based on the prior month's results.

(e) From time to time during the Term, Company may request that Bank provide to Company new products, services or technology in connection with the Plan, identified by Company, which are then commercially available from the top tier of well-managed private label credit card services vendors ("Competitive Vendors") and offered generally to such Competitive Vendors' clients and potential clients. Bank will exert its good faith reasonable efforts to provide such services on terms reasonably competitive to those offered in the marketplace by Competitive Vendors.

2.2 *Applications for Credit Under the Plan; Billing Statements.* (a) Applicants who wish to apply for an Account under the Plan must submit a completed application on a form or in an electronic format approved by Bank, and Bank shall grant or deny the request for credit based solely upon Bank's credit criteria as specified in Section 2.7. Company shall provide a copy of the Credit Card Agreement to the Applicant to be retained for the Applicant's records. The application shall be submitted to Bank by the Applicant or submitted by Company on behalf of the Applicant, as required in the Operating Procedures. If Bank grants the request for an Account, Bank will issue a Credit Card to the Applicant which accesses an individual line of credit in an amount determined by Bank.

(b) Bank shall make available to Company and Company shall utilize primarily a Quick Credit application procedure. Bank shall also make available to Company and Company may elect to utilize in its discretion, Instant Credit, pre-approved solicitations, Batch Prescreen and On-Line Prescreen application procedures as mutually agreed upon.

(c) Subject to Section 2.8, Company agrees that it will keep confidential the information on such applications and shall not disclose the information to anyone other than authorized representatives of Bank.

(d) All Cardholders will receive from Bank a periodic statement (the "Billing Statement") listing the amounts of Purchases made and credits received and other information as required by Applicable Law or deemed desirable by Bank. Company may if desired put text messages on the statements as approved by Bank.

(e) Bank shall make available to Company Internet application procedures and Charge Slip processing. In such event, Company shall be responsible for integrating and maintaining on its website at its sole expense a link to the Bank's Internet application processing website. The parties shall work together on implementing such links from the Bank's Internet application processing website back to Company's Internet site. Bank shall take reasonable efforts to ensure that navigation back to Company's Internet site from the Bank's Internet application processing website, whether through a particular pointer or link, the "back" button on an Internet browser, the closing of an active window, or any other return mechanism, shall not be interrupted by Bank through the use of any intermediate screen or other device not specifically requested by the user, including without limitation through the use of any html pop-up window or any other similar device.

2.3 *Operating Procedures.* Company shall observe and comply with the Operating Procedures. Company shall ensure that Company's Stores personnel are trained regarding the Operating Procedures and shall ensure their compliance with them. The Operating Procedures may be supplemented, amended or modified by Bank from time to time in its reasonable discretion; provided, however, a copy of any such supplement, amendment or modification shall be provided to Company at least ninety (90) days before its effective date (the "Notice Date") unless otherwise required by Applicable Law, and for those changes required by Applicable Law, notice shall be given as soon as practicable. For changes that are (A) required by Applicable Law, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices (both (A) and (B) being referred to herein as the "Required Changes"), where Bank implements such Required Changes with all of its other clients that are also affected by such change in Applicable Law or operate in circumstances similarly requiring changes from the standpoint of safe and sound banking practices, Bank shall identify the changes as Required Changes in the notice to Company. Unless such change is a Required Change, Company shall have the right within thirty (30) days after the Notice Date to object to such change and the parties' representatives will promptly thereafter meet to discuss such change in good faith in order to agree upon such change or a mutually agreeable alternative to such change. In the event the parties are unable to agree upon such change or an alternative within sixty (60) days after the Notice Date, then a senior executive from both Company and Bank shall meet to negotiate in good faith in order to agree upon such change or a mutually agreeable alternative to such change. If the parties' senior

executives are unable to mutually agree within ninety (90) days after the Notice Date, then Bank shall have the right to implement the initially proposed change so long as (i) Bank implements such change with all or substantially all of its other similar clients, (ii) such change does not change the chargebacks section of the Operating Procedures, and (iii) such change does not impose a material adverse financial or operational burden on Company.

2.4 *Plan Documents.* Subject to and in compliance with the requirements of Applicable Law, Bank shall solely author any content, format or other aspect of the Credit Card Agreement, application, Credit Card, card mailer, letters, and other documents and forms and billing statements (collectively, "Forms") to be used under the Plan which (i) relate to the Plan, (ii) relate to the Bank's or the Cardholder's rights or obligations under the Account, or (iii) are required by Applicable Law. Bank and Company shall jointly design all other aspects of the Forms (except for Cardholder letters and other documents and forms used by Bank in maintaining and servicing the Accounts, which Bank shall solely design), subject to and in compliance with the requirements of Applicable Law. Bank will provide Company with copies of the template of any Forms which are to be provided by Bank in a mass mailing or distribution to all Cardholders as a whole or to all Cardholders in a particular state. Bank shall provide at Bank's expense consistent with Bank's standard costs for such documents (any excess costs due to Company's special requests for non-standard documents shall be borne by Company) appropriate quantities of the Credit Card Agreements, Credit Card plastics, card mailer and billing statements. Bank shall notify Company in advance if any form is not consistent with Bank's standard costs and will provide Company with a written estimate of the excess costs to be borne by Company for such form. Company shall pay the costs of all other Plan documentation including, without limitation, applications, promotional material (i.e. collateral), pre-approved solicitations, Instant and Quick Credit contracts and special offers, reissued Credit Card plastics, including but not limited to embossing and encoding, card carriers, envelopes, Credit Card Agreements and postage related to any reissuances requested by Company for any reissuance of Credit Cards to Cardholders (other than replacements made by Bank from time to time at a Cardholder's request on an individual basis). Bank shall have the right to review and approve all materials prepared by Company (or an Affiliate or third party) that refer in any way to the Plan, such approval not to be unreasonably withheld or delayed. In the event any Forms become obsolete as a result of changes requested by Company, Company shall reimburse Bank for the direct costs associated with any unused obsolete Forms. Company shall pay the actual and direct costs associated with any Forms changes or Cardholder notices required as a result of any additions or deletions of Company honored credit cards requested by Company pursuant to Section 3.1. Only one design shall be used for each form.

2.5 *Marketing.* Company agrees to use its reasonable efforts to promote the use of Credit Cards for Purchases and to acquire new Cardholders through such methods mutually agreed upon by Bank and Company. Company agrees to use reasonable marketing efforts to support the Plan. Company and Bank shall annually agree upon a minimum target number of Applicants to be sourced by Company. Bank and Company will jointly agree upon programs to market the Plan, both initially and on a continuing basis. When using any trademarks, logos, service marks or tradenames of the other party, each party will comply with all written guidelines provided to it by the other party related to use of the other party's marks.

2.6 *Administration of Accounts.* Bank shall perform, at its expense and in compliance with Applicable Law, all functions necessary to administer and service the Accounts, including but not limited to: making all necessary credit investigations; notifying Applicants in writing of acceptance or rejection of credit under the Plan; preparing and mailing billing statements; making collections; handling Cardholder inquiries; and processing payments. The Bank is solely responsible for determining the requirements, the method, and the content of any notices to Cardholders required by Applicable Law.

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2.7 *Credit Decision.* The decision to extend credit to any Applicant under the Plan shall be Bank's decision. Bank will work in good faith with Company to develop business strategies with respect to the issuance of Credit Cards which are intended to maximize the potential of the Plan, and which are mutually beneficial to Bank and Company. Company may from time to time request Bank to consider offering certain types of special credit programs. Bank shall reasonably consider Company's requests and negotiate with Company in good faith. However, Bank shall, in its sole discretion, subject to Applicable Laws and safety and soundness considerations, determine whether or not to offer any of such programs. In the event Bank agrees to any special credit program, Bank and Company shall mutually agree upon any special terms and fees associated with the program. Notwithstanding the foregoing, (i) the credit standards established by Bank from time to time in connection with the issuance of Credit Cards for use in connection with the Plan shall be consistent with past practices (as described in Schedule 2.7), with such changes as shall be (A) approved by Company in its reasonable discretion, or (B) determined by Bank in good faith to be necessary from the standpoint of safe and sound banking practices. Bank shall conduct, at least once during each Plan Year, a meeting with Company to review the credit standards being applied by Bank in reaching its credit decisions.

2.8 *Ownership of and Rights in Information.* (a) Bank shall provide to Company free of charge from time to time (generally no more frequently than monthly) at Company's request master file tapes initially containing the information set forth on Schedule 2.8 for Company to the extent such information is available to Bank, and any other information agreed to by Bank and Company (collectively, the "Master File Information"), to the extent permitted by Applicable Law, which Company may use solely in connection with maintaining and servicing the Accounts and for the purpose of marketing goods and services to the Cardholders, as permitted by Applicable Law. The Master File Information may include, at Company's request, the information set forth on Schedule 2.8 for Affiliates of Company, to the extent permitted by Applicable Law.

(b) To the extent permitted by Applicable Law and without undue burden, cost or expense to Bank, Bank intends and will exert its diligent good faith efforts to maintain during the Term a privacy policy, which will permit Bank to allow Company to use the Master File Information for purposes in addition to those set forth in Section 2.8(a) above (the "Additional Purposes") and to share such information with third parties for the Additional Purposes subject to Cardholder opt out and Applicable Law. To the extent permitted by and in accordance with Applicable Law and subject to Cardholder opt out, Company may so provide the Master File Information to third parties for the Additional Purposes and/or use such information for the Additional Purposes.

(c) The Bank is the owner of all information relating to the Cardholders (including names and addresses) as collected by or on behalf of Bank or as set forth in Bank's records, the Accounts and the Credit Cards, the copyright to all written material contained in any Credit Card Agreements, applications, billing statements and other Forms used by the Bank in the administration of its agreements with the Cardholders, all credit scoring systems and all policies of credit insurance issued to the Bank with respect to any Cardholder; provided, however, that Bank shall not be entitled to sell, rent or otherwise disclose any information relating to the Cardholders to any third party other than (i) Affiliates of Company, (ii) persons who, in the sole judgment of Limited Brands, do not compete, directly or indirectly, with any retail or catalogue business conducted by The Limited or any of its Affiliates, (iii) in the case of disclosure, credit agencies, (iv) as otherwise permitted by this Agreement, and (v) as required by Applicable Law.

(d) The Transaction Records (except for any Account payment information received by Company on Bank's behalf) are the sole property of Company. Bank may use the Transaction Records solely for the purposes permitted by this Agreement (provided that this limitation shall not limit Bank's rights with respect to any Account information). Account payment information received by Company on Bank's behalf shall be the sole property of Bank, provided that Company may use such information solely for the purposes permitted by this Agreement.

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(e) Company is the owner of the names and addresses of Customers, as set forth in Company's records and collected by Company from a source other than Bank. Upon request of Bank and consent of Company, not to be unreasonably withheld, Company shall make the names and addresses of Customers available to Bank, as permitted by Applicable Law, during the Term of this Agreement to be used only for purposes of solicitation of such Customers to become Cardholders of Bank and in connection with the administration of the Plan in accordance with the terms of this Agreement. Names, addresses and other information of Customers obtained by Company from the Customer (and not on Bank's behalf) in connection with point-of-sale, mail order, telephone, internet or other sale (regardless of whether the Customer makes payment for such sale through the use of a Credit Card) are "collected by Company from a source other than Bank".

(f) For the avoidance of doubt, the parties acknowledge that the items of information allocated to each party in this Section 2.8 may overlap, and that each party may independently possess and own the same specific items of information, such as but not limited to, names and addresses of persons who are both Customers and Cardholders. The allocation of ownership of a class of information to one party in this Section 2.8 is not inconsistent with ownership by the other party of the same items of information if so allocated in this Section 2.8.

2.9 *Insurance and Account Enhancement Services.* (a) Bank and Company agree that Bank will exclusively make available to Cardholders various types of insurance products, the premiums for which are based on the Cardholder's account balance, ("Insurance Products") offered by Bank and/or its vendors or Affiliates. Such products shall include credit life, debt cancellation, accidental death and disability and unemployment insurance. The solicitations and offerings shall not contain Company's endorsement. Bank may make at least two (2) and no more than four (4) offers per Plan Year or two (2) times per Season at its expense. The monthly charges for Insurance Products shall be charged to the applicable Cardholder's Account.

