UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2014

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

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

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

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

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

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

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

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

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

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

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

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

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

As of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the common stock held by non-affiliates of the registrant was approximately $14.8 billion (based upon the closing price on the New York Stock Exchange on June 30, 2014 of $281.25 per share).

As of February 23, 2015, 62,805,266 shares of common stock were outstanding.

Documents Incorporated By Reference

Certain information called for by Part III is incorporated by reference to certain sections of the Proxy Statement for the 2015 Annual Meeting of our stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2014.

ALLIANCE DATA SYSTEMS CORPORATION

INDEX

Caution Regarding Forward-Looking Statements

This Form 10-K and the documents incorporated by reference herein contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may use words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "predict," "project," "would" 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 Item 1A of this Form 10-K, elsewhere in this Form 10-K and in the documents incorporated by reference in this Form 10-K.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements contained in this Form 10-K 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, except as required by law.

PART I

Item 1. Business.

Our Company

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

Our client base of more than 1,500 companies consists primarily of large consumer-based businesses, including well-known brands such as Bank of Montreal, Sobeys Inc., Shell Canada Products, Procter & Gamble, AstraZeneca, Hilton, Bank of America, General Motors, FedEx, Kraft, Victoria's Secret, Lane Bryant, Pottery Barn, J. Crew and Ann Taylor. Our client base is diversified across a broad range of end-markets, including financial services, specialty retail, grocery and drugstore chains, petroleum retail, automotive, hospitality and travel, telecommunications, insurance and healthcare. We believe our comprehensive suite of marketing solutions offers us a significant competitive advantage, as many of our competitors offer a more limited range of services. We believe the breadth and quality of our service offerings have enabled us to establish and maintain long-standing client relationships.

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

Our Market Opportunity and Growth Strategy

We intend to continue capitalizing on the shift in traditional advertising and marketing spend to highly targeted marketing programs. We intend to enhance our position as a leading global provider of data-driven marketing and loyalty solutions and to continue our growth in revenue and earnings by pursuing the following strategies:

- *Capitalize on our Leadership in Highly Targeted and Data-Driven Consumer Marketing.* As consumer-based businesses shift their marketing spend to data-driven marketing strategies, we believe we are well-positioned to acquire new clients and sell additional services to existing clients based on our extensive experience in capturing and analyzing our clients' customer transaction data to develop targeted marketing programs. We believe our comprehensive portfolio of high-quality targeted marketing and loyalty solutions provides a competitive advantage over other marketing services firms with more limited service offerings. We seek to extend our leadership position by continuing to improve the breadth and quality of our products and services. We intend to enhance our leadership position in loyalty and marketing solutions by expanding the scope of the Canadian AIR MILES® Reward Program, by continuing to develop stand-alone loyalty programs such as the Hilton HHonors® and Citi Thank You® programs and short-term loyalty programs, and by increasing our penetration in the retail sector with our integrated marketing and credit services offering.
- *Sell More Fully Integrated End-to-End Marketing Solutions.* In our Epsilon® segment, we have assembled what we believe is the industry's most comprehensive suite of targeted and data-driven marketing services, including marketing strategy consulting, data services, database development and management, marketing analytics, creative design and delivery services such as video, mobile and permission-based email communications. We offer an end-to-end solution to clients, providing a significant opportunity to expand our relationships with existing clients, the majority of whom do not currently purchase our full suite of services. In addition, we further intend to integrate our product and service offerings so that we can provide clients with a comprehensive portfolio of targeted marketing solutions, including coalition and individual loyalty programs, private label and co-brand retail credit card programs and other data-driven marketing solutions. By selling integrated solutions across our entire client base, we have a significant opportunity to maximize the value of our long-standing client relationships.
- *Continue to Expand our Global Footprint.* Global reach is increasingly important as our clients grow into new markets, and we are well positioned to cost-effectively increase our global presence. We believe continued international expansion will provide us with strong revenue growth opportunities. On January 2, 2014, we acquired a 60% ownership interest in BrandLoyalty Group B.V., or BrandLoyalty, a Netherlands-based data-driven loyalty marketer, which designs, organizes, implements and evaluates innovative and tailor-made loyalty programs for grocers worldwide. BrandLoyalty generates most of its revenues throughout Europe and in key markets in Asia and Latin America. BrandLoyalty is also developing new markets in other regions, including Russia and China. Effective January 1, 2015, we increased our ownership in BrandLoyalty to 70%. Our acquisition of Conversant Inc., in December 2014, also expands our operations in Europe and Asia. We own approximately 37% of CBSM-Companhia Brasileira De Servicos De Marketing, the operator of the dotz coalition loyalty program in Brazil, or dotz. Dotz currently operates in 12 markets in Brazil, and as of December 31, 2014, dotz had more than 14 million collectors enrolled in the program. These transactions expand our presence across Europe, Asia and Latin America and provide opportunity to leverage our core competencies in these markets as well.
- *Optimize our Business Portfolio.* We intend to continue to evaluate our products and services given our strategic direction and demand trends. While we are focused on realizing organic revenue growth and margin expansion, we will consider select acquisitions of complementary businesses that would enhance our product portfolio, market positioning or geographic presence.

Products and Services

Our products and services are reported under three segments—LoyaltyOne®, Epsilon and Private Label Services and Credit, and are listed below. Financial information about our segments and geographic areas appears in Note 22, "Segment Information," of the Notes to Consolidated Financial Statements.

Segment	Products and Services
LoyaltyOne	• AIR MILES Reward Program • Short-term Loyalty Programs • Loyalty Services —Loyalty consulting —Customer analytics —Creative services —Mobile solutions
Epsilon	• Marketing Services —Agency services —Database design and management —Data services —Analytical services —Traditional and digital marketing
Private Label Services and Credit	• Receivables Financing —Underwriting and risk management —Receivables funding • Processing Services —New account processing —Bill processing —Remittance processing —Customer care • Marketing Services

LoyaltyOne

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

LoyaltyOne operates the AIR MILES Reward Program and BrandLoyalty, a Netherlands-based data-driven loyalty marketer.

The AIR MILES Reward Program enables consumers to earn AIR MILES reward miles as they shop across a broad range of retailers and other sponsors participating in the AIR MILES Reward Program. These AIR MILES reward miles can be redeemed by our collectors for travel or other rewards. In December 2011, we introduced a new program option called AIR MILES Cash to which collectors can allocate some or all of their future AIR MILES reward miles collected. Since March 2012, collectors have been able to instantly redeem their AIR MILES reward miles collected in AIR MILES Cash towards in-store purchases at participating sponsors. Approximately two-thirds of Canadian households actively participate in the AIR MILES Reward Program, and it was recently named as one of the most influential Canadian brands in Canada's Ipsos Influence Index.

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

Sponsors. More than 170 brand name sponsors participate in our AIR MILES Reward Program, including Shell Canada Products, Jean Coutu, RONA, Amex Bank of Canada, Sobeys Inc. and Bank of Montreal.

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

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

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

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

Epsilon

Epsilon is a leading marketing services firm providing end-to-end, integrated marketing solutions that leverage transactional data to help clients more effectively acquire and build stronger relationships with their customers. Services include strategic consulting, customer database technologies, omni-channel marketing, loyalty management, proprietary data, predictive modeling, permission-based email marketing and a full range of direct and digital agency services. On behalf of our clients, we develop marketing programs for individual consumers with highly targeted offers and communications. Since these communications are more relevant to the consumer, the consumer is more likely to be responsive to these offers, resulting in a measurable return on our clients' marketing investments. We distribute marketing campaigns and communications through all marketing channels based on the consumer's preference, including digital platforms such as email, mobile, display and social media. Epsilon has over 1,200 clients, operating primarily in the financial services, automotive, consumer product goods (CPG), specialty retail, travel and hospitality, pharmaceutical and telecommunications end-markets.

On December 10, 2014, we completed the acquisition of Conversant, Inc. Conversant is a leader in personalized digital marketing. By offering a fully integrated personalization platform, personalized media programs and one of the world's largest affiliate marketing networks, all fueled by an in-depth understanding of what motivates people to engage, connect and buy, Conversant helps the world's biggest companies grow by creating personalized experiences that deliver higher returns for brands and greater value for consumers. Conversant's solution and capabilities enhance Epsilon's existing offline and online data set, allowing for more effective targeted marketing programs across an expanded distribution network. The acquisition provides scale in the rapidly growing display, mobile, video and social digital channels, and adds essential capabilities to Epsilon's digital messaging platform, Agility Harmony®.

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

Database Design and Management. For large consumer-facing brands, we design, build and operate complex consumer marketing databases, including loyalty program management, such as Hilton HHonors, Walgreens Balance® Rewards and the Citi Thank You programs. Our solutions are highly customized and support our clients' needs for real-time data integration from a multitude of data sources, including multi-channel transactional data.

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

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

Traditional and Digital Marketing. We provide strategic communication solutions and our end-to-end suite of products and services includes strategic consulting, creative services, campaign management and delivery optimization. We deploy marketing campaigns and communications through all marketing channels, including digital platforms such as email, mobile and social media. We also operate what we believe to be one of the largest global permission-based email marketing platforms in the industry. Agility Harmony, Epsilon's next generation digital messaging platform, enables clients to build campaigns using measurable distribution channels. The Conversant acquisition enhances Epsilon's existing solutions, particularly in the rapidly growing display, mobile, video and social digital channels, and adds essential capabilities to Agility Harmony.

Private Label Services and Credit

Our Private Label Services and Credit segment assists some of the best known retailers in extending their brand with a private label and/or co-brand credit card account that can be used by their customers in the store, or through online or catalog purchases.

Receivables Financing. Our Private Label Services and Credit segment provides risk management solutions, account origination and funding services for our more than 135 private label and co-brand credit card programs. Through these credit card programs, we had $10.8 billion in principal receivables, from over 36.1 million active accounts for the year ended December 31, 2014, with an average balance during that period of approximately $552 for accounts with outstanding balances. As of December 31, 2014, L Brands and its retail affiliates accounted for approximately 11.6% of our credit card and loan receivables. We process millions of credit card applications each year using automated proprietary scoring technology and verification procedures to make risk-based origination decisions when approving new credit card accountholders and establishing their credit card limits. We augment these procedures with credit risk scores provided by credit bureaus. This information helps us segment prospects into narrower risk ranges, allowing us to better evaluate individual credit risk.

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

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

Processing Services. We perform processing services and provide service and maintenance for private label and co-brand credit card programs. We use automated technology for bill preparation, printing and mailing, and also offer consumers the ability to view, print and pay their bills online. By doing so, we improve the funds availability for both our clients and for those private label and co-brand credit card receivables that we own or securitize. Our customer care operations are influenced by our retail heritage and we view every customer touch point as an opportunity to generate or reinforce a sale. We provide focused training programs in all areas to achieve the highest possible customer service standards and monitor our performance by conducting surveys with our clients and their customers. In 2013, for the ninth time since 2003, we were certified as a Center of Excellence for the quality of our operations, the most prestigious ranking attainable, by BenchmarkPortal. Founded by Purdue University in 1995, BenchmarkPortal is a global leader of best practices for call centers. Our call centers are equipped to handle phone, mail, fax, email and web inquiries. We also provide collection activities on delinquent accounts to support our private label and co-brand credit card programs.

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

Disaster and Contingency Planning

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

Protection of Intellectual Property and Other Proprietary Rights

We rely on a combination of copyright, trade secret and trademark laws, confidentiality procedures, contractual provisions and other similar measures to protect our proprietary information and technology used in each segment of our business. In the United States, we have 10 issued patents, 23 pending patent applications, and 24 pending provisional patent applications, each with the U.S. Patent and Trademark Office. In Canada, we have one issued patent and one pending patent application. In addition, we have one issued patent in each of France, Germany, and the United Kingdom. We also have one pending Patent Cooperation Treaty application. We generally enter into confidentiality or license agreements with our employees, consultants and corporate partners, and generally control access to and distribution of our technology, documentation and other proprietary information. Despite the efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain the use of our products or technology that we consider proprietary and third parties may attempt to develop similar technology independently. We pursue registration and protection of our trademarks primarily in the United States and Canada, although we also have either registered trademarks or applications pending for certain marks in Argentina, Australia, New Zealand, the European Union or some of its individual countries (Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom), Peru, Mexico, Venezuela, Brazil, China, Hong Kong, Japan, South Korea, Switzerland, Norway, Russian Federation, Turkey, Vietnam and Singapore and internationally under the Madrid Protocol in several countries, including several of the aforementioned countries. We are the exclusive Canadian licensee of the AIR MILES family of trademarks pursuant to a perpetual license agreement with Air Miles International Trading B.V., for which we pay a royalty fee. We believe that the AIR MILES family of trademarks and our other trademarks are important for our branding, corporate identification and marketing of our services in each business segment.