(b) Bank and Company agree that Bank may make available to Cardholders various types of other insurance, products and services ("Account Enhancement Services") at its expense through solicitations made in connection with their Accounts, subject to Company's approval as provided in Section 2.9(d). Such Account Enhancement Services may include but are not limited to insurance of types not listed in Section 2.9(a), travel clubs, legal services, card registration programs and merchandise products. Such Account Enhancement Services will be offered through various direct marketing channels including but not limited to direct mail, telemarketing, statement inserts, statement messaging, call transfer and IVR. The charges for the products and services will be billed to the applicable Cardholder's Account when appropriate. The solicitations and offerings shall not contain Company's endorsement.

(c) Company shall receive from Bank fifty percent (50%) of the net profit (Bank's revenues from commissions and other incentives from the vendor minus Bank's total expenses) generated by Account Enhancement Services, payment to be made on a monthly basis, together with a statement setting forth the revenues, expenses and profits in reasonable detail.

(d) Each and every Account Enhancement Service and the related advertising materials shall be subject to the prior approval of Company, which approval shall not be unreasonably withheld or delayed (it being understood that Company may withhold such approval if it determines in its reasonable discretion that the advertising of such products or services is inconsistent with the image of Company's business). With ninety (90) days prior written notice to Bank, Company may reasonably withdraw its approval for an Account Enhancement Service.

2.10 *Ownership of Company Name.* Anything in this Agreement to the contrary notwithstanding, Company shall retain all rights in and to Company's name and the name selected by Company for use on the Credit Card and all trademarks, service marks and other rights pertaining to such names (collectively, the "Name Rights") and all goodwill associated with the use of the Name Rights whether

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under this Agreement or otherwise shall inure to the benefit of the Company. Company shall have the right, in its sole and absolute discretion, to prohibit the use of any of its Name Rights in any Forms, advertisements or other materials proposed to be used by Bank which Company in its reasonable business judgment deems objectionable, improper or undesirable. However, no use, which use is consistent with this Agreement, of the name selected by Company for use on the Credit Card and in the Forms for the purpose of identifying the Accounts in connection with maintaining and servicing such Accounts will be deemed objectionable, improper or undesirable by Company. Bank shall cease all use of the Name Rights upon the termination of this Agreement for any reason unless Bank retains the Accounts after termination of the Agreement, in which case Bank may use the Name Rights solely in connection with the administration and collection of the balance due on the Accounts. Provided, however, that Company grants Bank the right to use Company's Name Rights on a case by case basis and with thirty (30) days advance notice of each category of use in connection with Bank and its Affiliates' product marketing and promotional materials and literature in written and electronic form and their business client lists until such time as this Agreement is terminated or Company chooses to revoke this right for any or all product marketing, promotional materials, literature or client list purposes. All uses of Company's Name Rights are subject to the terms and conditions of this Agreement, including this Section 2.10 and Section 2.5.

2.11 *Payment of Fees Other than Discount Fees.* Bank will invoice Company monthly in arrears for all fees or charges other than Discount Fees properly imposed by Bank pursuant to this Agreement. All such amounts payable by Company under this Section 2.11 shall be paid within thirty (30) days after receipt of the Bank's invoice for such amounts.

SECTION 3. OPERATION OF THE PLAN

3.1 *Honoring Credit Cards.* Company agrees that Company and Company's Stores will honor any Credit Card, and to the extent permitted by Applicable Law Bank will permit Company, at Company's option, to honor other credit cards for Company's Affiliates issued by Bank provided that Company will provide Bank with at least thirty (30) days advance written notice of its intent to honor such other credit cards, (and the Authorized Users of such Credit Cards) properly issued and currently authorized by Bank. In addition, if mutually agreed by Bank and Company, Company agrees that Company and Company's Stores will honor any credit card for Company's former Affiliates issued by Bank (and the Authorized Users of such credit cards) properly issued and currently authorized by Bank. Company agrees that it shall deliver to Bank all Transaction Records evidencing transactions made under the Plan, in accordance with the provisions of this Agreement and the Operating Procedures.

3.2 *Additional Operating Procedures.* In addition to the procedures, instructions and practices contained in the Operating Procedures, Company agrees that Company will comply with the following procedures:

(a) In each Credit Card transaction Company must obtain all the information contained in clause (b) of the definition of Transaction Record. The date which appears on the Charge Slip or Credit Slip will be prima facie evidence of the transaction date, and Company shall be required to transmit all Transaction Records relating to such Charge Slip and/or Credit Slip so that Bank receives such Transaction Records no later than the second Business Day after the transaction date; provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the occurrence of the underlying Transactions, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. The "Cardholder Copy" of each Charge Slip shall be delivered to the Cardholder at the time of the transaction if the Cardholder is in the store.

(b) All Charge Slips will evidence the total price of the sale minus any cash down payment. Company shall retain the "Merchant Copy" of all Company generated Charge and Credit Slips for

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each transaction for a period of six (6) months from the date of presentation to Bank or in the case of Deferred Billing Programs, six (6) months from the end of the applicable Deferred Billing Program.

(c) Company will maintain a fair policy for the exchange and return of Goods and adjustment for Services rendered and for that purpose will give credit to Accounts upon such exchange, return or adjustment. Company will not make cash refunds to Cardholders on Credit Card Purchases. If any Goods are returned, price adjustment is allowed, or debt for Services is adjusted, Company will notify the Bank and provide appropriate documentation thereof to the Cardholder. Upon receipt of Transaction Records reflecting a credit to which there has been a corresponding debit, Bank will net against amounts payable by Bank to Company the total shown on the Credit Slip, and credit the Cardholder's Account in the amount of such Credit Slip. If on any day the total amount of the Net Proceeds is a negative amount, Company shall remit the difference to Bank immediately upon written demand.

(d) Company's Stores shall not, when the Cardholder is present in the store, accept a transaction to be charged to an Account without either: presentation of a Credit Card and following any additional identification outlined in the Operating Procedures; or following such proper identification procedures for transactions where a Credit Card is not presented as outlined in the Operating Procedures.

3.3 *Cardholder Disputes Regarding Goods or Services.* Company shall act promptly to investigate and work to resolve disputes with Cardholders regarding Goods or Services obtained through Company pursuant to the Plan. Company shall timely process credits or refunds for Cardholders utilizing the Plan.

3.4 *No Special Agreements.* Company will not extract any special agreement, condition or security from Cardholders in connection with their use of a Credit Card, unless approved in advance by Bank in writing.

3.5 *Cardholder Disputes Regarding Violations of Law or Regulation.* Company shall assist Bank in further investigating and using its reasonable efforts to help resolve any Applicant or Cardholder claim, dispute, or defense which may be asserted under Applicable Law.

3.6 *Payment to Company; Ownership of Accounts; Fees; Accounting.* (a) Company shall electronically transmit all Transaction Records from Company to Bank in a format acceptable to Bank. Upon receipt, Bank shall use commercially reasonable efforts to promptly verify and process such Transaction Records, and in the time frames specified herein, Bank will remit to Company an amount equal to the Net Proceeds indicated by such Transaction Records for the Credit Sales Day(s) for which such remittance is made. In the event Bank discovers any discrepancies in the amount of Transaction Records submitted by Company or paid by Bank to Company, Bank shall notify Company in detail of the discrepancy, and credit Company, or net against amounts owed to Company, as the case may be, in a subsequent daily settlement. Bank will transfer funds via Automated Clearing House ("ACH") to an account designated in writing by Company to Bank (the "Company Deposit Account"). From the Effective Date through January 31, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer on the next Business Day thereafter and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the second Business Day thereafter. Commencing on February 1, 2003, if Transaction Records are received by Bank's processing center before 12 noon Eastern time on a Business Day, Bank will initiate such ACH transfer the same day and in the event that the Transaction Records are received after 12 noon Eastern time on a Business Day, then Bank will initiate such transfer no later than 12 noon Eastern time on the following Business Day. Bank shall remit funds to one Company designated account and shall not remit funds to individual Company Stores. The term "initiate" shall mean that Bank shall transmit an ACH file to Bank's financial institution for settlement on the next Business Day.

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(b) Bank shall own all the Accounts under the Plan from the time of establishment, and except as otherwise provided herein, Company shall not have any right to any indebtedness on an Account or to any Account payment from a Cardholder arising out of or in connection with any Purchases under the Plan. Effective upon payment to Company by Bank pursuant to Section 3.6(a), with respect to each Charge Slip Company shall be deemed to have transferred, conveyed, assigned and surrendered to Bank all right, title or interest in all such Charge Slips and in all other rights and writings evidencing such Purchases, if any.

(c) All Transaction Records are subject to review and acceptance by Bank. In the event of a computational or similar error of an accounting or record keeping nature with respect to such Transaction Records, Bank may credit to the Company's Deposit Account or net against the Net Proceeds (as the case may be) the proper amount as corrected. If the Net Proceeds are insufficient, Company shall remit the proper amount to Bank immediately upon written demand. Upon any such correction Bank shall give prompt notice and explanation thereof to Company.

(d) Bank may make any changes in the terms of the Credit Card Agreement at any time as required by Applicable Law and will notify Company of such changes with notice to Company reasonable under the circumstances, or on an individual Account by Account basis, without notice to Company, in connection with its servicing of the Accounts. With respect to any other changes in the terms of the Credit Card Agreement affecting the repayment terms, APR or fees charged by Bank, Bank will, prior to making any changes, notify Company of such changes and discuss such changes with Company.

(e) Company shall obtain and maintain at their own expense such point of sale terminals, cash registers, network (electronic communication interchange system), telephone or other communication lines, software, hardware and other items of equipment as are necessary for it to request and receive authorizations, transmit Charge Slip and Credit Slip information, process Credit Card Applications and perform its obligations under this Agreement. The computer programs and telecommunications protocols necessary to facilitate communications between Bank and Company and Company's Stores shall be determined by Bank from time to time subject to reasonable prior notice of any change in such programs, equipment or protocols.

(f) Company may from time to time offer Deferred Billing Programs to Cardholders. Company shall be responsible for ensuring that all Purchases subject to any Deferred Billing Programs are properly designated as such on the Transaction Record in accordance with Bank's instructions.

(g) Bank may if Company fails to pay Bank any amounts due (and such amounts are not subject to a good faith dispute of which Bank has been notified) to Bank pursuant to this Agreement for more than thirty (30) days after the due date, offset such amounts against the Net Proceeds or any other amounts owed by Bank to Company under this Agreement.

3.7 *Insertion of Company's Promotional Materials.* Bank will upon request of Company from time to time insert Company's promotional materials for Company's Goods and Services, which are provided by Company at Company's expense, into the Account billing statements and new Credit Card mailers, so long as: (a) the materials are provided to Bank at least two (2) Business Days prior to the scheduled mailing date of such statements or notices; (b) if the materials reference Bank or the Plan in any manner, are approved by Bank as to content, in Bank's reasonable discretion; (c) the materials meet all size, weight, or other specifications for such inserts as shall be set forth in the Operating Procedures; (d) there is sufficient space in Bank's standard envelope for the insert in addition to any legally required material, Cardholder notices and other materials which Bank is including in the mailing; and (e) Company pays any and all additional postage costs caused by Bank's insertion of materials provided by Company, provided that Bank shall first notify Company of any additional postage cost and Bank will include the materials only if instructed by Company to insert regardless of the additional postage costs.