Competition

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

LoyaltyOne. As a provider of marketing services, our LoyaltyOne segment generally competes with advertising and other promotional and loyalty programs, both traditional and online, for a portion of a client's total marketing budget. In addition, we compete against internally developed products and services created by our existing and potential clients. We expect competition to intensify as more competitors enter our market. Competitors with our AIR MILES Reward Program and our BrandLoyalty shopper loyalty programs may target our sponsors, clients and collectors as well as draw rewards from our rewards suppliers. Our ability to generate significant revenue from clients and loyalty partners will depend on our ability to differentiate ourselves through the products and services we provide and the attractiveness of our loyalty and rewards programs to consumers. The continued attractiveness of our loyalty and rewards programs will also depend on our ability to remain affiliated with sponsors that are desirable to consumers and to offer rewards that are both attainable and attractive to consumers.

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

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

Regulation

Federal and state laws and regulations extensively regulate the operations of our bank subsidiaries, Comenity Bank and Comenity Capital Bank. Many of these laws and regulations are intended to maintain the safety and soundness of Comenity Bank and Comenity Capital Bank, and they impose significant restraints to which other non-regulated companies are not subject. Because Comenity Bank is deemed a credit card bank and Comenity Capital Bank is an industrial bank within the meaning of the Bank Holding Company Act, we are not subject to regulation as a bank holding company. If we were subject to regulation as a bank holding company, we would be constrained in our operations to a limited number of activities that are closely related to banking or financial services in nature. Nevertheless, as a state bank, Comenity Bank is still subject to overlapping supervision by the Federal Deposit Insurance Corporation, or FDIC, and the State of Delaware; and, as an industrial bank, Comenity Capital Bank is still subject to overlapping supervision by the FDIC and the State of Utah.

The Dodd-Frank Act contains certain prohibitions and restrictions on the ability of a banking entity or nonbanking financial company supervised by the Federal Reserve ("covered organizations") to engage in proprietary trading or to make investments in, or have certain relationships with, hedge funds and private equity funds (commonly referred to as the Volcker Rule). In December 2013, the Federal Reserve, the Office of the Comptroller of the Currency, the FDIC, the Commodity Futures Trading Commission and the Securities and Exchange Commission, or SEC, adopted final regulations implementing those provisions. Covered organizations have until July 21, 2015 to comply fully with most requirements of the Volcker Rule. We are still assessing the impact of the Volcker Rule on our business practices, but do not expect it to have a material impact on our credit card securitization program.

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

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

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

A number of privacy laws and regulations have been enacted in the United States, Canada, the European Union, China and other international markets in which we operate. These laws and regulations place many restrictions on our ability to collect and disseminate customer information. In addition, the enactment of new or amended legislation around the world could place additional restrictions on our ability to utilize customer information. For example, Canada has enacted privacy legislation known as the Personal Information Protection and Electronic Documents Act. Among its principles, this act requires organizations to obtain a consumer's consent to collect, use or disclose personal information. Under this act, which took effect on January 1, 2001, the nature of the required consent depends on the sensitivity of the personal information, and the act permits personal information to be used only for the purposes for which it was collected. Some Canadian provinces have enacted substantially similar privacy legislation. We believe we have taken appropriate steps with our AIR MILES Reward Program to comply with these laws.

In the United States under the Gramm-Leach-Bliley Act, we are required to maintain a comprehensive written information security program that includes administrative, technical and physical safeguards relating to customer information. It also requires us to provide initial and annual privacy notices to customers that describe in general terms our information sharing practices. If we intend to share nonpublic personal information about customers with affiliates and/or nonaffiliated third parties, we must provide our customers with a notice and a reasonable period of time for each customer to "opt out" of any such disclosure. In Canada, the Act to promote the efficiency and adaptability of the Canadian economy by regulating certain activities that discourage reliance on electronic means of carrying out commercial activities, and to amend the Canadian Radio-television and Telecommunications Commission Act, the Competition Act, the Personal Information Protection and Electronic Documents Act and the Telecommunications Act, more generally known as Canada's Anti-Spam Legislation, may restrict our ability to send commercial "electronic messages," defined to include text, sound, voice and image messages to email, or similar accounts, where the primary purpose is advertising or promoting a commercial product or service to our customers and prospective customers. The Act requires that a sender have consent to send a commercial electronic message, and provide the customers with an opportunity to opt out from receiving future commercial electronic email messages from the sender. In the European Union, the Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 requires member states to implement and enforce a comprehensive data protection law that is based on principles designed to safeguard personal data, defined as any information relating to an identified or identifiable natural person. The Directive frames certain requirements for transfer outside of the European Economic Area and individual rights such as consent requirements.

In addition to U.S. federal privacy laws with which we must comply, states also have adopted statutes, regulations or other measures governing the collection and distribution of nonpublic personal information about customers. In some cases these state measures are preempted by federal law, but if not, we monitor and seek to comply with individual state privacy laws in the conduct of our business.

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

Employees

As of December 31, 2014, we had over 15,000 employees. We believe our relations with our employees are good. We have no collective bargaining agreements with our employees.

Available Information

We file or furnish annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy, for a fee, any document we file or furnish at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public at the SEC's website at *www.sec.gov.* You may also obtain copies of our annual, quarterly and current reports, proxy statements and certain other information filed or furnished with the SEC, as well as amendments thereto, free of charge from our website, *www.AllianceData.com.* No information from this website is incorporated by reference herein. These documents are posted to our website as soon as reasonably practicable after we have filed or furnished these documents with the SEC. We post our audit committee, compensation committee, nominating and corporate governance committee, and executive committee charters, our corporate governance guidelines, and our code of ethics, code of ethics for Senior Financial Executives and Chief Executive Officer, and code of ethics for Board Members on our website. These documents are available free of charge to any stockholder upon request.

Item 1A. Risk Factors.

RISK FACTORS

Strategic Business Risk and Competitive Environment

Our 10 largest clients represented 37.5% of our consolidated revenue in 2014 and the loss of any of these clients could cause a significant drop in our revenue.

We depend on a limited number of large clients for a significant portion of our consolidated revenue. Our 10 largest clients represented approximately 37.5% of our consolidated revenue during the year ended December 31, 2014, with no single client representing greater than 10.0% of our consolidated revenue. A decrease in revenue from any of our significant clients for any reason, including a decrease in pricing or activity, or a decision either to utilize another service provider or to no longer outsource some or all of the services we provide, could have a material adverse effect on our consolidated revenue.

LoyaltyOne. LoyaltyOne represents 26.5% of our consolidated revenue. LoyaltyOne's 10 largest clients represented approximately 48.9% of our LoyaltyOne revenue in 2014. Bank of Montreal and Sobeys Inc. represented approximately 24.9% and 10.3%, respectively, of this segment's revenue for 2014. Our contract with Bank of Montreal expires in 2017, subject to automatic renewals at five-year intervals. Our contract with Sobeys Inc. and its retail affiliates expires in 2024.

Epsilon. Epsilon represents 28.7% of our consolidated revenue. Epsilon's 10 largest clients represented approximately 34.1% of our Epsilon revenue in 2014, with no single client representing more than 10% of Epsilon's revenue.

Private Label Services and Credit. Private Label Services and Credit represents 45.2% of our consolidated revenue. Private Label Services and Credit's 10 largest clients represented approximately 65.4% of our Private Label Services and Credit revenue in 2014. L Brands and its retail affiliates and Ascena Retail Group, Inc. and its retail affiliates represented approximately 16.7% and 12.8%, respectively, of our revenue for this segment in 2014. Our primary contract with a retail affiliate of L Brands expires in 2018 and our contracts with Ascena Retail Group and its retail affiliates expire in 2016 and 2019.

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

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

Breakage is based on management's estimate after viewing and analyzing various historical trends including vintage analysis, current run rates and other pertinent factors, such as the impact of macroeconomic factors and changes in the program structure, including the introduction of a five-year expiry policy in December 2011, the introduction of the AIR MILES Cash program option and changes to rewards offered.

From June 2008 through December 2012, our estimate of breakage was 28%. Based on the analysis of historical redemption trends, statistical analysis performed, and the expected impact of recent changes in the program structure, at December 31, 2012 we determined that our estimate of breakage should be lowered to 27%. At December 31, 2013 we determined that our estimate of breakage should be further reduced to 26%. Our estimated breakage rate remained at 26% as of December 31, 2014. Any significant change in, or failure by management to reasonably estimate, breakage could adversely affect our profitability.

Additionally, if actual redemptions are greater than our estimates, our profitability could be adversely affected due to the cost of the excess redemptions.

Our AIR MILES Reward Program also exposes us to risks arising from potentially increasing reward costs. Our profitability could be adversely affected if costs related to redemption of AIR MILES reward miles increase. A 10% increase in the cost of redemptions would have resulted in a decrease in pre-tax income of $39.1 million for the year ended December 31, 2014.

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

Our most active AIR MILES Reward Program collectors drive a disproportionately large percentage of our AIR MILES Reward Program revenue. The loss of a significant portion of these collectors, for any reason, could impact our ability to generate significant revenue from sponsors. The continued attractiveness of our loyalty and rewards programs will depend in large part on our ability to remain affiliated with sponsors that are desirable to consumers and to offer rewards that are both attainable and attractive.

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

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

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

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

Historically, we have engaged in a significant number of acquisitions, and those acquisitions have contributed to our growth in revenue and profitability. We believe that acquisitions and the identification and pursuit of new business opportunities will be a key component of our continued growth strategy. However, we may not be able to locate and secure future acquisition candidates or to identify and implement new business opportunities on terms and conditions that are acceptable to us. If we are unable to identify attractive acquisition candidates or successful new business opportunities, our growth could be impaired.

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

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

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

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

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

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

The primary risk associated with unsecured consumer lending is the risk of default or bankruptcy of the borrower, resulting in the borrower's balance being charged-off as uncollectible. We rely principally on the customer's creditworthiness for repayment of the loan and therefore have no other recourse for collection. We may not be able to successfully identify and evaluate the creditworthiness of cardholders to minimize delinquencies and losses. An increase in defaults or net charge-offs could result in a reduction in net income. General economic factors, such as the rate of inflation, unemployment levels and interest rates, may result in greater delinquencies that lead to greater credit losses. In addition to being affected by general economic conditions and the success of our collection and recovery efforts, the stability of our delinquency and net credit card and loan receivable charge-off rates are affected by the credit risk of our credit card and loan receivables and the average age or maturity of our various credit card account portfolios. Further, our pricing strategy may not offset the negative impact on profitability caused by increases in delinquencies and losses, thus any material increases in delinquencies and losses beyond our current estimates could have a material adverse impact on us. For 2014, our average credit card and loan receivable net charge-off rate was 4.2%, compared to 4.7% and 4.8% for 2013 and 2012, respectively. Delinquency rates were 4.0% of principal credit card and loan receivables at December 31, 2014 compared to 4.2% and 4.0% at December 31, 2013 and 2012, respectively.

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

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

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

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

Liquidity, Market and Credit Risk

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

Interest rate risk affects us directly in our borrowing activities. Our interest expense, net was approximately $260.5 million for the year ended December 31, 2014. To manage our risk from market interest rates, we actively monitor the interest rates and the interest sensitive components to minimize the impact that changes in interest rates have on the fair value of assets, net income and cash flow. To achieve this objective, we manage our exposure to fluctuations in market interest rates through the use of fixed-rate debt instruments to the extent that reasonably favorable rates are obtainable with such arrangements. In 2014, a 1.0% increase in interest rates would have resulted in an increase to interest expense of approximately $53.0 million. Conversely, a corresponding decrease in interest rates would have resulted in a decrease to interest expense of approximately $42.5 million. In addition, we may enter into derivative instruments such as interest rate swaps and interest rate caps to mitigate our interest rate risk on related financial instruments or to lock the interest rate on a portion of our variable debt. We do not enter into derivative or interest rate transactions for trading or other speculative purposes.

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

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

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

In addition, on August 27, 2014, the SEC adopted a number of rules that will change the disclosure, reporting and offering process for publicly registered offerings of asset-backed securities, including those offered under our credit card securitization program. A number of rules proposed by the SEC in 2010 and 2011, such as requiring group-level data for the underlying assets in credit card securitizations, were not adopted in the recent rulemaking but may be implemented by the SEC in the future. We are still assessing the impact of the new rules, and the possibility of continued rulemaking, on our publicly offered securitization program. The SEC also issued an advance notice of proposed rulemaking relating to the exemptions that our credit card securitization trusts rely on in our credit card securitization programs to avoid registration as investment companies. The form that these rules may ultimately take is uncertain at this time, but such rules may impact our ability or desire to issue asset-backed securities in the future.

The FDIC, the SEC, the Federal Reserve and certain other federal regulators have adopted regulations that would mandate a minimum five percent risk retention requirement for securitizations that are issued on and after December 24, 2016. We have not yet determined whether our existing forms of risk retention will satisfy the final regulatory requirements or whether structural changes will be necessary. Such risk retention requirements may impact our ability or desire to issue asset-backed securities in the future.

Early amortization events may occur as a result of certain adverse events specified for each asset-backed securitization transaction, including, among others, deteriorating asset performance or material servicing defaults. In addition, certain series of funding notes issued by our securitization trusts are subject to early amortization based on triggers relating to the bankruptcy of retailers. Deteriorating economic conditions, particularly in the retail sector, may lead to an increase in bankruptcies among retailers who have entered into private label programs with us, which may in turn cause an early amortization for such funding notes. The occurrence of an early amortization event may significantly limit our ability to securitize additional receivables.

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

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

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

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

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

We do not intend to pay cash dividends.

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay cash dividends will be made at the discretion of our board of directors and will be dependent upon our financial condition, operating results, capital requirements and other factors that our board deems relevant.

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

We are exposed primarily to fluctuations in the exchange rate between the U.S. and Canadian dollars through our significant Canadian operations and the exchange rate between the U.S. dollar and the Euro through our ownership interest in BrandLoyalty. We currently do not hedge any of our net investment exposure in our Canadian or European operations.

Regulatory Environment

Legislative and regulatory reforms may have a significant impact on our business, results of operation and financial condition.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, was enacted into law. The Dodd-Frank Act, among other things, includes a sweeping reform of the regulation and supervision of financial institutions, as well as of the regulation of derivatives and capital market activities.

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

The Dodd-Frank Act created a Consumer Financial Protection Bureau, or CFPB, a new federal consumer protection regulator with authority to make further changes to the federal consumer protection laws and regulations. It is unclear what changes will be promulgated by the CFPB and what effect, if any, such changes would have on our business and operations. The CFPB assumed rulemaking authority under the existing federal consumer financial protection laws, and will enforce those laws against and examine certain non-depository institutions and insured depository institutions with total assets greater than $10 billion and their affiliates.

While the CFPB does not examine Comenity Bank and Comenity Capital Bank, it will receive information from their primary federal regulator. In addition, the CFPB's broad rulemaking authority is expected to impact their operations. For example, the CFPB's rulemaking authority may allow it to change regulations adopted in the past by other regulators including regulations issued under the Truth in Lending Act or the Credit Card Accountability Responsibility and Disclosure Act of 2009, or the CARD Act, by the Board of Governors of the Federal Reserve System. The CFPB's ability to rescind, modify or interpret past regulatory guidance could increase our compliance costs and litigation exposure. Furthermore, the CFPB has broad authority to prevent "unfair, deceptive or abusive" acts or practices and has taken enforcement action against other credit card issuers and financial services companies. Evolution of these standards could result in changes to pricing, practices, procedures and other activities relating to our credit card accounts in ways that could reduce the associated return. It is unclear what changes would be promulgated by the CFPB and what effect, if any, such changes would have on our credit accounts.

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

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

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

The enactment of new or amended legislation or industry regulations pertaining to consumer or private sector privacy issues could have a material adverse impact on our marketing services. Legislation or industry regulations regarding consumer or private sector privacy issues could place restrictions upon the collection, sharing and use of information that is currently legally available, which could materially increase our cost of collecting some data. These types of legislation or industry regulations could also prohibit us from collecting or disseminating certain types of data, which could adversely affect our ability to meet our clients' requirements and our profitability and cash flow targets. While 47 states and the District of Columbia have enacted data breach notification laws, there is no such federal law generally applicable to our businesses. Data breach notification legislation has been proposed widely and exists in specific countries and jurisdictions in which we conduct business. If enacted, these legislative measures could impose strict requirements on reporting time frames for providing notice, as well as the contents of such notices. In addition to the United States, Canadian and European Union regulations discussed below, we have expanded our marketing services through the acquisition of companies formed and operating in foreign jurisdictions that may be subject to additional or more stringent legislation and regulations regarding consumer or private sector privacy.

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

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

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

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

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

In the European Union, the Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 requires member states to implement and enforce a comprehensive data protection law that is based on principles designed to safeguard personal data, defined as any information relating to an identified or identifiable natural person. The Directive frames certain requirements for transfer outside of the European Economic Area and individual rights such as consent requirements. The Directive may be superseded by the General Data Protection Regulation proposed in January 2012 which would create one standard for the European Union member states but could limit our ability to provide services and information to our clients. There is also rapid development of new privacy laws and regulations in the Asia Pacific region and elsewhere around the globe, including amendments of existing data protection laws to the scope of such laws and penalties for noncompliance. Failure to comply with these international data protection laws and regulations could have a negative impact on our reputation and subject us to significant penalties.

If the technology that we currently use to target the delivery of online advertisements and to prevent fraud is restricted or becomes subject to additional regulation, our product offerings could be limited and our profitability could be adversely impacted.

Websites typically place small files of non-personalized, or anonymous information commonly known as cookies, on an Internet user's hard drive. Cookies generally collect information about users on a non-personalized basis to enable websites to provide users with a more customized experience. Cookie information is passed to the website through an Internet user's browser software. We currently use cookies, along with other technologies, as set forth in our privacy policies, for purposes that include, without limitation, improving the experience Web and mobile users have when they see advertisements, advertising campaign reporting, website reporting and to monitor and prevent fraudulent activity. Most currently available Internet browsers allow Internet users to modify their browser settings to prevent cookies from being stored on their hard drive, and some users currently do so. Internet users can also delete cookies from their hard drives at any time. Some Internet commentators and privacy advocates have suggested limiting or eliminating the use of cookies, and legislation has been introduced in some jurisdictions to regulate the use of cookie technology. The effectiveness of our technology could be limited by any reduction or limitation in the use of cookies. If the use or effectiveness of cookies were limited, we expect that we would need to switch to other technologies to gather demographic and behavioral information. While such technologies currently exist, they may be less effective than cookies. We also expect that we would need to develop or acquire other technology to monitor and prevent fraudulent activity. Replacement of cookies could require reengineering time and resources, might not be completed in time to avoid losing customers or advertising inventory, and might not be commercially feasible. Our use of cookie technology or any other technologies designed to collect Internet usage information may subject us to litigation or investigations in the future that could be costly and time consuming, could require us to change our business practices and could divert management's attention.

Some of browser makers have been working on their own do-not-track, or DNT, technical solutions, notably Microsoft® Internet Explorer®, Mozilla® Firefox®, Apple® Safari® and Google Chrome®. Microsoft's Internet Explorer 9 offers a tracking protection feature that doesn't allow for tracking by allowing Internet users to download tracking protection block lists which consequently block any third-party domain included in such block lists from serving content. Microsoft's Internet Explorer 10 and 11 offer DNT by default. In addition, Mozilla Firefox has announced a plan to block third-party cookies by default. These features offered or planned by Microsoft and Mozilla, if widely deployed and adopted, may adversely affect our ability to grow our company, maintain our current revenues and profitability, serve and monetize content and utilize our behavioral targeting platform.

Current and proposed regulation and legislation relating to our retail credit card services could limit our business activities, product offerings and fees charged.

Various federal and state laws and regulations significantly limit the retail credit card services activities in which we are permitted to engage. Such laws and regulations, among other things, limit the fees and other charges that we can impose on consumers, limit or proscribe certain other terms of our products and services, require specified disclosures to consumers, or require that we maintain certain licenses, qualifications and minimum capital levels. In some cases, the precise application of these statutes and regulations is not clear. In addition, numerous legislative and regulatory proposals are advanced each year which, if adopted, could have a material adverse effect on our profitability or further restrict the manner in which we conduct our activities. The CARD Act, which was enacted in May 2009 and together with its implementing rules, became effective in 2010, acts to limit or modify certain credit card practices and require increased disclosures to consumers. The credit card practices addressed by the rules include, but are not limited to, restrictions on the application of rate increases to existing and new balances, payment allocation, default pricing, imposition of late fees and two-cycle billing. The failure to comply with, or adverse changes in, the laws or regulations to which our business is subject, or adverse changes in their interpretation, could have a material adverse effect on our ability to collect our receivables and generate fees on the receivables, thereby adversely affecting our profitability.

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

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

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

If either of our depository institution subsidiaries failed to meet the criteria for the exemption from the definition of "bank" in the Bank Holding Company Act under which it operates (which exemptions are described below), and if we did not divest such depository institution upon such an occurrence, we would become subject to regulation under the Bank Holding Company Act. This would require us to cease certain of our activities that are not permissible for companies that are subject to regulation under the Bank Holding Company Act. One of our depository institution subsidiaries, Comenity Bank, is a Delaware State FDIC-insured bank and a limited-purpose credit card bank located in Delaware. Comenity Bank will not be a "bank" as defined under the Bank Holding Company Act so long as it remains in compliance with the following requirements:

- it engages only in credit card operations;
- it does not accept demand deposits or deposits that the depositor may withdraw by check or similar means for payment to third parties;
- it does not accept any savings or time deposits of less than $100,000, except for deposits pledged as collateral for its extensions of credit;
- it maintains only one office that accepts deposits; and
- it does not engage in the business of making commercial loans (except small business loans).

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

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

Operational and Other Risk

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

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

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

Although we have extensive physical and cyber security and associated procedures, our databases have in the past been and in the future may be subject to unauthorized access. In such instances of unauthorized access, the integrity of our databases have in the past been and may in the future be affected. Security and privacy concerns may cause consumers to resist providing the personal data necessary to support our loyalty and marketing programs. The use of our loyalty, marketing services or credit card programs could decline if any compromise of physical or cyber security occurred. In addition, any unauthorized release of customer information or any public perception that we released consumer information without authorization, could subject us to legal claims from our clients or their customers, consumers or regulatory enforcement actions, which may adversely affect our client relationships.

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

Our ability, and that of our third-party service providers, to protect our data centers against damage, loss or inoperability from fire, power loss, cyber attacks, telecommunications failure, computer viruses and other disasters is critical. In order to provide many of our services, we must be able to store, retrieve, process and manage large amounts of data as well as periodically expand and upgrade our database capabilities. Any damage to our data centers, or those of our third-party service providers, any failure of our telecommunication links that interrupts our operations or any impairment of our ability to use our software or the proprietary software of third party vendors, including impairments due to cyber attacks, could adversely affect our ability to meet our clients' needs and their confidence in utilizing us for future services.

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

Third parties may infringe or misappropriate our trademarks or other intellectual property rights, which could have a material adverse effect on our business, financial condition or operating results. The actions we take to protect our trademarks and other proprietary rights may not be adequate. Litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. We may not be able to prevent infringement of our intellectual property rights or misappropriation of our proprietary information. Any infringement or misappropriation could harm any competitive advantage we currently derive or may derive from our proprietary rights. Third parties may also assert infringement claims against us. Any claims and any resulting litigation could subject us to significant liability for damages. An adverse determination in any litigation of this type could require us to design around a third party's patent or to license alternative technology from another party. In addition, litigation is time consuming and expensive to defend and could result in the diversion of our time and resources. Any claims from third parties may also result in limitations on our ability to use the intellectual property subject to these claims.

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

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

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

As of February 23, 2015, we had an aggregate of 84,872,167 shares of our common stock authorized but unissued and not reserved for specific purposes. In general, we may issue all of these shares without any action or approval by our stockholders. We have reserved 24,003,000 shares of our common stock for issuance under our employee stock purchase plan and our long-term incentive plans, of which 968,952 shares are issuable upon vesting of restricted stock awards, restricted stock units, and upon exercise of options granted as of February 23, 2015, including options to purchase approximately 129,402 shares exercisable as of February 23, 2015 or that will become exercisable within 60 days after February 23, 2015. We have reserved for issuance 1,500,000 shares of our common stock, 712,210 of which remain issuable, under our 401(k) and Retirement Savings Plan as of December 31, 2014. In addition, we may pursue acquisitions of competitors and related businesses and may issue shares of our common stock in connection with these acquisitions. Sales or issuances of a substantial number of shares of common stock, or the perception that such sales could occur, could adversely affect prevailing market prices of our common stock, and any sale or issuance of our common stock will dilute the ownership interests of existing stockholders.