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3.8 *Payments.* (a) Except as provided in this Section 3.8, all payments to be made by Cardholders with respect to any amounts outstanding on the Accounts shall be made in accordance with the instructions of Bank and at the location or address specified by Bank. Company hereby authorizes Bank, or any of its employees or agents, to endorse "WORLD FINANCIAL NETWORK NATIONAL BANK" upon all or any checks, drafts, money orders or other evidence of payment, made payable to Company and intended as payment on an Account, that may come into Bank's possession from Cardholders and to credit said payment against the appropriate Cardholder's Account. Company further agrees that where, consistent with Section 3.8(b), or such other circumstance authorized by Bank,

Company is permitted by Bank to receive any payment made with respect to the Plan, Company will on Bank's behalf hold such payment in trust for Bank and will include the amount of such payment in the Transaction Records sent to Bank pursuant to this Agreement within two (2) Business Days after receipt provided that if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such information relating to such store locations as soon as reasonably practicable after polling is completed. Bank will charge the amount of such payment against the settlement amount, or, if the settlement amount is insufficient to cover such payments, Company shall remit the amount of such payment, or any unpaid portion thereof, to Bank immediately upon written demand. Payments made by Cardholders at Company's Stores shall not be deemed received by Bank until Bank receives and accepts the Transaction Records. Bank has the sole right to receive and retain all payments made with respect to all Accounts and to pursue collection of all amounts outstanding, unless an Account or Purchase is charged back to Company pursuant to the provisions of Sections 3.9 and 3.10 hereof. Should any payment made by Cardholders at Company's Stores be made by check and such check is subsequently returned unpaid, Company will include a debit for the face amount of the check plus any actual return check fees paid by Company to its third party depository bank to which the check is first deposited or third party re-presentation vendor in the Transaction Records sent to Bank pursuant to this Agreement. Company will process such returned check in accordance with the procedures mutually agreed upon in writing by Bank and Company. In the event the return check fees imposed by or through any third party vendor retained by Company for re-presentation of such checks for payment following any initial return increase after the Effective Date, Company shall give Bank written notice of the increase in such fees and Bank shall have the right to discontinue paying the fees imposed by or through such third party re-presentation vendor, in which event, Company may discontinue processing such returned checks through the re-presentation vendor and shall submit checks returned unpaid by the bank of first deposit to Bank.

(b) Company will, consistent with past practices, accept payments from Cardholders for amounts due on Credit Card Accounts ("**In-Store Payments**"). Any In-Store Payments received by Company will be held in trust for Bank and its assigns and netted against amounts payable by Bank pursuant to this Section 3.8 (provided that Company shall not be required to keep In-Store Payments separate from other payments received by Company) and evidence of such payments will be transmitted to Bank on a daily basis, provided that (i) if, as a result of technical disruptions, any store locations are not polled within a normal period after the receipt of the payment, Company may transmit such evidence relating to such store locations as soon as reasonably practicable after polling is completed or (ii) if transmittal is not possible due to a force majeure event, such transmittal will be completed within a time reasonable under the circumstances. Notwithstanding the foregoing:

(1) if any bankruptcy or other insolvency proceeding has been commenced against Company (and so long as the same has not been dismissed), Company shall promptly comply with any written instruction (a "**Store Payment Notice**") received by Company from Bank or any successor

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to Bank (Bank or any such successor being the "Servicer") to take either of the following actions (as specified in such instruction):

(i) cease accepting In-Store Payments and thereafter inform Cardholders who wish to make In-Store Payments that payment should instead be sent to Servicer (but only if the Servicer is required to give such notice); or

(ii) (A) deposit an amount equal to all In-Store Payments received by each retail location operated by Company, not later than the Business Day following receipt, into a segregated trust account (the "Store Account") established by Company for this purpose and, pending such deposit, to hold all In-Store Payments in trust for Bank and its assigns, (B) use commercially reasonable efforts not to permit any amounts or items not constituting In-Store Payments to be deposited in the Store Account and (C) cause all available funds in each Store Account to be transferred on a daily basis to an account designated in the Store Payment Notice;

provided that Company need not take the actions specified in clause (i) or clause (ii) if Company or any of its Affiliates provides the Servicer with a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments and all required conditions with respect to such letter of credit, surety bond or other similar instrument are satisfied;

(2) if and to the extent that Bank so requests in writing at a time when Bank is required to make such request and Bank provides to Company evidence reasonable under the circumstances of such requirement, In-Store Payments shall no longer be netted against amounts payable by Bank pursuant to subsection 3.8(a), but instead Company shall transfer to Bank by ACH of immediately available funds not later than the third Business Day following receipt of any In-Store Payments, an amount equal to the sum of such In-Store Payments.

So long as Company complies with instructions delivered in accordance with paragraph (1) or (2), any amounts payable by Bank to Company pursuant to Section 3.6 shall be made without deduction for In-Store Payments.

3.9 *Chargebacks.* Bank shall have the right to demand immediate purchase by Company of any Purchase and charge back to Company the unpaid principal balance relating to any such Purchase, for any chargeback reason as set forth in the Operating Procedures.

3.10 *Assignment of Title in Charged Back Purchases.* With respect to any amount of a Purchase to be charged back to and to be purchased by Company, Company shall either pay such amount directly to Bank in immediately available funds or Bank will offset such amount as part of the Net Proceeds to be paid to Company, to the extent the balance thereof is sufficient. Upon payment of such amount by Company to Bank, or off-setting, as the case may be, Bank shall assign and transfer to Company, without recourse, all of Bank's right, title and interest in and to such Purchase and will deliver all documentation (or copies) in Bank's possession, including but not limited to, Cardholder correspondence regarding such Purchase. Company further consents to all extensions or compromises given any Cardholder with respect to any such Purchase, and agrees that such shall not affect any liability of Company hereunder or right of Bank to charge back any Purchase as provided in this Agreement; provided, however, that Bank shall not have the right to charge back for any Purchase the amount of any reductions, or compromises of amounts owed by a Cardholder to Bank. Company shall not resubmit or re-transmit any charged back Purchases to Bank, without Bank's prior written consent.

3.11 *Promotion of Program and Card Plan; Non-Competition.* (a) Throughout the Term of this Agreement, Company shall use its reasonable efforts to market, promote, participate in and support the Plan as set forth in this Agreement. Company agrees that in consideration and as an inducement for Bank to make the Plan available to Company as outlined in this Agreement and the Operating Procedures, from the Effective Date and for as long as this Agreement is in existence, Company will

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not (nor will Company permit any Affiliate to do so on Company's behalf), without the prior written consent of Bank, contract or establish with any other credit card processor/provider or provide or process on its own behalf any "private label" or "co-brand" revolving credit or other credit card issuance or processing arrangement or programs similar in purpose to the Plan or to the services and transactions contemplated under this Agreement, except that if either party provides notice of termination pursuant to Section 9.1 of this Agreement or if Company terminates under Sections 9.3 or 9.5, Company may enter into a contract with another credit card processor/provider effective on or after termination of this Agreement (provided that an agreement for preliminary or planning services related thereto shall not violate this provision).

(b) Notwithstanding the foregoing, nothing contained in this Agreement will be construed to prohibit or prevent Company from: (i) accepting any major general purpose credit card (including without limitation, American Express (and Optima) Card, MasterCard, Visa, or NOVUS), any form of general purpose debit card or fixed payment (installment) credit programs for Applicants declined by Bank, as a means of payment by Cardholders for purchase of Goods and Services; or (ii) accepting a proprietary credit card issued by Bank for an Affiliate; or (iii) entering into a contract with another credit card provider for a particular state after Bank has terminated (or given notice of such termination) the operation of the Plan in such state pursuant to Section 9.4.

(c) Provided, further, that Company shall be entitled to negotiate with any third party with respect to the issuance of co-branded or affinity bank credit cards bearing a Mark or any of Company's other Name Rights and to accept any Bona Fide Offer by such third party if, prior to accepting such Bona Fide Offer, Company provides Bank with an opportunity to submit a competing offer and counteroffer (as outlined below) with respect to the issuance of co-branded or affinity bank credit cards bearing the Mark or Name Right, and Bank's competing offer and counteroffer is not deemed to be "Competitive." Bank's competing offer or counteroffer shall be deemed to be "Competitive" if it has terms which are either (i) at least as favorable to Company as such Bona Fide Offer or (ii) taken as a whole, are reasonably competitive in the reasonable judgment of Company to such Bona Fide Offer. A Competitive offer or counteroffer by Bank shall be accepted by Company in lieu of such Bona Fide Offer. Company will provide to Bank a copy of all materials (such as requests for proposals and the like) provided by Company to all third parties for the purposes of soliciting Bona Fide Offers, such materials to be provided to Bank at the same time Company provides them to the third parties. Bank will be given at least thirty (30) days (or such longer period of time as is given to the third parties) to submit a competing offer to Company. In addition, if Bank submits within the thirty (30) day (or longer) period a competing offer in response to a Bona Fide Offer or solicitation of a Bona Fide Offer, and that competing offer is not deemed to be Competitive, then prior to accepting the Bona Fide Offer Company will identify and quantify to Bank the key terms and assumptions (of Company and the third party) of the Bona Fide Offer (however, Company shall not be required to provide Bank with a copy of the actual Bona Fide Offer) and Bank will have fifteen (15) days after receipt of such key terms to submit a counteroffer to Company and Company will evaluate any counteroffer submitted by Bank within such fifteen (15) day period according to the Competitive standards set forth in clauses (i) and (ii) above and will accept Bank's offer in lieu of such Bona Fide Offer if the Competitive standards are met. For purposes of this Section 3.11, "Bona Fide Offer" means an offer to Company with respect to a program of at least two years' duration for the issuance of co-branded or affinity bank credit cards that is, in Company's reasonable judgment, generally competitive in light of marketplace conditions existing at the time (such marketplace conditions to include, without limitation, other offers with respect to co-branded or affinity bank credit cards being made to Company, its Affiliates and other retail or catalogue merchants).

3.12 *Postal Rate Adjustment.* From August 1, 2002 through January 31, 2003, Company shall bear the costs of all increases in the cost of mailing Account billing statements, form letters or new

Credit Cards due to increases in the first class pre-sort cost of postage from the United States Postal Service which increases occurred between February 1, 1996 and June 30, 2002.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF COMPANY

Company hereby represents and warrants to Bank as follows:

4.1 *Organization, Power and Qualification.* Division and Factoring are corporations duly organized, validly existing and in good standing under the laws of the state of Delaware and Nevada, respectively, and have full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Company is duly qualified and in good standing to do business in all jurisdictions where Company is located, except where the failure to so qualify would not have a material adverse effect on the business of the Company, or where the failure to so qualify would not have a material adverse effect on Company's or Bank's ability to continue operation of the Plan.

4.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Company and is a valid and legally binding agreement of Company duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Company is required for, and the absence of which would adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Company hereunder and the compliance by Company with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; and (ii) will not conflict with or result in a breach of or default under any of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Company is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Company, nor will such execution, delivery or compliance violate or result in the violation of the Articles of Incorporation or By-Laws of Company.

4.3 *Accuracy of Information.* All factual information furnished by Company to Bank in writing at any time pursuant to any requirement of, or furnished in response to any written request of Bank under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Company to Bank will be, true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information was or will be stated or certified.

4.4 *Validity of Charge Slips.* (a) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, each Charge Slip relating to such Transaction Records shall represent the obligation of a Cardholder in the respective amount set forth therein for Goods sold or

Services rendered, together with applicable taxes, if any, and shall not involve any element of credit for any other purpose.

(b) As of the date any Transaction Records are presented to Bank in accordance with the provisions of this Agreement, Company has no knowledge or notice of any fact or matter which would immediately or ultimately impair the validity of any Charge Slip relating to such Transaction Records, the transaction evidenced thereby, or its collectibility.

4.5 *Compliance with Law.* Any action or inaction taken by Company (where Company has a duty to act) in connection with the Plan and the sales of Goods and Services and the use and disclosure of Cardholder information by Company shall be in compliance with all Applicable Law

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except where the failure to comply does not or will not have a material adverse effect on Company, the Bank or the Plan.

4.6 *Company's Name, Trademarks and Service Marks.* Company has the legal right to use and to permit the Bank to use, to the extent set forth herein, the Mark and Name Rights utilized by Company in the conduct of its business.

4.7 *Intellectual Property Rights.* In the event Company provides any software or hardware to Bank, Company has the legal right to such software or hardware and the right to permit Bank to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Company or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to Bank's request or to accommodate Bank's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Company and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Bank or any third party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Company and/or its Affiliates.