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

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

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

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of December 31, 2014, we own one general office property and lease approximately 121 general office properties worldwide, comprised of approximately 4.2 million square feet. These facilities are used to carry out our operational, sales and administrative functions. Our principal facilities are as follows:

Location	Segment	Approximate Square Footage	Lease Expiration Date
Plano, Texas	Corporate	108,269	June 29, 2021
Columbus, Ohio	Corporate, Private Label Services and Credit	272,602	February 28, 2018
Toronto, Ontario, Canada	LoyaltyOne	194,018	September 30, 2017
Mississauga, Ontario, Canada	LoyaltyOne	50,908	November 30, 2019
Den Bosch, Netherlands	LoyaltyOne	132,482	December 31, 2028
Maasbree, Netherlands	LoyaltyOne	488,681	September 1, 2028
Wakefield, Massachusetts	Epsilon	184,411	December 31, 2020
Irving, Texas	Epsilon	221,898	June 30, 2026
Lewisville, Texas	Epsilon	10,000	January 15, 2017
Earth City, Missouri	Epsilon	116,783	December 31, 2016
West Chicago, Illinois	Epsilon	155,412	October 31, 2025
Columbus, Ohio	Private Label Services and Credit	103,161	January 31, 2019
Couer D'Alene, Idaho	Private Label Services and Credit	114,000	March 31, 2027
Westerville, Ohio	Private Label Services and Credit	100,800	July 31, 2024
Wilmington, Delaware	Private Label Services and Credit	5,198	November 30, 2020
Salt Lake City, Utah	Private Label Services and Credit	6,488	January 18, 2018

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

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information

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

	High	Low
Year Ended December 31, 2014		
First quarter	$ 300.49	$ 230.53
Second quarter	284.40	230.79
Third quarter	288.67	239.83
Fourth quarter	292.96	230.54
Year Ended December 31, 2013		
First quarter	$ 162.07	$ 146.39
Second quarter	185.32	152.80
Third quarter	220.02	171.30
Fourth quarter	264.31	209.71

Holders

As of February 23, 2015, the closing price of our common stock was $279.62 per share, there were 62,805,266 shares of our common stock outstanding, and there were approximately 73 holders of record of our common stock.

Dividends

We have never declared or paid any cash dividends on our common stock, and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain all available funds and future earnings, if any, for use in the operation and the expansion of our business. Any future determination to pay cash dividends on our common stock will be at the discretion of our board of directors and will be dependent upon our financial condition, operating results, capital requirements and other factors that our board deems relevant. In addition, under the terms of our credit agreement, we are restricted in the amount of any cash dividends or return of capital, other distribution, payment or delivery of property or cash to our common stockholders.

Issuer Purchases of Equity Securities

On December 5, 2013, our Board of Directors authorized a stock repurchase program to acquire up to $400.0 million of our outstanding common stock from January 1, 2014 through December 31, 2014. On January 1, 2015, our Board of Directors authorized a stock repurchase program to acquire up to $600.0 million of our outstanding common stock from January 1, 2015 through December 31, 2015, subject to any restrictions pursuant to the terms of our credit agreements, indentures, applicable securities laws or otherwise.

The following table presents information with respect to purchases of our common stock made during the three months ended December 31, 2014:

Period	Total Number of Shares Purchased [1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs [2] (In millions)
During 2014:				
October 1-31	3,524	$ 253.86	—	$ 182.5
November 1-30	2,488	283.03	—	182.5
December 1-31	250,661	278.60	248,161	113.4
Total	256,673	$ 278.31	248,161	$ 113.4

(1) During the period represented by the table, 8,512 shares of our common stock were purchased by the administrator of our 401(k) and Retirement Saving Plan for the benefit of the employees who participated in that portion of the plan.

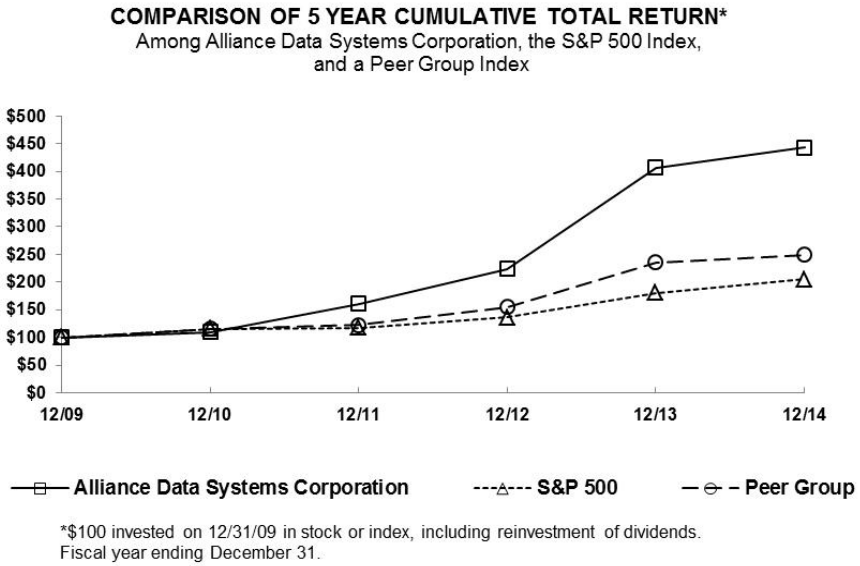
(2) On December 5, 2013, our Board of Directors authorized a stock repurchase program to acquire up to $400.0 million of our outstanding common stock from January 1, 2014 through December 31, 2014. On January 1, 2015, our Board of Directors authorized a stock repurchase program to acquire up to $600.0 million of our outstanding common stock from January 1, 2015 through December 31, 2015, subject to any restrictions pursuant to the terms of our credit agreements, indentures, applicable securities laws or otherwise.

Performance Graph

The following graph compares the yearly percentage change in cumulative total stockholder return on our common stock since December 31, 2009, with the cumulative total return over the same period of (1) the S&P 500 Index and (2) a peer group of fourteen companies selected by us.

The companies in the peer group are Acxiom Corporation, American Express Company, Discover Financial Services, Equifax, Inc., Experian PLC, Fidelity National Information Services, Inc., Fiserv, Inc., Global Payments, Inc., Nielsen Holdings N.V., Omnicom Group Inc., The Dun & Bradstreet Corporation, The Interpublic Group of Companies, Inc., Total Systems Services, Inc. and WPP plc.

Pursuant to rules of the SEC, the comparison assumes $100 was invested on December 31, 2009 in our common stock and in each of the indices and assumes reinvestment of dividends, if any. Also pursuant to SEC rules, the returns of each of the companies in the peer group are weighted according to the respective company's stock market capitalization at the beginning of each period for which a return is indicated. Historical stock prices are not indicative of future stock price performance.



	Alliance Data Systems Corporation	S&P 500	Peer Group
December 31, 2009	$ 100.00	$ 100.00	$ 100.00
December 31, 2010	109.97	115.06	115.21
December 31, 2011	160.77	117.49	122.31
December 31, 2012	224.12	136.30	154.64
December 31, 2013	407.08	180.44	235.73
December 31, 2014	442.87	205.14	249.06

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

Item 6. Selected Financial Data.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

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

	Years Ended December 31,				
	2014	2013	2012	2011	2010
	(In thousands, except per share amounts)				
Income statement data					
Total revenue	$ 5,302,940	$ 4,319,063	$ 3,641,390	$ 3,173,287	$ 2,791,421
Cost of operations (exclusive of amortization and depreciation disclosed separately below) (1)	3,218,774	2,549,159	2,106,612	1,811,882	1,545,380
Earn-out obligation	105,944	—	—	—	—
Provision for loan loss	425,205	345,758	285,479	300,316	387,822
General and administrative (1)	141,468	109,115	108,059	95,256	85,773
Depreciation and other amortization	109,655	84,291	73,802	70,427	67,806
Amortization of purchased intangibles	203,427	131,828	93,074	82,726	75,420
Total operating expenses	4,204,473	3,220,151	2,667,026	2,360,607	2,162,201
Operating income	1,098,467	1,098,912	974,364	812,680	629,220
Interest expense, net	260,526	305,500	291,460	298,585	318,330
Income from continuing operations before income taxes	837,941	793,412	682,904	514,095	310,890
Provision for income taxes	321,801	297,242	260,648	198,809	115,252
Income from continuing operations	516,140	496,170	422,256	315,286	195,638
Loss from discontinued operations, net of taxes	—	—	—	—	(1,901)
Net income	$ 516,140	$ 496,170	$ 422,256	$ 315,286	$ 193,737
Less: Net income attributable to non-controlling interest	9,847	—	—	—	—
Net income attributable to Alliance Data Systems Corporation stockholders	$ 506,293	$ 496,170	$ 422,256	$ 315,286	$ 193,737
Income from continuing operations attributable to Alliance Data Systems Corporation stockholders per share:					
Basic	$ 8.72	$ 10.09	$ 8.44	$ 6.22	$ 3.72
Diluted	$ 7.87	$ 7.42	$ 6.58	$ 5.45	$ 3.51
Net income attributable to Alliance Data Systems Corporation stockholders per share:					
Basic	$ 8.72	$ 10.09	$ 8.44	$ 6.22	$ 3.69
Diluted	$ 7.87	$ 7.42	$ 6.58	$ 5.45	$ 3.48
Weighted average shares:					
Basic	56,378	49,190	50,008	50,687	52,534
Diluted	62,445	66,866	64,143	57,804	55,710

	Years Ended December 31,				
	2014	2013	2012	2011	2010
			(In thousands)		
Adjusted EBITDA, net [2]					
Adjusted EBITDA, net	$ 1,425,560	$ 1,249,777	$ 1,073,748	$ 859,530	$ 638,000
Other financial data					
Cash flows from operating activities	$ 1,344,159	$ 1,003,492	$ 1,134,190	$ 1,011,347	$ 902,709
Cash flows from investing activities	$ (4,737,121)	$ (1,619,416)	$ (2,671,350)	$ (1,040,710)	$ (340,784)
Cash flows from financing activities	$ 3,516,146	$ 704,152	$ 2,209,019	$ 109,250	$ (715,675)
Segment operating data					
Private label statements generated	212,015	192,508	166,091	142,064	142,379
Credit sales	$ 18,948,167	$ 15,252,299	$ 12,523,632	$ 9,636,053	$ 8,773,436
Average credit card and loan receivables	$ 8,750,148	$ 7,212,678	$ 5,927,562	$ 4,962,503	$ 5,025,915
AIR MILES reward miles issued	5,500,889	5,420,723	5,222,887	4,940,364	4,584,384
AIR MILES reward miles redeemed	4,100,680	4,017,494	4,040,876	3,633,921	3,634,821

	As of December 31,				
	2014	2013	2012	2010	2010
			(In thousands)		
Balance sheet data					
Credit card and loan receivables, net	$ 10,673,709	$ 8,069,713	$ 6,697,674	$ 5,197,690	$ 4,838,354
Redemption settlement assets, restricted	520,340	510,349	492,690	515,838	472,428
Total assets	20,263,977	13,244,257	12,000,139	8,980,249	8,272,152
Deferred revenue	1,013,177	1,137,186	1,249,061	1,226,436	1,221,242
Deposits	4,773,541	2,816,361	2,228,411	1,353,775	859,100
Non-recourse borrowings of consolidated securitization entities	5,191,916	4,591,916	4,130,970	3,260,287	3,660,142
Long-term and other debt, including current maturities	4,209,246	2,800,281	2,854,839	2,183,474	1,869,772
Total liabilities	17,632,031	12,388,496	11,471,652	8,804,283	8,249,058
Redeemable non-controlling interest	235,566	—	—	—	—
Total stockholders' equity	2,396,380	855,761	528,487	175,966	23,094

(1) Included in cost of operations is stock compensation expense of $50.8 million, $40.3 million, $32.7 million, $25.8 million and $27.6 million for the years ended December 31, 2014, 2013, 2012, 2011, and 2010, respectively. Included in general and administrative is stock compensation expense of $21.7 million, $18.9 million, $17.8 million, $17.7 million and $22.5 million for the years ended December 31, 2014, 2013, 2012, 2011 and 2010, respectively.

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

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

Overview

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

LoyaltyOne

LoyaltyOne generates revenue primarily from our coalition loyalty program in Canada, the AIR MILES Reward Program, and BrandLoyalty as described more fully below. Revenue increased $487.4 million, or 53.0%, to $1.4 billion and adjusted EBITDA, net increased $49.0 million for the year ended December 31, 2014 as compared to the same period in 2013, due to the BrandLoyalty acquisition, which added $545.8 million and $64.6 million to revenue and adjusted EBITDA, net, respectively. A weaker Canadian dollar negatively impacted the results of operations for the year ended December 31, 2014, as the average foreign currency exchange rate was $0.91 as compared to $0.97 in the prior year period, which lowered revenue and adjusted EBITDA, net by $58.2 million and $16.8 million, respectively.

On January 2, 2014, we acquired a 60% ownership interest in BrandLoyalty, a Netherlands-based, data-driven loyalty marketer that designs, organizes, implements and evaluates innovative and tailor-made loyalty programs for food retailers worldwide. The acquisition expands our presence across Europe, Asia and Latin America. For additional information on the BrandLoyalty acquisition, see Note 3, "Acquisitions," of the Notes to Consolidated Financial Statements. BrandLoyalty is consolidated in our financial statements and included in our results of operations as of the date of acquisition. Pursuant to the BrandLoyalty share purchase agreement, we may acquire the remaining 40% ownership interest in BrandLoyalty from the sellers over a four-year period, or 10% per year, based upon predetermined valuation multiples. If specified annual earnings targets are met by BrandLoyalty, we must acquire the additional 10% ownership interest for the year achieved; otherwise the seller has a put option to sell us the 10% ownership interest for the respective year. The BrandLoyalty share purchase agreement also contains an earn-out provision for which we have recorded a contingent liability of approximately $326.0 million as of December 31, 2014, of which $105.9 million is included in operating expenses in our consolidated statements of income. As the earnings target specified in the share purchase agreement was met, we acquired an additional 10% ownership interest effective January 1, 2015, increasing our ownership interest in BrandLoyalty to 70%.

For the AIR MILES Reward Program, AIR MILES reward miles issued and AIR MILES reward miles redeemed are the two primary drivers of LoyaltyOne's revenue and indicators of success of the program. The number of AIR MILES reward miles issued impacts the number of future AIR MILES reward miles available to be redeemed. This can also impact our future revenue recognized with respect to the number of AIR MILES reward miles redeemed and the amount of breakage for those AIR MILES reward miles expected to remain unredeemed. The estimated breakage rate changed from 28% to 27% effective December 31, 2012 and from 27% to 26% effective December 31, 2013. As of December 31, 2014, the estimated breakage rate remained at 26%.

For those sponsor contracts not yet subject to Accounting Standards Update, or ASU, 2009-13, "Multiple-Deliverable Revenue Arrangements," the fees received from AIR MILES reward miles issued are allocated between the redemption element based on the fair value of the redemption element and the service element based on the residual method. For sponsor contracts subject to ASU 2009-13, we determine the selling price for all of the deliverables in the arrangement, and use the relative selling price method to allocate the arrangement consideration among the deliverables. Proceeds from the issuance of AIR MILES reward miles under these contracts are allocated to three elements: the redemption element, the service element and the brand element. Revenue for the redemption element is recognized at the time an AIR MILES reward mile is redeemed. For the service element, revenue is recognized over the estimated life of an AIR MILES reward mile. Revenue attributable to the brand element is recognized at the time an AIR MILES reward mile is issued.

AIR MILES reward miles issued during the year ended December 31, 2014 increased 1.5% compared to 2013 due to an increase in AIR MILES reward miles issued under the AIR MILES Cash program option. The merger of two of our top grocery sponsors and newly enacted regulations related to prescription drug purchases negatively impacted growth of our AIR MILES reward miles issued in 2014. AIR MILES reward miles redeemed during the year ended December 31, 2014 increased 2.1% compared to the same period in the prior year due to increased redemptions through the AIR MILES Cash program option as well as increased redemptions for travel rewards.

For the year ended December 31, 2014, the AIR MILES Cash program option represented approximately 15.5% of the AIR MILES reward miles issued as compared to 12.1% in the prior year.

During the year ended December 31, 2014, LoyaltyOne signed a cross-Canada, long-term agreement with Sobeys Inc, a national grocery retailer in Canada that acquired Canada Safeway in late 2013, to continue its participation and expand its Sobeys-owned banners as sponsors in the AIR MILES Reward Program. We signed a new, long-term agreement with Katz Group Canada Ltd., a leading retail drugstore operator in Canada and an AIR MILES Reward Program sponsor in Ontario, to continue its participation to issue AIR MILES reward miles in Ontario and expand to its Katz Group-owned banners in other areas of Canada.

We also signed new multi-year agreements with Kent Building Supplies, a Canadian home improvement products retailer, and Moneris Solutions Corporation, a Canadian credit and debit card processor, to participate as sponsors in the AIR MILES Reward Program. Finally, we signed a new multi-year consulting agreement with Loblaw Companies Limited to develop and execute merchandising and marketing strategies.

We also own approximately 37% of CBSM-Companhia Brasileira De Servicos De Marketing, the operator of the dotz coalition loyalty program in Brazil. Dotz operates in 12 regions with more than 14 million collectors enrolled in the program. Our investment in dotz had minimal impact on our results of operations in 2014 and 2013, and we are not expecting it to have an impact on our results of operations in 2015.

Epsilon

Epsilon is a leading marketing services firm providing end-to-end, integrated marketing solutions that leverage transactional data to help clients more effectively acquire and build stronger relationships with their customers. Services include strategic consulting, customer database technologies, loyalty management, proprietary data, predictive modeling and a full range of direct and digital agency services.

Revenue increased $142.1 million, or 10.3%, to $1.5 billion and adjusted EBITDA, net increased $19.4 million, or 6.7%, to $309.1 million for the year ended December 31, 2014 as compared to the same period in 2013. Revenue growth was driven by additional services provided to both new and existing clients, increased demand in the automotive vertical and the acquisition of Conversant.

On December 10, 2014, we completed the acquisition of Conversant, a digital marketing services company offering unique end-to-end digital marketing solutions that empower clients to more effectively market to their customers across all channels. Conversant's solution and capabilities are complementary to and enhance Epsilon's existing offline and online data set, allowing for more effective targeted marketing programs across an expanded distribution network. Conversant also provides scale in the rapidly growing display, mobile, video and social digital channels, and adds essential capabilities to Epsilon's digital loyalty platform, Agility Harmony. Conversant is consolidated in our financial statements and included in our results of operations as of the date of acquisition. For additional information on the acquisition of Conversant, see Note 3, "Acquisitions," of the Notes to Consolidated Financial Statements.

During the year ended December 31, 2014, Epsilon announced new multi-year agreements with ANN INC., operator of leading women's specialty retail fashion brands, to provide a customer relationship management database solution, and FordDirect, a joint venture between Ford Motor Company and its franchised dealers, to build and host a customer relationship management database and provide database marketing services. We signed a multi-year agreement with Sephora, a leading specialty cosmetics retailer, to provide targeted email marketing services. Additionally, we announced new multi-year agreements with Ebates Inc. to provide email marketing services and UncommonGoods to provide database marketing services.

Private Label Services and Credit

The Private Label Services and Credit segment provides risk management solutions, account origination, funding services, transaction processing, marketing, customer care and collection services for our more than 135 private label retail and co-branded credit card programs.

Revenue, generated primarily from finance charges and late fees as well as other servicing fees, increased $360.4 million, or 17.7% to $2.4 billion and adjusted EBITDA, net increased $129.2 million, or 16.3%, to $920.9 million for the year ended December 31, 2014 as compared to the same period in 2013.

For the year ended December 31, 2014, average credit card and loan receivables increased 21.3% as compared to the same period in the prior year as a result of increased credit sales, recent client signings and recent credit card portfolio acquisitions. Credit sales increased 24.2% for the year ended December 31, 2014 due to strong credit cardholder spending, recent new client signings and recent credit card portfolio acquisitions.

Delinquency rates were 4.0% of principal credit card and loan receivables at December 31, 2014 as compared to 4.2% at December 31, 2013. The principal net charge-off rate improved to 4.2% for the year ended December 31, 2014 as compared to 4.7% in the prior year period. We expect our 2015 charge-off rate to be consistent with 2014.

During the year ended December 31, 2014, we announced new multi-year agreements to provide private label credit card services to Overstock.com, JD Williams, International Diamond Distributors, Venus, GameStop Corporation and Mayors Jewelers. We also announced multi-year renewal agreements with Bealls and Burkes Outlet and Eddie Bauer to continue providing private label credit card services. We announced multi-year renewal agreements with HSN, ANN INC. brands, Ann Taylor and LOFT, and furniture retailer Arhaus, to continue providing private label and co-brand credit card services.

Additionally, we announced new multi-year agreements to provide co-brand credit card services to American Kennel Club, Orbitz, DSW Inc., Virgin America, Good Sam Enterprises and BJ's Wholesale Club. We also signed a new multi-year agreement to provide co-brand and private label credit card services to Meijer, one of the largest retailers in the U.S.

During 2014, we acquired four credit card portfolios for an aggregate purchase price of approximately $976.5 million, one of which remains subject to customary purchase price adjustments.

Discussion of Critical Accounting Policies and Estimates

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

Allowance for Loan Loss.

We maintain an allowance for loan loss at a level that is appropriate to absorb probable losses inherent in credit card and loan receivables. The allowance for loan loss covers forecasted uncollectable principal as well as unpaid interest and fees. The allowance for loan loss is evaluated monthly for appropriateness. In estimating the allowance for principal loan losses, we utilize a migration analysis of delinquent and current credit card and loan receivables. Migration analysis is a technique used to estimate the likelihood that a credit card or loan receivable will progress through the various stages of delinquency to charge-off. In evaluating the allowance for loan loss for both principal and unpaid interest and fees, management also considers factors that may impact loan loss experience, including seasoning, loan volume and amounts, payment rates and forecasting uncertainties. The allowance is maintained through an adjustment to the provision for loan loss. Charge-offs of principal amounts, net of recoveries are deducted from the allowance.

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

We record the actual charge-offs for unpaid interest and fees as a reduction to finance charges, net. In estimating the allowance for uncollectable unpaid interest and fees, we utilize historical charge-off trends, analyzing actual charge-offs for the prior three months. The allowance for unpaid interest and fees is maintained through an adjustment to finance charges, net.

If management used different assumptions in estimating net losses that could be incurred, the impact to the allowance for loan loss could have a material effect on our consolidated financial condition and results of operations. For example, a 100 basis point change in management's estimate of incurred net loan losses could have resulted in a change of approximately $107.1 million in the allowance for loan loss at December 31, 2014, with a corresponding change in the provision for loan loss.

Revenue Recognition.

We recognize revenue when all of the following criteria are satisfied: (i) persuasive evidence of an arrangement exists; (ii) the price is fixed or determinable; (iii) collectability is reasonably assured; and (iv) the service has been performed or the product has been delivered. We may also enter into contracts that contain multiple deliverables. Judgment is required to properly identify the accounting units of the multiple deliverable transactions and to determine the manner in which revenue should be allocated among the accounting units. Moreover, judgment is used to interpret the terms and determine when all the criteria of revenue recognition have been met in order for revenue recognition to occur in the appropriate accounting period. While changes in the allocation of the estimated sales price between the units of accounting will not affect the amount of total revenue recognized for a particular sales arrangement, any material changes in these allocations could impact the timing of revenue recognition.

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

Under certain of our contracts, a portion of the proceeds is paid to us upon the issuance of AIR MILES reward miles and a portion is paid at the time of redemption and therefore, we do not have a redemption obligation related to these contracts. Revenue is recognized at the time of redemption. Under such contracts, the proceeds received at issuance are initially deferred as service revenue and revenue is amortized over the estimated life of an AIR MILES reward mile.

For those sponsor contracts not yet subject to the adoption of ASU 2009-13, we allocate the proceeds received from sponsors for the issuance of AIR MILES reward miles between the redemption element, which represents the award ultimately provided to the collector (the "redemption element") and the service element, which consists of direct marketing and support services (the "service element"). For contracts entered into prior to January 1, 2011, revenue related to the service element is determined using the residual method.

The adoption of ASU 2009-13 eliminated the use of the residual method for new sponsor agreements entered into, or existing sponsor agreements that are materially modified, after January 1, 2011. ASU 2009-13 also established the use of a three-level hierarchy when establishing the selling price and the relative selling price method when allocating arrangement consideration. The ASU had no significant impact upon adoption as no new material contracts or material modifications were experienced with sponsors in the AIR MILES Reward Program from its adoption through December 31, 2012.