SECTION 5. COVENANTS OF COMPANY

Company hereby covenants and agrees as follows:

5.1 *Notices of Changes.* Company will as soon as reasonably possible notify Bank of any: (a) change in the name or form of business organization of Company, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Company or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Company; (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on Company; or (d) the planned opening or closing of any Company Store. Company will furnish such additional information with respect to any of the foregoing as Bank may reasonably request for the purpose of evaluating the effect of such change on the financial condition and operations of Company and on the Plan.

5.2 *Financial Statements.* In the event Company ceases to be an Affiliate of a publicly traded company or ceases to be a publicly traded company itself, Company shall make available to Bank as soon as available the following information pertaining to Company (or, at the option of Company's parent, consolidated information pertaining to such parent): (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Company's (or, its parent's, as applicable) independent certified public accountants in connection with such of the financial statements as have been audited.

5.3 *Inspection.* Company will permit, if Bank has reasonable cause to do so, authorized representatives designated by Bank, at Bank's expense, to visit and inspect, to the extent permitted by Applicable Law, any of the Company's books and records pertaining to Transaction Records and the Plan and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

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5.4 *Company's Business.* Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the sale of Goods and Services.

5.5 *Insurance.* Company shall self-insure or at its option maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other companies within Company's industry engaged in similar businesses as Company.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF BANK

Bank hereby represents and warrants to Company as follows:

6.1 *Organization, Power and Qualification.* Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America and has full corporate power and authority to enter into this Agreement and to carry out the provisions of this Agreement. Bank is duly qualified and in good standing to do business in all jurisdictions where such qualification is necessary for Bank to carry out its obligations under this Agreement.

6.2 *Authorization, Validity and Non-Contravention.* (a) This Agreement has been duly authorized by all necessary corporate proceedings, has been duly executed and delivered by Bank and is a valid and legally binding agreement of Bank duly enforceable in accordance with its terms (except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equity principles).

(b) No consent, approval, authorization, order, registration or qualification of or with any court or regulatory authority or other governmental body having jurisdiction over Bank is required for, and the absence of which would materially adversely affect, the legal and valid execution and delivery of this Agreement, and the performance of the transactions contemplated by this Agreement.

(c) The execution and delivery of this Agreement by Bank hereunder and the compliance by Bank with all provisions of this Agreement: (i) will not conflict with or violate any Applicable Law; (ii) will not conflict with or result in a breach of the terms or provisions of any indenture, loan agreement or other contract or agreement under which Bank is an obligor or by which its property is bound where such conflict, breach or default would have a material adverse effect on Bank, nor will such execution, delivery or compliance violate or result in the violation of the Charter or By-Laws of Bank or any applicable law or statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Bank.

6.3 *Accuracy of Information.* All factual information furnished by Bank to Company in writing at any time pursuant to any requirement of, or furnished in response to any written request of Company under this Agreement or any transaction contemplated hereby has been, and all such factual information hereafter furnished by Bank to Company will be true and accurate in every respect material to the transactions contemplated hereby on the date as of which such information has or will be stated or certified.

6.4 *Compliance with Law.* Any action or inaction taken by Bank (where Bank has a duty to act) in connection with the Plan shall be in compliance with all Applicable Law, including, without limitation, all Consumer Laws, except where the failure to so comply does not or will not have a material adverse effect on the Bank, Company or the Plan.

6.5 *Intellectual Property Rights.* In the event Bank provides any software or hardware to Company, Bank has the legal right to such software or hardware and the right to permit Company to use such software or hardware, and such use shall not violate any intellectual property rights of any third party. Any software or other technology developed by or for Bank or its Affiliates, to facilitate the Program, including but not limited to, software and software modifications developed in response to

Company's request or to accommodate Company's special requirements and all derivative works, regardless of the developer thereof, will remain the exclusive property of Bank and/or its Affiliates. Nothing in this Agreement shall be deemed to convey a proprietary interest to Company or any third party in any of the software, hardware, technology or any of the derivative works thereof which are owned or licensed by Bank and/or its Affiliates.

SECTION 7. COVENANTS OF BANK

Bank hereby covenants and agrees as follows:

7.1 *Notices of Changes.* Bank will as soon as reasonably possible notify Company of any: (a) change in the name or form of business organization of Bank, change in the location of its chief executive office or the location of the office where its records concerning the Plan are kept; (b) merger or consolidation of Bank or the sale of a significant portion of its stock or of any substantial amount of its assets not in the ordinary course of business or any change in the control of Bank; or (c) material adverse change in its financial condition or operations or the commencement of any litigation which would have a material adverse effect on the Plan. Bank will furnish such additional information with respect to any of the foregoing as Company may reasonably request for the purpose of evaluating the effect of such transaction on the financial condition and operations of Bank and on the Plan.

7.2 *Financial Statement.* Bank shall furnish to Company upon request by Company and as soon as available the following information pertaining to Bank: (a) a consolidated balance sheet as of the close of each fiscal year; (b) a consolidated statement of income, retained earnings and paid-in capital to the close of each fiscal year; (c) a consolidated statement of cash flow to the close of each such period; and (d) a copy of the opinion submitted by Bank's independent certified public accountants in connection with such of the financial statements as have been audited.

7.3 *Inspection.* (a) Bank will permit, once per Plan Year unless Company has reasonable cause to request more frequent access, authorized representatives designated by Company, at Company's expense, to visit and inspect, to the extent permitted by Applicable Law, any of Bank's books and records pertaining to the Discount Fees, the Account Enhancement Services commission revenues and expenses set forth in Section 2.9, any fees and charges other than the Discount Fees and Purchases and to make copies and take extracts therefrom, and to discuss the same with its officers and independent public accountants, all at such reasonable times during normal business hours.

(b) Bank shall permit Company, once per Plan Year unless Company has reasonable cause to request more frequent access, during normal business hours and upon reasonable notice, and in a manner which does not disrupt the operations, to visit the offices at which services relating to the Plan are provided, to review and monitor the activities of Bank and its subcontractors with respect to the performance of services hereunder. Bank shall provide Company with a copy of any annual SAS 70 technical audits performed on the servicing of the Accounts by its outside auditors.

7.4 *Bank's Business.* Bank shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and to comply with all Applicable Laws in connection with its business and the issuance of credit by Bank.

7.5 *Insurance.* Bank shall maintain insurance policies with insurers and in such amounts and against such types of loss and damage as are customarily maintained by other banks engaged in similar businesses as Bank.

SECTION 8. INDEMNIFICATION; CLAIMS AND ACTIONS

8.1 *Indemnification by Company.* Company hereby indemnifies Bank, its Affiliates and the directors, officers, employees and agents of Bank or any Affiliate of Bank (each, a "Related Party") against, and agrees to hold them harmless from, any and all losses, claims, damages and liabilities

(including, without limitation, the legal fees and other expenses reasonably incurred in connection with any suit, action or proceeding or any claim asserted) ("Damages") incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty or nonperformance of any covenant made by Company under this Agreement or relating to any personal or bodily injury or property damage alleged to be caused by the sale of Goods or rendering of Services by Company.

8.2. *Indemnification by Bank.* Bank hereby indemnifies Company and its Related Parties against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them arising out of or in any way related to any misrepresentation, breach of any warranty, or nonperformance of any covenant made by Bank under this Agreement.

8.3. *Third Party Claims.* (a) Bank shall not be liable to Company for or in connection with any claim made against Company by any other Person relating in any manner to this Agreement or to any services or any other transactions contemplated hereby (other than (i) claims based upon Bank's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Bank arising from this Agreement (other than claims based upon Company's or any of its Related Parties' negligence or willful misconduct), (iii) claims relating to acts or omissions of Bank and its agents in connection with the collection of amounts owing from Cardholders and (iv) claims relating to the submission by Bank or its agents of data concerning Cardholders to credit agencies), even if Bank has been advised of the possibility of such claims.

(b) Company shall not be liable to Bank for or in connection with any claim made against Bank by any other Person relating in any manner to this Agreement or to any services or other transactions contemplated hereby (other than (i) claims based upon Company's failure to perform its obligations under this Agreement, its or any of its Related Parties' negligence or willful misconduct or its failure to comply with any law or regulation (including, without limitation, any Consumer Law), (ii) claims by employees or subcontractors of Company arising from this Agreement and (iii) claims relating to goods purchased from Company), even if Company has been advised of the possibility of such claims.

(c) Each party shall exert its good faith efforts to notify the other of any claims described in clauses (i) through (iv) of subsections (a) and (b) above of which such party receives notice.

8.4. *Dispute Resolution and Actions.* Bank and Company shall use their reasonable best efforts to resolve informally any claim of either party under this Agreement. No action at law or in equity may be instituted by any party with respect to any such claim unless such party has satisfied its obligation under the first sentence of this Section 8.4.

8.5. *Limitation on Actions.* No action against either party, regardless of form, arising out of or incidental to the matters contemplated by this Agreement, may be brought by the other party more than four (4) years after the event giving rise to such cause of action occurred and is known or upon the exercise of reasonable diligence should have been known to the injured party.

8.6. *Reimbursement for Losses.* If, as a result of any claim made by Bank against any third party (including, but not limited to, an insurer), Bank actually receives from such third party cash proceeds (or non-cash proceeds, whether in the form of goods or services) which represent, in whole or in part, compensation for or reimbursement of losses or costs actually incurred by Company, then Bank will hold that portion of such proceeds fairly allocable to Company (taking into consideration all losses or costs actually incurred by all parties for whose benefit such payments have been received) in trust on behalf of Company and will promptly pay over to Company such allocable amount of any such cash proceeds (or, as to non-cash proceeds, the allocable portion or, at the discretion of Bank, the cash equivalent thereof).

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8.7. *Survival.* The provisions of this Section 8 shall survive the termination of this Agreement.

SECTION 9. TERM AND TERMINATION

9.1 *Term.* This Agreement shall become effective as of the Effective Date when executed by authorized officers of each of the parties and shall remain in effect until August 31, 2009 (the "Initial Term") and shall automatically renew for successive one-year terms (each a "Renewal Term") thereafter unless either party provides the other with at least twelve (12) month's written notice of its intention to terminate the Agreement prior to the expiration of the Initial or then current Renewal Term, or unless otherwise terminated as provided herein.

9.2 *Termination with Cause by Bank; Bank Termination Events.* Any of the following conditions or events shall constitute a "Bank Termination Event" hereunder, and Bank may terminate this Agreement immediately without further action if Company causes such Bank Termination Event to occur and be continuing:

(a) If Company shall: (i) generally not pay its debts as they become due; (ii) file, or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Company to perform under this Agreement or the Plan; or (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Company, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Company, or if any petition for any such relief shall be filed against Company and such petition shall not be dismissed within sixty (60) days; or

(c) If Company shall default in the performance of or compliance with any material term or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Company shall not have remedied such default within thirty (30) days after written notice thereof shall have been received by Company from Bank.

9.3 *Termination with Cause by Company; Company Termination Events.* Any of the following conditions or events shall constitute a "Company Termination Event" hereunder, and Company may terminate this Agreement immediately without further action if Bank causes such Company Termination Event to occur and be continuing:

(a) If Bank shall: (i) generally not be paying its debts as they become due; (ii) file or consent by answer or otherwise to the filing against it, of a petition for relief, reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction; (iii) make an assignment for the benefit of its creditors; (iv) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers for itself or of any substantial part of its property; (v) be adjudicated insolvent or be liquidated; (vi) take corporate action for the purpose of any of the foregoing and such event shall materially adversely affect the ability of Bank to perform under this Agreement or the operation of the Plan; (vii) receive an adverse opinion by its auditors or accountants as to its viability as a going concern; or (viii) have a materially adverse

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change in its financial condition, including, but not limited to Bank being downgraded by a rating agency to a rating below an investment grade rating; or

(b) If a court or government authority of competent jurisdiction shall enter an order appointing, without consent by Bank, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or if an order for relief shall be entered in any case or proceeding for liquidation or reorganization or otherwise to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding up or liquidation of Bank, or if any petition for any such relief shall be filed against Bank and such petition shall not be dismissed within sixty (60) days; or

(c) If Bank shall default in the performance of or compliance with any material term (other than the Service Standards) or violates in a material manner any of the covenants, representations, warranties or agreements contained in this Agreement and Bank shall not have remedied such default within thirty (30) days (or within five (5) days in the case of failure to pay Company pursuant to Section 3.6(a)) after written notice thereof shall have been received by Bank from Company; or

(d) A Service Standards Termination Event shall have occurred.