In the first quarter of 2013, we renewed our agreements with two of our top five sponsors. As part of our analysis, it was determined that in addition to the redemption and service elements, the right to use of the "AIR MILES" brand name met the criteria for a separate deliverable or element under ASU 2009-13. For this "brand element," revenue is recognized at the time an AIR MILES reward mile is issued.

For those sponsor contracts within the scope of ASU 2009-13, proceeds from the issuance of AIR MILES reward miles are allocated to three elements, the redemption element, the service element, and the brand element, based on the relative selling price method. The fair value of each element was determined using management's estimated selling price for that respective element. The objective of using the estimated selling price methodology is to determine the price at which we would transact a sale if the product or service were sold on a stand-alone basis. Accordingly, we determine our best estimate of selling price by considering multiple inputs and methods, including discounted cash flows, the estimated brand value and the number of AIR MILES reward miles issued and redeemed. We estimated the selling prices and volumes over the term of the respective agreements in order to determine the allocation of proceeds to each of the multiple elements delivered.

The amount of revenue recognized in a period is subject to the estimate of breakage and the estimated life of an AIR MILES reward mile. Breakage and the life of an AIR MILES reward mile are based on management's estimate after viewing and analyzing various historical trends including vintage analysis, current run rates and other pertinent factors, such as the impact of macroeconomic factors and changes in the program structure.

Redemption revenue recognized is impacted by our estimate of breakage, or those AIR MILES reward miles that we estimate will remain unredeemed by the collector base.

Service revenue recognized in a period is subject to the estimated life of an AIR MILES reward mile, or 42 months.

Based on the analysis of historical redemption trends and additional statistical analysis performed, including the impact of changes in the program structure, we determined that our estimate of breakage had changed from 27% to 26% as of December 31, 2013. Our estimated breakage rate remained at 26% as of December 31, 2014.

There have been no changes to management's estimate of the life of an AIR MILES reward miles in the periods presented in the financial statements. We estimate that an increase (decrease) to the estimated life of an AIR MILES reward mile of one month would decrease (increase) transaction revenue by approximately $6 to $7 million.

As of December 31, 2014, we had $1.0 billion in deferred revenue related to the AIR MILES Reward Program that will be recognized in the future. Further information is provided in Note 13, "Deferred Revenue," of the Notes to Consolidated Financial Statements.

Income Taxes.

We account for uncertain tax positions in accordance with Accounting Standards Codification, or ASC, 740, "Income Taxes". The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of, and guidance surrounding, income tax laws and regulations change over time. Changes in our subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of income. See Note 19, "Income Taxes," of the Notes to Consolidated Financial Statements for additional detail on our uncertain tax positions and further information regarding ASC 740.

Recent Accounting Pronouncements

See "Recently Adopted Accounting Standards" and "Recently Issued Accounting Standards" under Note 2, "Summary of Significant Accounting Policies," of the Notes to Consolidated Financial Statements for a discussion of certain accounting standards that we have recently adopted and certain accounting standards that we have not yet been required to adopt and may be applicable to our future financial condition, results of operations or cash flow.

Use of Non-GAAP Financial Measures

Adjusted EBITDA is a non-GAAP financial measure equal to income from continuing operations, the most directly comparable financial measure based on accounting principles generally accepted in the United States of America, or GAAP, plus stock compensation expense, provision for income taxes, interest expense, net, depreciation and other amortization, amortization of purchased intangibles, certain business acquisition costs and the additional contingent consideration incurred as a result of the earn-out obligation associated with the BrandLoyalty acquisition. Adjusted EBITDA, net is also a non-GAAP financial measure equal to adjusted EBITDA less securitization funding costs, interest expense on deposits and adjusted EBITDA attributable to the non-controlling interest.

We use adjusted EBITDA and adjusted EBITDA, net as an integral part of our internal reporting to measure the performance of our reportable segments and to evaluate the performance of our senior management. Adjusted EBITDA and adjusted EBITDA, net are each considered an important indicator of the operational strength of our businesses. Adjusted EBITDA eliminates the uneven effect across all business segments of considerable amounts of non-cash depreciation of tangible assets and amortization of intangible assets, including certain intangible assets that were recognized in business combinations. A limitation of this measure, however, is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in our businesses. Management evaluates the costs of such tangible and intangible assets, such as capital expenditures, investment spending and return on capital and therefore the effects are excluded from adjusted EBITDA. Adjusted EBITDA also eliminates the non-cash effect of stock compensation expense. Stock compensation expense is not included in the measurement of segment adjusted EBITDA provided to the chief operating decision maker for purposes of assessing segment performance and decision making with respect to resource allocations. In addition to the above, adjusted EBITDA, net also excludes the interest associated with financing our credit card and loan receivables, which represents securitization funding costs and interest on deposits, and the percentage of the adjusted EBITDA attributable to the non-controlling interest. We believe that adjusted EBITDA and adjusted EBITDA, net provide useful information to our investors regarding our performance and overall results of operations. Adjusted EBITDA and adjusted EBITDA, net are not intended to be performance measures that should be regarded as an alternative to, or more meaningful than, either operating income or net income as indicators of operating performance or to cash flows from operating activities as a measure of liquidity. In addition, adjusted EBITDA and adjusted EBITDA, net are not intended to represent funds available for dividends, reinvestment or other discretionary uses, and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

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

	Years Ended December 31,				
	2014	2013	2012	2011	2010
			(In thousands)		
Income from continuing operations	$ 516,140	$ 496,170	$ 422,256	$ 315,286	$ 195,638
Stock compensation expense	72,462	59,183	50,497	43,486	50,094
Provision for income taxes	321,801	297,242	260,648	198,809	115,252
Interest expense, net	260,526	305,500	291,460	298,585	318,330
Depreciation and other amortization	109,655	84,291	73,802	70,427	67,806
Amortization of purchased intangibles	203,427	131,828	93,074	82,726	75,420
Business acquisition costs (1)	7,301	—	—	—	—
Earn-out obligation (2)	105,944	—	—	—	—
Adjusted EBITDA	$ 1,597,256	$ 1,374,214	$ 1,191,737	$ 1,009,319	$ 822,540
Less: Securitization funding costs	91,103	95,326	92,808	126,711	155,084
Less: Interest expense on deposits	37,543	29,111	25,181	23,078	29,456
Less: Adjusted EBITDA attributable to non-controlling interest	43,050	—	—	—	—
Adjusted EBITDA, net	$ 1,425,560	$ 1,249,777	$ 1,073,748	$ 859,530	$ 638,000

(1) Represents expenditures directly associated with the acquisition of Conversant.

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

Consolidated Results of Operations

	Year Ended December 31,			% Change	
	2014	2013	2012	2014 to 2013	2013 to 2012
Revenues	(in thousands, except percentages)				
Transaction	$ 337,391	$ 329,027	$ 300,801	2.5%	9.4%
Redemption	1,053,248	587,187	635,536	79.4	(7.6)
Finance charges, net	2,303,698	1,956,654	1,643,405	17.7	19.1
Database marketing fees and direct marketing services	1,438,688	1,289,356	931,533	11.6	38.4
Other revenue	169,915	156,839	130,115	8.3	20.5
Total revenue	5,302,940	4,319,063	3,641,390	22.8	18.6
Operating expenses					
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	3,218,774	2,549,159	2,106,612	26.3	21.0
Earn-out obligation	105,944	—	—	100.0	—
Provision for loan loss	425,205	345,758	285,479	23.0	21.1
General and administrative	141,468	109,115	108,059	29.7	1.0
Depreciation and other amortization	109,655	84,291	73,802	30.1	14.2
Amortization of purchased intangibles	203,427	131,828	93,074	54.3	41.6
Total operating expenses	4,204,473	3,220,151	2,667,026	30.6	20.7
Operating income	1,098,467	1,098,912	974,364	—	12.8
Interest expense					
Securitization funding costs	91,103	95,326	92,808	(4.4)	2.7
Interest expense on deposits	37,543	29,111	25,181	29.0	15.6
Interest expense on long-term and other debt, net	131,880	181,063	173,471	(27.2)	4.4
Total interest expense, net	260,526	305,500	291,460	(14.7)	4.8
Income before income tax	837,941	793,412	682,904	5.6	16.2
Provision for income taxes	321,801	297,242	260,648	8.3	14.0
Net income	$ 516,140	$ 496,170	$ 422,256	4.0%	17.5%
Key Operating Metrics:					
Private label statements generated	212,015	192,508	166,091	10.1%	15.9%
Credit sales	$ 18,948,167	$ 15,252,299	$ 12,523,632	24.2%	21.8%
Average credit card and loan receivables	$ 8,750,148	$ 7,212,678	$ 5,927,562	21.3%	21.7%
AIR MILES reward miles issued	5,500,889	5,420,723	5,222,887	1.5%	3.8%
AIR MILES reward miles redeemed	4,100,680	4,017,494	4,040,876	2.1%	(0.6)%

Year ended December 31, 2014 compared to the year ended December 31, 2013

Revenue. Total revenue increased $983.9 million, or 22.8%, to $5.3 billion for the year ended December 31, 2014 from $4.3 billion for the year ended December 31, 2013. The net increase was due to the following:

- *Transaction*. Revenue increased $8.4 million, or 2.5%, to $337.4 million for the year ended December 31, 2014. Other servicing fees charged to our credit cardholders increased $26.7 million due to increased volumes. This increase was offset by a decline of $12.3 million in merchant fees, which are transaction fees charged to the retailer, due to increased royalty payments associated with new clients and the increase in associated credit sales. AIR MILES reward miles issuance fees, for which we provide marketing and administrative services, also decreased $7.6 million due to the impact of an unfavorable Canadian exchange rate.
- *Redemption*. Revenue increased $466.1 million, or 79.4%, to $1.1 billion for the year ended December 31, 2014 due to the BrandLoyalty acquisition, which added $538.9 million. These increases were offset by an unfavorable Canadian exchange rate, which negatively impacted redemption revenue by $36.6 million, and the change in estimate of our breakage rate in prior years.
- *Finance charges, net*. Revenue increased $347.0 million, or 17.7%, to $2.3 billion for the year ended December 31, 2014 due to a 21.3% increase in average credit card and loan receivables, which increased revenue $417.0 million through a combination of recent credit card portfolio acquisitions and strong credit cardholder spending. This increase was offset in part by an 80 basis point decline in yield due to the onboarding of new programs, which decreased revenue $70.0 million.
- *Database marketing fees and direct marketing*. Revenue increased $149.3 million, or 11.6%, to $1.4 billion for the year ended December 31, 2014. Revenue was driven by the acquisition of Conversant and by marketing technology revenue, which increased $35.7 million as a result of both database builds completed for new clients being placed in production, and an expansion of services provided to existing clients. Agency revenue increased $43.1 million due to demand in the automotive vertical. Marketing analytic services provided by LoyaltyOne also increased $25.1 million due to new client signings.
- *Other revenue*. Revenue increased $13.1 million, or 8.3%, to $169.9 million for the year ended December 31, 2014 due to the BrandLoyalty acquisition, which added $6.8 million, and additional consulting services provided by Epsilon.

Cost of operations. Cost of operations increased $669.6 million, or 26.3%, to $3.2 billion for the year ended December 31, 2014 as compared to $2.5 billion for the year ended December 31, 2013. The increase resulted from growth across each of our segments, including the following:

- Within the LoyaltyOne segment, cost of operations increased $396.1 million due to the BrandLoyalty acquisition, which added $438.2 million. This increase was offset by a decrease in operating expenses in our Canadian operations of $42.0 million due to the decline in the Canadian exchange rate.
- Within the Epsilon segment, cost of operations increased $129.6 million due to the Conversant acquisition, an increase in payroll and benefits expense of $52.9 million associated with an increase in the number of associates to support growth, including the onboarding of new clients, and an increase of $44.4 million in direct processing expenses, associated with the increase in revenue.
- Within the Private Label Services and Credit segment, cost of operations increased by $150.3 million. Payroll and benefits expense increased $76.3 million associated with an increase in the number of associates to support growth, and marketing expenses increased $23.4 million due to the increase in credit sales. Other operating expenses increased by $50.6 million, as credit card processing expenses were higher due to an increase in the number of statements generated, and data processing costs increased due to growth in volumes.

Earn-out obligation. On January 2, 2014, we acquired a 60% ownership interest in BrandLoyalty. The share purchase agreement contained an earn-out provision which resulted in an increase in contingent consideration of $105.9 million, which is included in operating expenses in our consolidated statements of income.