9.4 *Termination of Particular State.* In addition, Bank may terminate the operation of the Plan in a particular state if the Applicable Law of the state or jurisdiction is amended or interpreted in such a manner so as to render all or any part of the Plan illegal or unenforceable, and in such event Bank will, if requested, assist Company with finding a new credit provider for such state. Bank will provide Company with as much advance notice of such termination as is reasonable under the circumstances.

9.5 *Termination for Competitive Reasons.* Company may terminate this Agreement upon not less than sixty (60) days' prior written notice to the Bank at any time after the first anniversary of the Effective Date if, based on the application of the matrix set forth in Schedule 1.1, the applicable Discount Rate exceeds the highest Discount Rate in such matrix and the costs to Company under this Agreement are substantially higher than the costs that would be incurred by Company for comparable credit card services over the remaining term of this Agreement from an independent third-party financial institution; provided that Company shall not be entitled to terminate this Agreement pursuant to this Section 9.5 unless Company provides Bank with a written description of the material terms on which such third party financial institution proposes to provide such services and Bank is entitled to submit a counter-proposal within thirty (30) days of receipt of such description. If Bank submits a counter-proposal with terms substantially similar to those set forth in such third party's proposal, this Agreement shall remain in full force and effect, modified as may be necessary to reflect the terms included in Bank's counter-proposal.

9.6 *Purchase of Accounts.* Upon termination of this Agreement, Company will have the option to purchase the then-outstanding Credit Card Account balances not previously written-off by Bank (subject to the terms of any securitization of such account balances) at the face amount thereof, without recourse to Bank, and will be provided with all related Account information and other Account data; *provided* that Company will be required to purchase such then-outstanding Credit Card Account balances on such terms if Company objects to any automatic extension of this Agreement pursuant to Section 9.1. All payments by Company pursuant to this Section 9.6 shall be made not later than one (1) Business Day after termination of this Agreement by wire transfer of immediately available funds to an account notified by Bank to Company not less than two (2) Business Days prior to the payment date. Upon any termination of this Agreement, (i) Company (at its sole expense) shall notify all Cardholders that Bank is no longer the processor of their Credit Card accounts, and (ii) Company and Bank shall cooperate in facilitating the transition to a new processor.

9.7 *Remedies for Failure to Meet Service Standards.* (a) Each time a Service Event occurs, Bank shall: (i) promptly investigate the root cause(s) of the failure and deliver to Company a written report

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identifying such root cause(s); (ii) use commercially reasonable efforts to correct the problem and to begin meeting such Service Standard as soon as practicable; (iii) provide to Company a schedule and plan for correction of the root cause(s) of the Service Events, and (iv) at Company's request, advise Company of the status of such corrective efforts.

(b) In the event more than three (3) Service Events occur during any calendar month, Bank will, in addition to those steps set forth in Section 9.7(a), arrange for a senior executive of Bank to meet with a senior executive of Company or Company's parent company's senior management to discuss the items delivered under Section 9.7(a).

(c) A "Service Standard Termination Event" shall occur in the event:

(i) a Service Event occurs for a specific Service Standard for three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if the same Base Level Service Standard is failed by Bank in the fourth consecutive month, Company may terminate this Agreement; or

(ii) a total of 10 Service Events occur during any three (3) consecutive months and Company notifies Bank in writing within five (5) Business Days after receiving Bank's Service Standards report of its intent to terminate this Agreement, then if a total of 6 Service Events occur at anytime in the three (3) consecutive months following Company's notice to Bank, then Company may terminate this Agreement.

SECTION 10. MISCELLANEOUS

10.1 *Entire Agreement.* This Agreement constitutes the entire Agreement and supersedes all prior agreements and understandings, whether oral or written, among the parties hereto with respect to the subject matter hereof and merges all prior discussions between them, including without limitation the Credit Card Processing Agreement.

10.2 *Coordination of Public Statements.* Bank's parent company, Alliance Data Systems Corporation, as a public company, will issue a news release disclosing this Agreement between Bank and Company, such news release must be approved by both parties prior to its issuance. In all other cases, except as required by Applicable Law, neither party will make any public announcement of the Plan or provide any information concerning the Plan to any representative of any news, trade or other media without the prior approval of the other party, which approval will not be unreasonably withheld. Neither party will respond to any inquiry from any public or governmental authority, except as required by law, concerning the Plan without prior consultation and coordination with the other party. Upon Bank's reasonable request from time to time, Company in its sole discretion may provide references or participate in marketing campaigns or testimonial initiatives for Bank regarding the services provided by Bank in connection with the Plan.

10.3 *Amendment.* Except as otherwise provided for in this Agreement, the provisions herein may be modified only upon the mutual agreement of the parties, however, no such modification shall be effective until reduced to writing and executed by both parties.

10.4 *Successors and Assigns.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns; *provided* that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party which will not be unreasonably withheld. Notwithstanding the foregoing, (i) Bank may from time to time assign any or all of its rights and obligations hereunder to any Affiliate of Bank, provided that any such assignee of Bank's obligations hereunder shall have the capability to perform such obligations without impairing the quality of the services provided to Company, (ii) Company shall assign or otherwise transfer all of its rights and obligations under this Agreement

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(A) to the purchaser of all or substantially all of the assets of Company, or (B) to any corporation which is a successor (whether by merger, consolidation or otherwise) to Company or any successor (whether by merger, consolidation or otherwise) thereto, and (iii) Bank may from time to time sell accounts receivable for securitization, retaining its processing and servicing obligations with respect thereto (it being understood that (A) the purchaser of such accounts receivable shall have no recourse against Company for any reason whatsoever, and (B) Bank hereby indemnifies Company and its Affiliates against, and agrees to hold them harmless from, any and all Damages incurred or suffered by any of them in connection with any claims made by such purchaser).

10.5 *Waiver.* No waiver of the provisions hereto shall be effective unless in writing and signed by the party to be charged with such waiver. No waiver shall be deemed to be a continuing waiver in respect of any subsequent breach or default either of similar or different nature unless expressly so stated in writing. No failure or delay on the part of either party in exercising any power or right under this Agreement shall be deemed to be a waiver, nor does any single or partial exercise of any power or right preclude any other or further exercise, or the exercise of any other power or right.

10.6 *Severability.* If any of the provisions or parts of the Agreement are determined to be illegal, invalid or unenforceable in any respect under any applicable statute or rule of law, such provisions or parts shall be deemed omitted without affecting any other provisions or parts of the Agreement which shall remain in full force and effect, unless the declaration of the illegality, invalidity or unenforceability of such provision or provisions substantially frustrates the continued performance by, or entitlement to benefits of, either party, in which case this Agreement may be terminated by the affected party, without penalty.

10.7 *Notices.* All communications and notices pursuant hereto to either party shall be in writing and addressed or delivered to it at its address shown below, or at such other address as may be designated by it by notice to the other party, and shall be deemed given when delivered by hand, or two (2) Business Days after being mailed (with postage prepaid) or when received by receipted courier service:

If to Bank:
800 TechCenter Drive
Gahanna, OH 43230
Attn.: Daniel T. Groomes, President

With a Copy to:
Karen Morauski, VP & Counsel

If to Company:
Three Limited Parkway
Columbus, OH 43230
Attn.: Lisa Klinger, Treasurer

With a Copy to:
Senior Vice President and
General Counsel
Limited Brands, Inc.
Three Limited Parkway
Columbus, OH 43230

10.8 *Captions and Cross-References.* The table of contents and various captions in this Agreement are included for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. References in this Agreement to any Section are to such Section of this Agreement.

10.9 *GOVERNING LAW.* THIS AGREEMENT SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OHIO, REGARDLESS OF THE DICTATES OF OHIO CONFLICTS OF LAW, AND THE PARTIES HEREBY SUBMIT TO EXCLUSIVE JURISDICTION AND VENUE IN THE UNITED STATES FEDERAL DISTRICT COURT FOR THE SOUTHERN DISTRICT OF OHIO OR ANY OF THE STATE COURTS LOCATED IN FRANKLIN COUNTY, OHIO.

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10.10 *Counterparts.* This Agreement may be signed in one or more counterparts, all of which shall be taken together as one agreement.

10.11 *Force Majeure.* Neither party will be responsible for any failure or delay in performance of its obligations under this Agreement because of circumstances beyond its reasonable control, and not due to the fault or negligence of such party, including, but not limited to, acts of God, flood, criminal acts, fire, riot, computer viruses, computer hackers, accident, strikes or work stoppage, embargo, sabotage, inability to obtain material, equipment or phone lines, government action (including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement), and other causes whether or not of the same class or kind as specifically named above. In the event a party is unable to perform substantially for any of the reasons described in this Section, it will notify the other party promptly of its inability so to perform, and if the inability continues for at least ninety (90) consecutive days (fifteen (15) days in the cases of credit authorizations and processing of new Accounts), the party so notified may then terminate this Agreement forthwith. This provision shall not, however, release the party unable to perform from using its best efforts to avoid or remove such circumstance and such party unable to perform shall continue performance hereunder with the utmost dispatch whenever such causes are removed.

10.12 *Relationship of Parties.* This Agreement does not constitute the parties as partners or joint venturers and neither party will so represent itself.

10.13 *Survival.* No termination of this Agreement shall in any way affect or impair the powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring prior to such termination. No powers, obligations, duties, rights, indemnities, liabilities, covenants or warranties and/or representations of the parties with respect to times and/or events occurring after termination shall survive termination except for the following Sections: Section 2.10, Section 2.11, Section 3.3, Section 3.5, Section 3.6, Section 3.8, Section 3.9, Section 3.10, Section 8, Section 9.5, Section 10.7, Section 10.9, Section 10.11, Section 10.17 and Section 10.18.

10.14 *Mutual Drafting.* This Agreement is the joint product of Bank and Company and each provision hereof has been subject to mutual consultation, negotiation and agreement of Bank and Company; therefore to the extent any language in this Agreement is determined to be ambiguous, it shall not be construed for or against any party based on the fact that either party controlled the drafting of the document.

10.15 *Independent Contractor.* The parties hereby declare and agree that Bank is engaged in an independent business, and shall perform its obligations under this Agreement as an independent contractor; that any of Bank's personnel performing the services hereunder are agents, employees, Affiliates, or subcontractors of Bank and are not agents, employees, Affiliates, or subcontractors of Company; that Bank has and hereby retains the right to exercise full control of and supervision over the performance of Bank's obligations hereunder and full control over the employment, direction, compensation and discharge of any and all of the Bank's agents, employees, Affiliates, or subcontractors, including compliance with workers' compensation, unemployment, disability insurance, social security, withholding and all other federal, state and local laws, rules and regulations governing such matters; that Bank shall be responsible for Bank's own acts and those of Bank's agents, employees, Affiliates, and subcontractors; and that except as expressly set forth in this Agreement, Bank does not undertake by this Agreement or otherwise to perform any obligation of Company, whether regulatory or contractual, or to assume any responsibility for Company's business or operations.

10.16 *No Third Party Beneficiaries.* The provisions of this Agreement are for the benefit of the parties hereto and not for any other person or entity.

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10.17 *Confidentiality.* (a) Neither party shall disclose any information not of a public nature concerning the business or properties of the other party which it learns as a result of negotiating or implementing this Agreement, including, without limitation, the terms and conditions of this Agreement, Customer names, Cardholder personal or Account information, sales volumes, test results, and results of marketing programs, Plan reports generated by Bank, trade secrets, business and financial information, source codes, business methods, procedures, know-how, computer software and computer systems (including software licensed from third parties) and other information of every kind that relates to the business of either party except to the extent disclosure is required by Applicable Law, is necessary for the performance of the disclosing party's obligation under this Agreement, or is agreed to in writing by the other party; provided that: (i) prior to disclosing any confidential information to any third party, the party making the disclosure shall give notice to the other party of the nature of such disclosure and of the fact that such disclosure will be made; and (ii) prior to filing a copy of this Agreement with any governmental authority or agency, the filing party will consult with the other party with respect to such filing and shall redact such portions of this Agreement which the other party requests be redacted, unless, in the filing party's reasonable judgment based on the advice of its counsel (which advice shall have been discussed with counsel of the other party), the filing party concludes that such request is inconsistent with the filing party's obligations under Applicable Laws. Neither party shall acquire any property or other right, claim or interest, including any patent right or copyright interest, in any of the systems, procedures, processes, equipment, computer programs and/or information of the other by virtue of this Agreement. Neither party shall use the other party's name for advertising or promotional purposes without such other party's written consent.

(b) The obligations of this Section, shall not apply to any information:

- (i) which is generally known to the trade or to the public at the time of such disclosure; or
- (ii) which becomes generally known to the trade or the public subsequent to the time of such disclosure; provided, however, that such general knowledge is not the result of a disclosure in violation of this Section; or
- (iii) which is obtained by a party from a source other than the other party, without breach of this Agreement or any other obligation of confidentiality or secrecy owed to such other party or any other person or organization; or
- (iv) which is independently conceived and developed by the disclosing party and proven by the disclosing party through tangible evidence not to have been developed as a result of a disclosure of information to the disclosing party, or any other person or organization which has entered into a confidential arrangement with the non-disclosing party.

(c) If any disclosure is made pursuant to the provisions of this Section, to any Affiliate or third party, the disclosing party shall be responsible for ensuring that such Affiliate or third party keeps all such information in confidence and that any third party executes a confidentiality agreement provided by the non-disclosing party. Each party covenants that at all times it shall have in place procedures designed to assure that each of its employees who is given access to the other party's confidential information shall protect the privacy of such information. Each party acknowledges that any breach of the confidentiality provisions of

**Henri Bendel
Merchant Fee Matrix**

Fin Chg/ STM ('95 \$)	Bad Debt % Credit Sales						
	0.3%	0.5%	0.7%	0.9%	1.1%	1.3%	1.5%
\$ 7.35	0.30%	0.40%	0.50%	0.60%	0.70%	0.75%	0.75%
\$ 7.20	0.35%	0.45%	0.55%	0.65%	0.75%	0.75%	0.75%
\$ 7.05	0.40%	0.50%	0.60%	0.70%	0.75%	0.75%	0.75%
\$ 6.90	0.45%	0.55%	0.65%	0.75%	0.75%	0.75%	0.75%
\$ 6.75	0.50%	0.60%	0.70%	0.75%	0.75%	0.75%	0.75%
\$ 6.60	0.55%	0.65%	0.75%	0.75%	0.75%	0.75%	0.75%
\$ 6.45	0.60%	0.70%	0.75%	0.75%	0.75%	0.75%	0.75%

Minimum ROA 2.0%
ROA over 4% share 50-50

**Schedule 2.1
Service Standards**

	Base Level	Targeted Level
Standard #1		
The Bank will process mailed-in applications five days per week. The Bank will process % of such applications within five Business Days of receipt.	95%	98%
Standard #2		
The Bank will process "instant" credit applications from 9:00am to 12:30am (Eastern time) Monday through Saturday and from 10:00am to 9:30pm (Eastern time) Sunday, excluding Holidays ("Normal Store Hours"). The Bank will process at least % of such applications within five minutes of receipt.	90%	92%
Standard #3		
The Bank will issue % of new and replacement Credit Cards within four business days of embossing tape output.	95%	96%
Standard #4		
The Bank will answer at least % of incoming Cardholder service calls within 20 seconds. Bank will provide Cardholder service from 9am-9pm(Eastern time) Monday-Saturday, excluding Holidays.	85%	86%
Standard #5		
The Bank will not permit the abandoned call rate for Cardholder customer service calls to exceed % measured on a monthly basis.	2.0%	1.7%
Standard #6		
The Bank will provide electronic authorization means to be available at least % of Normal Store Hours. Bank will also provide batch authorizations for catalog sales.	99.5%	99.6%
Standard #7		
The Bank will post valid non-payment Transactions to the Cardholder's Account within 24 hours of receipt.	100%	100%
Standard #8		
The Bank will bill and mail % of Account statements within four business days of the scheduled billing date.	97%	100%
Standard #9		
The Bank will process at least % of payments within 24 hours of receipt. In the event any payment is not processed within 24 hours of receipt, such payment shall be backdated to the date of receipt.	96%	97%
Standard #10		
The Bank will respond to at least % of mailed-in Cardholder inquiries within seven business days of receipt.	90%	97%
Standard #11		
The Bank will provide "Quick Credit" during % of Normal Store Hours.	95%	98%

Service Standards will be calculated and reported in a manner that is consistent with prior practices. Holidays shall mean New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day.

Targeted Levels:

Any failure to meet the Targeted Level for Service Standards will be reported on the monthly Service Standards report. Failure to meet the same Targeted Level for a single Service Standard for more than two consecutive months, will result in Bank taking the actions set forth in the chart below, provided that such failure to meet the Targeted Level was not caused by any unprivileged action or action in violation of this Agreement by Company or inaction of Company (where Company has a duty to act) or by a force majeure event specified in Section 10.11.

Failure to Meet Targeted Level	3 rd Consecutive Month	4 th Consecutive Month	5 th Consecutive Month	6 th Consecutive Month and Each Consecutive Month Thereafter
Actions to be taken by Bank following consecutive month failure to attain Targeted Level	Letter to Company's CEO	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.	Bank's CEO will meet with Company's senior management and/or Company's parent company's management to discuss an action plan.
Penalty to be Paid by Bank to Company	None	\$5,000	\$10,000	\$20,000

Base Levels:

Failure to meet a Base Level will be reported on the monthly service standards report and may trigger a Service Standard Termination Event as set forth in Section 9.7.

**Schedule 2.7
Credit Standards**

The new Account cut-off score is based upon the projected sixty (60) month profitability of Accounts within each score range. Account profitability is based upon projected Discount Fees (the current fee percentage), finance charge income, variable billing expenses and write-offs. The projections are derived from actual results to date using historical trends. The cut-off score is established at the score range where Bank's profit for the score range equals zero.

**Schedule 2.8
Master File Information**

Account Number
Month Account Opened
Year Account Opened
Store Account Opened
Cardholder Name
Cardholder's Street Address
Cardholder's City
Cardholder's State
Cardholder's Zip Code
Cardholder's Home Phone Number
Date of Last Purchase
Cardholder's Open to Buy
Number of Purchases Monthly
Amount of Purchases Monthly, YTD
Number of Returns Monthly
Amount of Returns Monthly
Date of Birth
Items Purchased

[SECTION 4. REPRESENTATIONS AND WARRANTIES OF COMPANY](#)

[SECTION 5. COVENANTS OF COMPANY](#)

[SECTION 6. REPRESENTATIONS AND WARRANTIES OF BANK](#)

[SECTION 7. COVENANTS OF BANK](#)

[SECTION 8. INDEMNIFICATION; CLAIMS AND ACTIONS](#)

[SECTION 9. TERM AND TERMINATION](#)

[SECTION 10. MISCELLANEOUS](#)

[Schedule 1.1 Discount Rate](#)

[Schedule 2.1 Service Standards](#)

[Schedule 2.7 Credit Standards](#)

[Schedule 2.8 Master File Information](#)

FIRST AMENDMENT

FIRST AMENDMENT (this "Amendment"), dated as of July 6, 1999, among Alliance Data Systems Corporation (the "US Borrower"), Loyalty Management Group Canada below (each a "Bank" and collectively, the "Banks") and Morgan Guaranty Trust Company of New York as Administrative Agent (the "Administrative Agent"). All capitalized terms used herein and not otherwise defined herein shall have the respective meanings provided such terms in the Credit Agreement.

WITNESSETH

WHEREAS, the Borrower, the Canadian Borrower, the Guarantors from time to time party thereto, the Banks and the Administrative Agent are party to a Credit Agreement dated as of July 24, 1998 and amended and restated as of October 22, 1998 (as amended, modified and supplemented prior to the date hereof, the "Credit Agreement");

WHEREAS, the US Borrower has requested that the undersigned Banks provide the amendment provided for herein and the banks have agreed to provide such amendment on the terms and conditions set forth herein;

NOW, THEREFORE, it is agreed:

1. Section 1.1 of the Credit Agreement is hereby amendment by inserting the following new definitions in their appropriate alphabetical positions:

"First Amendment" shall mean the First Amendment to this Agreement, dated as of July 6, 1999.

"New Preferred Stock" shall mean the Cumulative Convertible Redeemable Preferred Stock issued by the US borrower on terms and conditions substantially as set forth in Exhibit A to the First Amendment and otherwise reasonably satisfactory to the Administrative Agent and the Required Banks.

2. Section 2.11(A)(g) of the Credit Agreement is hereby amended by inserting the following phrase after the phrase "Equity Issuance" appearing in the second parenthetical thereof:

"and the New Preferred Stock, so long as the cash proceeds of such issuances of New Preferred Stock are applied to fund one or more acquisitions previously identified to the Administrative Agent and the Banks"

3. Section 6.21(a) of the Credit Agreement is hereby amended by deleting it in its entirety and inserting the following new clause (a) in lieu thereof:

"(a) The US Borrower will not, and will not permit any of its Subsidiaries to issue (i) any preferred stock (other than the New Preferred Stock) or (ii) any common stock redeemable at the option of the holder thereof."

4. In order to induce the undersigned Banks to enter into this Amendment, each of the US Borrower and the Canadian Borrower hereby represents and warrants that (i) no Default or Event of Default exists as of the Amendment Effective Date (as defined below) after giving effect to this Amendment and (ii) on the Amendment Effective Date, both before and after giving effect to this Amendment, all representations and warranties (other than those representations made as of a specified date) contained in the Credit Agreement and in the other Credit Documents are true and correct in all material respects.

5. This Amendment shall become effective on the date (the "Amendment Effective Date") when the Required Banks, the US Borrower and the Canadian Borrower shall have signed a counterpart hereof (whether the same or different counterparts) and shall have delivered (including by way of facsimile transmission) the same to the Administrative Agent at its Domestic Lending Office (as specified on its signature page to the Credit Agreement).

6. This Amendment is limited as specified and shall not constitute a modification, acceptance or waiver of any other provision of the Credit Agreement or any other Credit Agreement.

7. This Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which counterparts when executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. A complete set of counterparts shall be lodged with the Borrower and the Administrative Agent.

8. **THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.**

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of the Amendment to be duly executed and delivered as of the date hereof.

ALLIANCE DATA SYSTEMS CORPORATION

By: /s/ ROBERT P. ARMIK

Name: Robert P. Armiak, CCM

Title: *Vice President, Treasurer*

LOYALTY MANAGEMENT GROUP CANADA, INC.

By: /s/ ROBERT P. ARMIAK

Name: Robert P. Armiak, CCM
Title: *Vice President, Treasurer*

MORGAN GUARANTY TRUST COMPANY OF NEW YORK

By: /s/

Name:
Title:

ARCHIMEDES FUNDING II, LTD.

By: ING Capital Advisors LLC as Collateral Manager

By: /s/ MICHAEL J. CAMPBELL

Name: Michael J. Campbell
Title: *SENIOR VICE PRESIDENT & PORTFOLIO
MANAGER*

FIRST UNION NATIONAL BANK

By: /s/ THOMAS M. HARPER

Name: Thomas M. Harper
Title: *Vice President*

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KZH ING-2 LLC

By: /s/ PETER CHIN

Name: Peter Chin
Title: *Authorized Agent*

KZH ING-3 LLC

By: /s/ PETER CHIN

Name: Peter Chin
Title: *Authorized Agent*

UNION BANK OF CALIFORNIA, N.A.