Provision for loan loss. Provision for loan loss increased $79.4 million, or 23.0%, to $425.2 million for the year ended December 31, 2014 as compared to $345.8 million for the year ended December 31, 2013. The increase in the provision was a result of the growth in credit card and loan receivables. The net charge-off rate was 4.2% for the year ended December 31, 2014 as compared to 4.7% for the year ended December 31, 2013. Delinquency rates were 4.0% of principal credit card and loan receivables at December 31, 2014 as compared to 4.2% at December 31, 2013.

General and administrative. General and administrative expenses increased $32.4 million, or 29.7%, to $141.5 million for the year ended December 31, 2014 as compared to $109.1 million for the year ended December 31, 2013 as a result of increased payroll and benefits costs of $21.7 million due to higher health care costs and discretionary benefits, as well as increased professional services fees of $12.6 million primarily related to the Conversant acquisition. Additionally, foreign currency exchange gains related to the contingent liability associated with the BrandLoyalty acquisition were offset in part by the related foreign currency exchange forward contract.

Depreciation and other amortization. Depreciation and other amortization increased $25.4 million, or 30.1%, to $109.7 million for the year ended December 31, 2014, as compared to $84.3 million for the year ended December 31, 2013, due to additional assets placed into service from recent capital expenditures and the Conversant and BrandLoyalty acquisitions, which added $6.2 million.

Amortization of purchased intangibles. Amortization of purchased intangibles increased $71.6 million, or 54.3%, to $203.4 million for the year ended December 31, 2014 as compared to $131.8 million for the year ended December 31, 2013. The increase relates to $74.0 million of additional amortization associated with the intangible assets from the Conversant and BrandLoyalty acquisitions as well as recent credit card portfolio acquisitions.

Interest expense, net. Total interest expense, net decreased $45.0 million, or 14.7%, to $260.5 million for the year ended December 31, 2014 as compared to $305.5 million for the year ended December 31, 2013. The decrease was due to the following:

- *Securitization funding costs*. Securitization funding costs decreased $4.2 million as decreases with lower average interest rates being partially offset by higher average borrowings.
- *Interest expense on deposits*. Interest on deposits increased $8.4 million as increases with higher average borrowings being offset in part by lower average interest rates.
- *Interest expense on long-term and other debt, net*. Interest expense on long-term and other debt, net decreased $49.2 million due to a $71.5 million decrease associated with the maturity of the convertible senior notes in August 2013 and May 2014. This decrease was offset by increases of $13.6 million related to the $600.0 million senior notes issued in July 2014, $6.9 million related to additional borrowings on our credit agreement and $7.2 million related to assumed debt from the BrandLoyalty acquisition.

Taxes. Income tax expense increased $24.6 million to $321.8 million for the year ended December 31, 2014 from $297.2 million for the year ended December 31, 2013 due primarily to an increase in taxable income and an increase in the effective tax rate. The effective tax rate for the year ended December 31, 2014 was 38.4% as compared to 37.5% for the year ended December 31, 2013 as a result of nondeductible expense related to the earn-out obligation associated with the BrandLoyalty acquisition, partially offset by both international expansion efforts and a valuation allowance release associated with the Conversant acquisition. Absent these items noted above, our effective income tax rate would have been 36.2%, and we expect a similar rate for 2015.

Year ended December 31, 2013 compared to the year ended December 31, 2012

Revenue. Total revenue increased $677.7 million, or 18.6%, to $4.3 billion for the year ended December 31, 2013 from $3.6 billion for the year ended December 31, 2012. The net increase was due to the following:

- *Transaction*. Revenue increased $28.2 million, or 9.4%, to $329.0 million for the year ended December 31, 2013. AIR MILES reward miles issuance fees, for which we provide marketing and administrative services, increased $40.0 million due to $33.5 million of revenue recognized associated with the AIR MILES brand element, as well as increases in the number of AIR MILES reward miles issued in previous quarters. Other servicing fees charged to our credit cardholders increased $30.0 million, offset by a decrease of $41.7 million in merchant fees, which are transaction fees charged to the retailer, due to increased royalty payments associated with the signing of new clients.
- *Redemption*. Revenue decreased $48.3 million, or 7.6%, to $587.2 million for the year ended December 31, 2013 due to the impact of the change in estimate of our breakage rate in December 2012, a slight decrease in AIR MILES reward miles redeemed, and an unfavorable exchange rate. The decline in the Canadian dollar impacted redemption revenue by $17.1 million.
- *Finance charges, net*. Revenue increased $313.2 million, or 19.1%, to $2.0 billion for the year ended December 31, 2013. This increase was driven by a 21.7% increase in average credit card and loan receivables, which increased approximately $1.3 billion through a combination of recent credit card portfolio acquisitions and strong credit cardholder spending. This was offset in part by a 60 basis point decline in gross yield primarily due to the onboarding of new credit card portfolios.
- *Database marketing fees and direct marketing*. Revenue increased $357.8 million, or 38.4%, to $1.3 billion for the year ended December 31, 2013. The increase in revenue was driven by increases within our Epsilon segment, including our acquisition of HMI Holding Corp. and Solution Set Holding Corp, collectively HMI, which added $272.6 million and an increase in agency revenue of $61.2 million due to demand in the telecommunications and automotive verticals. Marketing technology revenue increased $21.7 million due to new database builds that were placed in service during the year ended December 31, 2013, offset by declines in email volume experienced by our digital business.
- *Other revenue*. Revenue increased $26.7 million, or 20.5%, to $156.8 million for the year ended December 31, 2013 due to additional consulting services provided by Epsilon, particularly in the telecommunications vertical.

Cost of operations. Cost of operations increased $442.5 million, or 21.0%, to $2.5 billion for the year ended December 31, 2013 as compared to $2.1 billion for the year ended December 31, 2012. The increase resulted from growth across each of our segments, including the following:

- Within the LoyaltyOne segment, cost of operations decreased $20.5 million due to a $20.7 million decrease in fulfillment costs for the AIR MILES Reward Program associated with the decline in AIR MILES reward miles redeemed as well as a reduction in losses associated with international expansion. These decreases were partially offset by increases in payroll and benefits of $1.7 million and marketing expenses of $2.0 million. The impact of the exchange rate reduced cost of operations by $19.0 million and is reflected in the changes described above.
- Within the Epsilon segment, cost of operations increased $320.6 million due to the HMI acquisition, which added $234.6 million, as well as an increase of $68.1 million in cost of operations associated with the increase in agency and consulting revenue.
- Within the Private Label Services and Credit segment, cost of operations increased by $151.6 million. Payroll and benefits increased $72.1 million due to an increase in the number of associates to support growth, and marketing expenses increased $24.0 million due to the increase in credit sales. Other operating expenses increased by $55.5 million, as credit card processing expenses were higher due to an increase in the number of statements generated, and data processing costs increased due to growth in volumes.

Provision for loan loss. Provision for loan loss increased $60.3 million, or 21.1%, to $345.8 million for the year ended December 31, 2013 as compared to $285.5 million for the year ended December 31, 2012. The increase in the provision was a result of the growth in credit card and loan receivables, offset in part by stabilized credit quality. The net charge-off rate was 4.7% for the year ended December 31, 2013 as compared to 4.8% for the year ended December 31, 2012. Delinquency rates were 4.2% of principal credit card and loan receivables at December 31, 2013 as compared to 4.0% at December 31, 2012.

General and administrative. General and administrative expenses increased $1.0 million, or 1.0%, to $109.1 million for the year ended December 31, 2013 as compared to $108.1 million for the year ended December 31, 2012 due to higher payroll costs and higher data processing costs, offset by lower corporate benefit costs.

Depreciation and other amortization. Depreciation and other amortization increased $10.5 million, or 14.2%, to $84.3 million for the year ended December 31, 2013, as compared to $73.8 million for the year ended December 31, 2012, due to additional assets placed into service resulting from both the HMI acquisition and recent capital expenditures.

Amortization of purchased intangibles. Amortization of purchased intangibles increased $38.7 million, or 41.6%, to $131.8 million for the year ended December 31, 2013 as compared to $93.1 million for the year ended December 31, 2012. The increase relates to $31.1 million of additional amortization associated with the intangible assets from the HMI acquisition as well as recent credit card portfolio acquisitions.

Interest expense, net. Total interest expense, net increased $14.0 million, or 4.8%, to $305.5 million for the year ended December 31, 2013 as compared to $291.5 million for the year ended December 31, 2012. The increase was due to the following:

- *Securitization funding costs*. Securitization funding costs increased $2.5 million due to greater average borrowings for the year ended December 31, 2013 as compared to the year ended December 31, 2012. These increases were offset by lower average interest rates.
- *Interest expense on deposits*. Interest on deposits increased $3.9 million as increases from higher borrowings were offset by lower average interest rates.
- *Interest expense on long-term and other debt, net*. Interest expense on long-term and other debt, net increased $7.6 million due to an increase of $27.1 million resulting from the issuances of senior notes in 2012 and an increase of $2.3 million related to term debt as increases from higher borrowings were offset by lower average interest rates. These increases were offset in part by the maturity of the 2013 convertible senior notes on August 1, 2013 which resulted in a decrease in interest expense of $23.8 million, including a reduction of the imputed interest, compared to the year ended December 31, 2012.

Taxes. Income tax expense increased $36.6 million to $297.2 million for the year ended December 31, 2013 from $260.6 million for the year ended December 31, 2012 due primarily to an increase in taxable income, offset in part by a decline in the effective tax rate. The effective tax rate for the year ended December 31, 2013 improved to 37.5% as compared to 38.2% for the year ended December 31, 2012 due to the reinvestment of international profits into international expansion efforts.

Segment Revenue and Adjusted EBITDA, net

	Year Ended December 31,			% Change	
	2014	2013	2012	2014 to 2013	2013 to 2012
Revenue:	(in thousands, except percentages)				
LoyaltyOne	$ 1,406,877	$ 919,480	$ 919,041	53.0%	—%
Epsilon	1,522,423	1,380,344	996,210	10.3	38.6
Private Label Services and Credit	2,395,076	2,034,724	1,732,160	17.7	17.5
Corporate/Other	556	82	372	nm *	nm *
Eliminations	(21,992)	(15,567)	(6,393)	nm *	nm *
Total	$ 5,302,940	$ 4,319,063	$ 3,641,390	22.8%	18.6%
Adjusted EBITDA, net[(1)]:					
LoyaltyOne	$ 307,508	$ 258,541	$ 236,094	18.9%	9.5%
Epsilon	309,100	289,699	222,253	6.7	30.3
Private Label Services and Credit	920,892	791,662	705,252	16.3	12.3
Corporate/Other	(111,940)	(90,125)	(89,851)	24.2	0.3
Eliminations	—	—	—	nm *	nm *
Total	$ 1,425,560	$ 1,249,777	$ 1,073,748	14.1%	16.4%

(1) Adjusted EBITDA, net is equal to net income, plus stock compensation expense, provision for income taxes, interest expense, net, depreciation and amortization, amortization of purchased intangibles, business acquisition costs and the earn-out obligation related to the BrandLoyalty acquisition less securitization funding cost, interest expense on deposits and adjusted EBITDA attributable to the non-controlling interest. For a reconciliation of adjusted EBITDA, net to net income, the most directly comparable GAAP financial measure, see "Use of Non-GAAP Financial Measures" included in this report.

* not meaningful.

Year ended December 31, 2014 compared to the year ended December 31, 2013

Revenue. Total revenue increased $983.9 million, or 22.8%, to $5.3 billion for the year ended December 31, 2014 from $4.3 billion for the year ended December 31, 2013. The net increase was due to the following:

- *LoyaltyOne*. Revenue increased $487.4 million, or 53.0%, to $1.4 billion for year ended December 31, 2014, as the BrandLoyalty acquisition contributed $545.8 million to revenue. Excluding the BrandLoyalty acquisition, LoyaltyOne revenue decreased $58.4 million as a result of the decline in the Canadian exchange rate, which negatively impacted revenue by $58.2 million.
- *Epsilon*. Revenue increased $142.1 million, or 10.3%, to $1.5 billion for the year ended December 31, 2014. Agency revenue increased $46.2 million due to increased demand in the automotive vertical. Additionally, marketing technology revenue increased $43.7 million as a result of both database builds completed for new clients being placed in production, and an expansion of services provided to existing clients. The Conversant acquisition added $45.5 million to revenue.
- *Private Label Services and Credit*. Revenue increased $360.4 million, or 17.7%, to $2.4 billion for the year ended December 31, 2014. Finance charges, net increased by $347.0 million, driven by a 21.3% increase in average credit card and loan receivables due to strong cardholder spending and new client signings. Transaction revenue increased $14.3 million due to an increase in other servicing fees of $26.7 million, offset by a decrease in merchant fees of $12.3 million.