By: /s/ ROBERT C. NAGEL

Name: Robert C. Nagel
Title: *Vice President*

THE FIRST NATIONAL BANK OF CHICAGO

By: /s/ WILLIAM A. ARTZ

Name: William A. Artz
Title: *Vice President*

VAN KAMPEN PRIME RATE INCOME TRUST

By: /s/

Name:
Title:

HARRIS TRUST AND SAVINGS BANK

By: /s/ PETER KRAWCHUK

Name: Peter Krawchuk
Title: Vice President

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BANK OF MONTREAL

By: /s/ AMY K. DUMSER

Name: Amy K. Dumser
Title: Director

THE HUNTINGTON NATIONAL BANK

By: /s/ R. BRADLEY SMITH

Name: R. Bradley Smith
Title: Vice President

PILGRIM PRIME RATE TRUST

By: Pilgrim Investments, Inc.
as its investment manager

By: /s/ MICHELE PRINCE

Name: Michele Prince, CFA
Title: Vice President

**PILGRIM AMERICA HIGH INCOME
INVESTMENTS LTD. (as assignee)**

By: Pilgrim Investments, Inc.
as its investment manager

By: /s/ MICHELE PRINCE

Name: Michele Prince, CFA
Title: Vice President

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QuickLinks

[FIRST AMENDMENT](#)

FORM OF 2001 TERM PROMISSORY NOTE

\$[Amount]

[Date]

FOR VALUE RECEIVED, the undersigned, _____, (the "Borrower"), hereby promises to pay to the order of **ADS Alliance Data Systems, Inc.** (the "Lender"), on or before February 28, 2006 (the "Maturity Date"), the principal sum of _____ (the "Debt"), together with interest, all as provided in Section 1 of this Note. [The Debt cannot exceed 50% of the value of the pledged collateral.]

Section 1. The Debt. Subject to and on the terms and conditions set forth in this Note, the Borrower shall repay the Debt as follows:

1.1. **Principal.** The Borrower shall pay the principal balance of this Note to the Lender on the Maturity Date.

1.2. **Interest.**

1.2.1. The Debt shall accrue interest on the outstanding principal amount, for each day from the date such Debt is made until the Maturity Date, at a rate equal to 4.96%. Interest will be charged at the end of each month based on one twelfth ($1/12$) of the annual interest rate times the account balance at the end of the month (after accounting for any repayments made during the month).

1.2.2. Whenever the unpaid balance (accounting for any repayments made) of the Debt has become due and payable, whether at the stated maturity thereof, by acceleration or otherwise, **the unpaid balance will accrue additional interest at a rate equal to the rate set forth in Section 1.2.1 plus two hundred (200) basis points until the balance is paid in full.**

1.2.3. All interest under this Note shall be computed on the basis of the actual days elapsed in a year of **360 days**.

1.3. **Prepayments; Payments.**

1.3.1. The Borrower shall have the right to make prepayments at any time of the unpaid balance without notice, premium or penalty.

1.3.2. The Borrower shall make all payments of principal and interest under this Note to the Lender at its main office (or such other location as the Lender may direct) in immediately available funds. If any payment of principal or interest on this Note shall become due on a day other than a Banking Day, such payment shall be due and payable upon the next succeeding Banking Day and such extension of time shall in such case be included in computing interest in connection with such payment. A "Banking Day" is any day on which the main office of the Lender is open for business.

Section 2. Events of Default. The following are Events of Defaults:

2.1. The Borrower fails to make a payment of interest on the Note when and as due.

2.2. The Borrower fails to pay the principal of the Note when and as due.

2.3. The Borrower:

2.3.1. makes an assignment for the benefit of creditors;

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2.3.2. enters into any composition, compromise or arrangement with his or its creditors;

2.3.3. generally does not pay his or its debts as such debts become due; or

2.3.4. conceals, removes, or permits to be concealed or removed, any part of his or its property, with intent to hinder, delay or defraud his or its creditors or any of them, or makes or suffers a transfer of any of its property, fraudulent under the provisions of any bankruptcy, fraudulent conveyance or similar law, or makes or suffers a transfer of his or its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid.

2.4. If:

2.4.1. a trustee, receiver, agent or custodian is appointed or authorized to take charge of any property of the Borrower for the purpose of enforcing a lien against such property or for the purpose of administering such property for the benefit of the Borrower's creditors; or

2.4.2. an order (a) for relief against the Borrower is granted under Title 11 of the United States Code or any similar law, (b) appointing a receiver, trustee, agent or custodian of the Borrower or any property of the Borrower or (c) providing for a composition, compromise or arrangement with the creditors of the Borrower, is entered by any court or governmental body or officer; or

2.4.3. the Borrower files any pleading seeking (whether by formal action or by the admission of the material allegations of a pleading or otherwise) any such appointment or order; or

2.4.4. (a) any action or proceeding seeking any such appointment or order is commenced without the authority or consent of the Borrower and (b) (i) such action or proceeding is not dismissed within 30 days after its commencement or (ii) the Borrower does not diligently contest such action or proceeding.

2.5. The Borrower dies.

2.6. The Borrower resigns or the Borrower's employment is terminated from the Company and its affiliates.

Section 3. Default Remedies.

3.1. **Acceleration.** If an Event of Default exists, the outstanding unpaid principal balance of this Note, together with all interest accrued thereon and any unpaid fees, expenses or other amounts due to the Lender under this Note (the "Default Amount"), is immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby waived; *provided*, that if an Event of Default under Section 2.6 occurs, payment of the Default Amount may be delayed, upon written approval of the Lender, if the Borrower is restricted from selling any or all of the Collateral, as defined in the Pledge Agreement between the Lender and Borrower, dated as of _____, 2001 (as such may be amended from time to time, the "Pledge Agreement"), due to operation of any law, rule or regulation (a "Legal Restriction"). The Borrower shall repay the Default Amount, with accumulated interest pursuant to Section 1.2.2, within 30 days after any Legal Restriction is removed.

3.2. **Remedies Cumulative.** The Lender may exercise the remedies provided in the Security Documents upon the occurrence of an Event of Default. No right or remedy conferred upon the Lender by this Note or legally available to the Lender if an Event of Default exists is intended to be exclusive of any other right or remedy, and each such right or remedy is cumulative and in addition to every other such right or remedy.

Section 4. Miscellaneous.

4.1. **Modifications and Waivers.** No modification or waiver of any term or provision contained in this Note and no consent to any departure by the Borrower therefrom shall in any event be effective

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unless the same is in writing and signed by the waiving party. Such waiver or consent shall be effective only in the specific instance and for the purpose for which it is given.

4.2. **Expenses.** All fees, costs and expenses, including reasonable fees and expenses of outside legal counsel, incurred by the Lender in connection with the enforcement of this Note or any other instruments, documents, or agreements to be delivered pursuant hereto or in connection herewith, shall be paid by the Borrower to the Lender on demand.

4.3. **Governing Law.** This Note shall be governed and construed by the provisions hereof and in accordance with the laws of the State of Ohio applicable to instruments to be performed in the State of Ohio.

This Note was executed in _____ as of the date first written above.

Name:

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Schedule of 2001 Term Promissory Notes

In the first quarter of 2001, the following officers issued promissory notes to ADS Alliance Data Systems, Inc., in a form substantially similar to the foregoing form, with the following balances:

Name	Principal Amount
J. Michael Parks	\$ 150,000.00
Dwayne Tucker	\$ 45,500.00
Michael A. Beltz	\$ 45,500.00
Edward J. Heffernan	\$ 45,500.00
Ivan Szeftel	\$ 31,843.23

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[FORM OF 2001 TERM PROMISSORY NOTE](#)
[Schedule of 2001 Term Promissory Notes](#)

FORM OF 2002 TERM PROMISSORY NOTE

[\$Amount] [Date]

FOR VALUE RECEIVED, the undersigned, _____, (the "Borrower"), hereby promises to pay to the order of **ADS Alliance Data Systems, Inc.** (the "Lender"), on or before February 28, 2006 (the "Maturity Date"), the principal sum of _____ (the "Debt"), together with interest, all as provided in Section 1 of this Note. [The Debt cannot exceed 50% of the value of the pledged collateral.]

Section 1. The Debt. Subject to and on the terms and conditions set forth in this Note, the Borrower shall repay the Debt as follows:

1.1. **Principal.** The Borrower shall pay the principal balance of this Note to the Lender on the Maturity Date.

1.2. **Interest.**

1.2.1. The Debt shall accrue interest on the outstanding principal amount, for each day from the date such Debt is made until the Maturity Date, at a rate per annum equal to four and ⁴³/₁₀₀ percent (4.43%). Interest will be charged at the end of each month based on one twelfth (¹/₁₂) of the annual interest rate times the account balance at the end of the month (after accounting for any repayments made during the month).

1.2.2. Whenever the unpaid balance (accounting for any repayments made) of the Debt has become due and payable, whether at the stated maturity thereof, by acceleration or otherwise, **the unpaid balance and, to the extent permitted by law, all other amounts due under this Note, will accrue additional interest at a rate equal to the rate set forth in Section 1.2.1 plus two hundred (200) basis points until the balance is paid in full.**

1.2.3. All interest under this Note shall be computed on the basis of the actual days elapsed in a year of **360 days**.

1.3. **Prepayments; Payments.**

1.3.1. The Borrower shall have the right to make prepayments at any time of the unpaid balance without notice, premium or penalty.

1.3.2. The Borrower shall make all payments of principal and interest under this Note to the Lender at its main office (or such other location as the Lender may direct) in immediately available funds. If any payment of principal or interest on this Note shall become due on a day other than a Banking Day, such payment shall be due and payable upon the next succeeding Banking Day and such extension of time shall in such case be included in computing interest in connection with such payment. A "Banking Day" is any day on which the main office of the Lender is open for business.

Section 2. Events of Default. The following are Events of Defaults:

2.1. The Borrower fails to make a payment of interest on the Note when and as due.

2.2. The Borrower fails to pay the principal of the Note when and as due.

2.3. The Borrower:

2.3.1. makes an assignment for the benefit of creditors;

2.3.2. enters into any composition, compromise or arrangement with his or its creditors;

2.3.3. generally does not pay his or its debts as such debts become due; or

2.3.4. conceals, removes, or permits to be concealed or removed, any part of his or its property, with intent to hinder, delay or defraud his or its creditors or any of them, or makes or suffers a transfer of any of its property, fraudulent under the provisions of any bankruptcy, fraudulent conveyance or similar law, or makes or suffers a transfer of his or its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid.

2.4. If:

2.4.1. a trustee, receiver, agent or custodian is appointed or authorized to take charge of any property of the Borrower for the purpose of enforcing a lien against such property or for the purpose of administering such property for the benefit of the Borrower's creditors; or

2.4.2. an order (a) for relief against the Borrower is granted under Title 11 of the United States Code or any similar law, (b) appointing a receiver, trustee, agent or custodian of the Borrower or any property of the Borrower or (c) providing for a composition, compromise or arrangement with the creditors of the Borrower, is entered by any court or governmental body or officer; or

2.4.3. the Borrower files any pleading seeking (whether by formal action or by the admission of the material allegations of a pleading or otherwise) any such appointment or order; or

2.4.4. (a) any action or proceeding seeking any such appointment or order is commenced without the authority or consent of the Borrower and (b) (i) such action or proceeding is not dismissed within 30 days after its commencement or (ii) the Borrower does not diligently contest such action or proceeding.

2.5. The Borrower dies.

2.6. The Borrower resigns or the Borrower's employment is terminated from the Lender and its affiliates.

2.7 The Borrower shall default in the observance or performance of any other provision of this Note or the Pledge Agreement (as defined below).

Section 3. Default Remedies.

3.1. **Acceleration.** If an Event of Default exists, the outstanding unpaid principal balance of this Note, together with all interest accrued thereon and any unpaid fees, expenses or other amounts due to the Lender under this Note (the "Default Amount"), is immediately due and payable, without presentment, demand, protest, notice of default, notice of intent to accelerate, notice of acceleration or other notice of any kind, all of which are hereby waived; *provided*, that if an Event of Default under Section 2.6 occurs, payment of the Default Amount may be delayed, upon written approval of the Lender, if the Borrower is restricted from selling any or all of the Collateral, as defined in the Pledge Agreement between the Lender and Borrower, dated as of _____, 2002 (as such may be amended from time to time, the "Pledge Agreement"), due to operation of any law, rule or regulation (a "Legal Restriction"). The Borrower shall repay the Default Amount, with accumulated interest pursuant to Section 1.2.2, within 30 days after any Legal Restriction is removed.

3.2. **Remedies Cumulative.** The Lender may exercise the remedies provided in the Pledge Agreement upon the occurrence of an Event of Default. No right or remedy conferred upon the Lender by this Note or legally available to the Lender if an Event of Default exists is intended to be

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exclusive of any other right or remedy, and each such right or remedy is cumulative and in addition to every other such right or remedy.

Section 4. Miscellaneous.

4.1. **Modifications and Waivers.** No modification or waiver of any term or provision contained in this Note and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same is in writing and signed by the waiving party. Such waiver or consent shall be effective only in the specific instance and for the purpose for which it is given.

4.2. **Expenses.** All fees, costs and expenses, including reasonable fees and expenses of outside legal counsel, incurred by the Lender in connection with the enforcement of this Note or any other instruments, documents, or agreements to be delivered pursuant hereto or in connection herewith, shall be paid by the Borrower to the Lender on demand.

4.3. **Governing Law.** This Note shall be governed and construed by the provisions hereof and in accordance with the laws of the State of Ohio applicable to instruments to be performed in the State of Ohio.

This Note was executed in _____ as of the date first written above.

Name:

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Schedule of Term Promissory Notes

In the first quarter of 2002, the following officers issued promissory notes to ADS Alliance Data Systems, Inc., in a form substantially similar to the foregoing form, with the following terms:

Name	Principal Amount	Interest Rate
J. Michael Parks	\$ 229,500.00	4.43% per annum
Dwayne Tucker	\$ 66,937.50	4.43% per annum
Michael A. Beltz	\$ 66,937.50	4.43% per annum
Edward J. Heffernan	\$ 66,937.50	4.43% per annum
Ivan Szeftel	\$ 42,480.00	4.43% per annum

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[FORM OF 2002 TERM PROMISSORY NOTE](#)
[Schedule of Term Promissory Notes](#)

**FORM OF CANADIAN
TERM PROMISSORY NOTE**

CA \$[AMOUNT]

[DATE]

FOR VALUE RECEIVED, the undersigned, _____, (the "Borrower"), hereby promises to pay to Loyalty Management Group Canada Inc. (the "Lender"), on or before [the four year anniversary of the execution] (the "Maturity Date"), the principal sum of (Cdn\$ _____) (the "Principal Amount"), together with interest, all as provided in Section 1 of this Note (the outstanding Principal Amount together with unpaid interest collectively referred to as the "Debt").

Section 1. The Debt. Subject to and on the terms and conditions set forth in this Note, the Borrower shall repay the Debt as follows:

1.1. **Principal.** The Borrower shall pay the balance owed on the Principal Amount of this Note to the Lender on the Maturity Date or such earlier date as set out in this Note.

1.2. **Interest.**

1.2.1. The Debt shall accrue interest, for each day from the date of this Note until the Maturity Date or earlier date by which all amounts owed hereunder are fully paid, at a rate *per annum* equal to the "prescribed rate" set out in the *Income Tax Act* (Canada) and Section 4301(c) of the *Income Tax Regulations* (Canada), as adjusted quarterly (the "Prescribed Rate"), and which is _____ percent (_____ %) per annum for the first quarter of 200____, and interest shall be calculated and compounded monthly in arrears at the Prescribed Rate multiplied by the Debt balance at the end of the month (after accounting for any repayments made during the month).

1.2.2. Whenever the unpaid balance (accounting for any repayments made) of the Debt has become due and payable, whether at the stated maturity thereof, by acceleration or otherwise, the unpaid balance will accrue additional interest, both before and after demand, default and judgement, at a rate equal to the rate set forth in Section 1.2.1 plus two hundred (200) basis points (two percent) from the date payable until the balance is paid in full.

1.2.3. All interest under this Note shall be computed on the basis of the actual days elapsed in a year. Any such applicable interest rate, expressed as an annual rate of interest for the purpose of the *Interest Act* (Canada), shall be equivalent to such applicable interest rate multiplied by the actual number of days in the calendar year in which the same is to be determined and divided by 365.

1.2.4. Notwithstanding any other provision of this Section 1.2, interest arising under this Note in any calendar year shall be payable annually by the 31st day of December of such calendar year.

1.3. **Prepayments; Payments.**

1.3.1. The Borrower shall have the right to make prepayments of the outstanding Debt at any time and in any amount without notice, premium or penalty.

1.3.2. The Borrower shall make all payments of principal and interest under this Note to the Lender at its main office (or such other location as the Lender may direct) in immediately available funds. If any payment of principal or interest on this Note shall become due on a day other than a Banking Day, such payment shall be due and payable upon the next succeeding Banking Day and such extension of time shall in such case be included in computing interest in connection with such payment. A "Banking Day" is any day on which banks are generally open for business in Toronto, Ontario.

1.4. **Taxes.**

1.4.1. All payments by the Borrower hereunder shall be made free and clear of, and without reduction for or on account of, any withholding taxes now or hereafter imposed or collected by any country or any political subdivision hereof; provided, however, that if any such taxes are required to be withheld from any interest or other amount payable to the Lender hereunder, the amount so payable to the Lender shall be increased to the extent necessary to yield to the Lender, on a net basis after payment of such taxes, interest or other amount payable hereunder at the rate or in the amount specified in this Note. If the Borrower fails to pay any of such taxes when due, the Borrower shall indemnify and save harmless the Lender from any incremental taxes, interest, penalties or other liabilities that may become payable by the Lender or to which the Lender may be subjected as a result of any such failure.

Section 2. Events of Default. The following are Events of Default:

2.1. The Borrower fails to make a payment of interest on this Note when and as due.

2.2. The Borrower fails to pay the principal of this Note when and as due.

2.3. The Borrower:

2.3.1. makes an assignment for the benefit of creditors;

2.3.2. enters into any composition, compromise or arrangement with his creditors;

2.3.3. generally does not pay his debts as such debts become due; or

2.3.4. conceals, removes, or permits to be concealed or removed, any part of his or its property, with intent to hinder, delay or defraud his creditors or any of them, or makes or suffers a transfer of any of his property, which is fraudulent under the provisions of any bankruptcy, fraudulent conveyance or similar law, or makes or suffers a transfer of his property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid.

2.4. If:

2.4.1. a trustee, receiver, agent or custodian is appointed or authorized to take charge of any property of the Borrower for the purpose of enforcing a lien, security interest, or other claim against such property or for the purpose of administering such property for the benefit of the Borrower's creditors; or

2.4.2. an order (a) for relief against the Borrower is granted under the *Bankruptcy and Insolvency Act* (Canada) or any similar law, (b) appointing a receiver, trustee, agent or custodian of the Borrower or any property of the Borrower or (c) providing for a composition, compromise or arrangement with the creditors of the Borrower, is entered by any court or governmental body or officer; or

2.4.3. the Borrower files any pleading seeking or consenting to (whether by formal action or by the admission of the material allegations of a pleading or otherwise) any such appointment or order; or

2.4.4. (a) any action or proceeding seeking any such appointment or order is commenced without the authority or consent of the Borrower and (b)(i) such action or proceeding is not dismissed within 30 days after its commencement or (ii) the Borrower does not diligently contest such action or proceeding.

2.5. The Borrower dies.

2.6. The Borrower resigns or the Borrower's employment is terminated from Loyalty Management Group Canada Inc.

Section 3. Default Remedies.

3.1. **Acceleration.** If an Event of Default occurs, the outstanding unpaid principal balance of this Note, together with all interest accrued thereon and any unpaid fees, expenses or other amounts due to

the Lender under this Note (the "Default Amount"), is immediately due and payable and the Borrower shall immediately pay same to the Lender, without presentment, demand, protest or notice of any kind, all of which are hereby waived; provided, that if an Event of Default under Section 2.6 occurs, payment of the Default Amount may be delayed, upon written approval of the Lender, if the Borrower is restricted from selling any or all of the Collateral, as defined in the Pledge Agreement between the Lender and Borrower, dated as of the date hereof (the "Pledge Agreement"), due to operation of any law, rule or regulation (a "Legal Restriction"). The Borrower shall repay the Default Amount, with accumulated interest pursuant to Section 1.2, within 30 days after any Legal Restriction is removed.

3.2. **Remedies Cumulative.** The Lender may exercise the remedies provided in the Pledge Agreement upon the occurrence of an Event of Default. No right or remedy conferred upon the Lender by this Note or legally available to the Lender if an Event of Default occurs is intended to be exclusive of any other right or remedy, and each such right or remedy is cumulative and in addition to every other such right or remedy.

Section 4. Miscellaneous.

4.1. **Modifications and Waivers.** No modification or waiver of any term or provision contained in this Note and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same is in writing and signed by the party to be bound thereby. Such waiver or consent shall be effective only in the specific instance and for the purpose for which it is given.

4.2. **Expenses.** All fees, costs and expenses, including reasonable fees and expenses of outside legal counsel, incurred by the Lender in connection with the enforcement of this Note or any other instruments, documents, or agreements to be delivered pursuant hereto or in connection herewith, shall be paid by the Borrower to the Lender on demand.

4.3. **Number and Gender.** Unless the context requires otherwise, words importing the singular include the plural and vice versa and words importing gender include all genders.

4.4. **Governing Law.** This Note shall be governed and construed by the provisions hereof and in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Section 5. Currency Conversion and Indemnity.

5.1. Any payment to be made under this Note in particular currency (the "proper currency") that is made in a currency (the "other currency") other than the proper currency, whether voluntarily or pursuant to a judgment or order of any court or tribunal or otherwise, will discharge the obligations of the undersigned under this Note only to the extent of the amount of the proper currency that the Lender is able, or on before the close of business on the business day following receipt of such payment, to purchase with the amount of the other currency so received. If the amount of the proper currency that the Lender can purchase is less than the amount of the proper currency originally due to it, the undersigned will indemnify and save the Lender harmless from and against any loss or damage arising because of such deficiency. This indemnity is an obligation separate and independent from any other obligation of the undersigned in respect of this Note or otherwise, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by the Lender from time to time, will continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due under this Note or under any judgement or order and will not merge in any order of foreclosure made in respect of any security given by the undersigned or any other person to or for the benefit of the Lender.

This Note was executed in

as of the date first written above.

Name:

Schedule of Canadian Term Promissory Notes

In the first quarter of 2001 and 2002, John W. Scullion issued promissory notes to Loyalty Management Group Canada, Inc., in a form substantially similar to the foregoing form, with the following terms:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2001	\$ 62,282.00	3%
2002	\$ 99,182.00	3%

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[FORM OF CANADIAN TERM PROMISSORY NOTE](#)

[Schedule of Canadian Term Promissory Notes](#)

**Certification of
Chief Executive Officer
of
Alliance Data Systems Corporation**

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q for the quarter ended September 30, 2002 (the "Form 10-Q") of Alliance Data Systems Corporation (the "Registrant").

I, J. Michael Parks, the Chief Executive Officer of Registrant certify that to the best of my knowledge:

- (i) the Form 10-Q 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: November 12, 2002

/s/ J. MICHAEL PARKS

Name: J. Michael Parks
Chief Executive Officer

Subscribed and sworn to before me
this 12th day of November, 2002.

/s/ JANE BAEDKE

Name: Jane Baedke
Title: Notary Public

My commission expires:

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[Exhibit 99.1](#)

[Certification of Chief Executive Officer of Alliance Data Systems Corporation](#)

**Certification of
Chief Financial Officer
of
Alliance Data Systems Corporation**

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the quarterly report on Form 10-Q for the quarter ended September 30, 2002 (the "Form 10-Q") of Alliance Data Systems Corporation (the "Registrant").

I, Edward J. Heffernan, the Chief Financial Officer of Registrant certify that to the best of my knowledge:

- (i) the Form 10-Q 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: November 12, 2002

/s/ EDWARD J. HEFFERNAN

Name: Edward J. Heffernan
Chief Financial Officer

Subscribed and sworn to before me
this 12th day of November, 2002.

/s/ JANE BAEDKE

Name: Jane Baedke
Title: Notary Public

My commission expires:

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[Exhibit 99.2](#)

[Certification of Chief Financial Officer of Alliance Data Systems Corporation](#)