Adjusted EBITDA, net. Adjusted EBITDA, net increased $175.8 million, or 14.1%, to $1.4 billion for the year ended December 31, 2014 from $1.2 billion for the year ended December 31, 2013. The increase was due to the following:

- *LoyaltyOne*. Adjusted EBITDA, net increased $49.0 million, or 18.9%, to $307.5 million for the year ended December 31, 2014. Adjusted EBITDA, net was positively impacted by the BrandLoyalty acquisition, which contributed $64.6 million, while a weaker Canadian dollar negatively impacted adjusted EBITDA, net by $16.8 million.
- *Epsilon*. Adjusted EBITDA, net increased $19.4 million, or 6.7%, to $309.1 million for the year ended December 31, 2014. Adjusted EDITDA, net was positively impacted by increases in revenue as discussed above, but was negatively impacted by expenses incurred with the onboarding of new clients, as well as higher payroll and benefit costs associated with growth.
- *Private Label Services and Credit*. Adjusted EBITDA, net increased $129.2 million, or 16.3%, to $920.9 million for the year ended December 31, 2014. Adjusted EBITDA, net was positively impacted by the increase in finance charges, net, but offset in part by both an increase in operating expenses due to increased volumes and an increase in the provision for loan loss due to the increase in credit card and loan receivables.
- *Corporate/Other*. Adjusted EBITDA, net decreased $21.8 million to a loss of $111.9 million for the year ended December 31, 2014 related to increases in payroll and benefit costs of $21.7 million as a result of higher health care costs and discretionary benefits.

Year ended December 31, 2013 compared to the year ended December 31, 2012

Revenue. Total revenue increased $677.7 million, or 18.6%, to $4.3 billion for the year ended December 31, 2013 from $3.6 billion for the year ended December 31, 2012. The net increase was due to the following:

- *LoyaltyOne*. Revenue increased $0.4 million to $919.5 million for the year ended December 31, 2013. AIR MILES reward miles issuance fees, for which we provide marketing and administrative services, increased $40.0 million due to $33.5 million of revenue recognized associated with the AIR MILES brand element, as well as increases in the number of AIR MILES reward miles issued in previous quarters. Database marketing fees and direct marketing services increased $8.8 million due to an increase in marketing analytic services provided to certain clients. Redemption revenue decreased $48.3 million, or 7.6%, due to the impact of the change in estimate of our breakage rate in December 2012 as well as a slight decline in the number of AIR MILES reward miles redeemed. The changes in revenue described above include the impacts of an unfavorable Canadian foreign currency exchange rate, which decreased revenue by $26.9 million.
- *Epsilon*. Revenue increased $384.1 million, or 38.6%, to $1.4 billion for the year ended December 31, 2013. The acquisition of HMI contributed $273.6 million to revenue. Agency revenue also increased $82.7 million due to increased demand in the telecommunications and automotive verticals. Additionally, marketing technology revenue increased $30.1 million due to new databases placed in service during the year ended December 31, 2013, offset by declines in email volumes experienced by our digital business.
- *Private Label Services and Credit*. Revenue increased $302.6 million, or 17.5%, to $2.0 billion for the year ended December 31, 2013. Finance charges, net increased by $313.2 million, driven by a 21.7% increase in average credit card and loan receivables due to recent credit card portfolio acquisitions and strong credit cardholder spending. Transaction revenue decreased $10.7 million due to a decrease of $41.7 million in merchant fees, offset by an increase in other servicing fees of $30.0 million.

Adjusted EBITDA, net. Adjusted EBITDA, net increased $176.0 million, or 16.4%, to $1.2 billion for the year ended December 31, 2013 from $1.1 billion for the year ended December 31, 2012. The increase was due to the following:

- *LoyaltyOne*. Adjusted EBITDA, net increased $22.4 million, or 9.5%, to $258.5 million for the year ended December 31, 2013, despite a weaker Canadian dollar which negatively impacted adjusted EBITDA, net by $8.0 million. Adjusted EBITDA, net was positively impacted by a reduction in operating expenses, including a decline in losses associated with international expansion activities.
- *Epsilon*. Adjusted EBITDA, net increased $67.4 million, or 30.3%, to $289.7 million for the year ended December 31, 2013. Adjusted EDITDA, net was positively impacted by the acquisition of HMI, which added $39.8 million to adjusted EBITDA, net and growth in agency as discussed above, which resulted in an increase in adjusted EBITDA, net of $15.5 million. Additionally, Epsilon benefited from the reorganization of its data survey products in 2012, which had a positive impact to adjusted EBITDA, net of $12.9 million.
- *Private Label Services and Credit*. Adjusted EBITDA, net increased $86.4 million, or 12.3%, to $791.7 million for the year ended December 31, 2013. Adjusted EBITDA, net was positively impacted by the increase in finance charges, net, offset in part by both an increase in operating expenses due to increased volumes and an increase in the provision for loan loss due to the increase in credit card and loan receivables.
- *Corporate/Other*. Adjusted EBITDA, net decreased $0.3 million to a loss of $90.1 million for the year ended December 31, 2013 related to an increase in payroll costs and higher data processing costs.

Asset Quality

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

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

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

	December 31, 2014	% of Total	December 31, 2013	% of Total
	(In thousands, except percentages)			
Receivables outstanding - principal	$ 10,762,498	100.0%	$ 8,166,961	100.0%
Principal receivables balances contractually delinquent:				
31 to 60 days	$ 157,760	1.4%	$ 114,430	1.4%
61 to 90 days	93,175	0.9	74,700	0.9
91 or more days	182,945	1.7	150,425	1.9
Total	$ 433,880	4.0%	$ 339,555	4.2%

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

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

	Year Ended December 31,		
	2014	2013	2012
	(In thousands, except percentages)		
Average credit card and loan receivables	$ 8,750,148	$ 7,212,678	$ 5,927,562
Net charge-offs of principal receivables	370,703	335,547	282,842
Net charge-offs as a percentage of average credit card and loan receivables	4.2%	4.7%	4.8%

Liquidity and Capital Resources

Operating Activities. We generated cash flow from operating activities of $1.3 billion and $1.0 billion for the years ended December 31, 2014 and 2013, respectively. The increase in operating cash flows in 2014 was due to increased profitability as well as non-cash charges to income such as an increase in the provision for loan loss due to the increase in credit card receivables, and the earn-out obligation associated with the BrandLoyalty aquisition, as well as changes in working capital for the year ended December 31, 2014 as compared to the year ended December 31, 2013.

We utilize our cash flow from operations for ongoing business operations, repayments of revolving or other debt, acquisitions and capital expenditures.

Investing Activities. Cash used in investing activities was $4.7 billion and $1.6 billion for the years ended December 31, 2014 and 2013, respectively. Significant components of investing activities are as follows:

- *Redemption settlement assets*. Cash decreased $59.7 million and $54.6 million for the year ended December 31, 2014 and 2013, respectively, due to the increase in funding requirements resulting from changes in our estimate of breakage in each of December 2013 and December 2012.
- *Credit card and loan receivables funding*. Cash decreased $2.3 billion and $1.4 billion for the years ended December 31, 2014 and 2013, respectively, due to growth in our credit card and loan receivables.
- *Payments for acquired businesses, net of cash acquired.* During the year ended December 31, 2014, we utilized cash of $1.2 billion in acquisitions, consisting of $259.5 million in the acquisition of our 60% ownership interest in BrandLoyalty on January 2, 2014 and $936.3 million in the Conversant acquisition on December 10, 2014.
- *Purchase of credit card portfolios*. During the year ended December 31, 2014, we paid $953.2 million to acquire four credit card portfolios. During the year ended December 31, 2013, we paid $46.7 million to acquire two credit card portfolios.
- *Capital Expenditures*. Our capital expenditures for the year ended December 31, 2014 were $158.7 million compared to $135.4 million for the comparable period in 2013 due to our overall growth. We anticipate capital expenditures not to exceed approximately 3% of annual revenue for the foreseeable future.
- *Purchases of other investments*. Our purchases of other investments were $125.7 million for the year ended December 31, 2014, as compared to $35.1 million for the year ended December 31, 2013. The increase in purchases of other investments is a result of the purchase of $100.1 million of long-term U.S. Treasury bonds in June 2014.

Financing Activities. Cash provided by financing activities was $3.5 billion and $704.2 million for the years ended December 31, 2014 and 2013, respectively. During 2014, we issued $600 million of senior notes due 2022 and amended our 2013 credit facility to issue $1.4 billion in additional term loans. The proceeds of these additional term loans were used to fund the cash consideration of the Conversant acquisition and pay down of our revolving credit facility. During the year ended December 31, 2014, we settled our 2014 convertible senior notes in cash, which resulted in a cash outflow of $1.9 billion offset by cash received from our hedge counterparties of $1.5 billion, resulting in net cash used of $345.0 million. Additionally, we had a net issuance of deposits of $2.0 billion and $600.0 million of asset-backed notes to fund the acquisition of our credit card portfolios and growth in our credit card receivables. Our financing activities during the year ended December 31, 2013 relate primarily to borrowings and repayments of deposits and asset-backed securities debt, settlements for early conversions of the 2013 convertible senior notes and repurchases of our common stock.

Liquidity Sources. In addition to cash generated from operating activities, our primary sources of liquidity include our credit card securitization program, deposits issued by Comenity Bank and Comenity Capital Bank, our credit agreement and issuances of debt and equity securities. In addition to our efforts to renew and expand our current liquidity sources, we continue to seek new funding sources. We continue to expand our brokered certificates of deposits and our money market deposits to supplement liquidity for our credit card and loan receivables.

We believe that internally generated funds and other sources of liquidity discussed above will be sufficient to meet working capital needs, capital expenditures, and other business requirements for at least the next 12 months, including the €347.1 million ($392.9 million as of February 10, 2015) due as contingent consideration associated with the acquisition of our 60% ownership interest in BrandLoyalty and the additional 10% ownership interest acquired effective January 1, 2015 in accordance with the terms of the BrandLoyalty share purchase agreement, and amounts due under the BrandLoyalty credit agreement that mature on December 31, 2015.

Debt

2013 Credit Agreement. We entered into a credit agreement dated July 10, 2013, or the 2013 Credit Agreement, among us as borrower, and ADS Alliance Data Systems, Inc., ADS Foreign Holdings, Inc., Alliance Data Foreign Holdings, Inc., Epsilon Data Management, LLC, Comenity LLC, Comenity Servicing LLC and Aspen Marketing Services, LLC, as guarantors, with various agents and lenders. At December 31, 2013, the 2013 Credit Agreement provided for a $1.25 billion term loan, or the 2013 Term Loan, subject to certain principal repayments, and a $1.25 billion revolving line of credit with a U.S. $65.0 million sublimit for Canadian dollar borrowings and a $65.0 million sublimit for swing line loans.

In July 2014, we exercised in part the accordion feature of the 2013 Credit Agreement and increased the capacity under the 2013 Credit Facility by $50.0 million to $1.3 billion.

On December 8, 2014, we entered into an amendment to the 2013 Credit Agreement, or the Amended 2013 Credit Agreement, which provides for, among other things, (i) a new five-year incremental term loan of $1.4 billion which matures on December 8, 2019 and (ii) the extension of the maturity date for the majority of the existing term loans under the Amended 2013 Credit Agreement from July 10, 2018 to December 8, 2019.

As of December 31, 2014, we had no borrowings under our credit facility and total availability at $1.3 billion. Our total leverage ratio, as defined in our credit agreement, was 2.5 to 1 at December 31, 2014, as compared to the maximum covenant ratio of 3.5 to 1.

BrandLoyalty Credit Agreement. As part of the BrandLoyalty acquisition, we assumed the debt outstanding under BrandLoyalty's Amended and Restated Senior Facilities Agreement, as amended, or the BrandLoyalty Credit Agreement. The BrandLoyalty Credit Agreement consists of term loans of €63.0 million and a revolving line of credit of €87.0 million, both of which are scheduled to mature on December 31, 2015. The term loans provide for quarterly principal payments of €6.25 million through September 2015, with the remaining amount payable upon maturity in December 2015. As of December 31, 2014, amounts outstanding under the term loans and revolving line of credit were €38.0 million and €51.9 million ($46.0 million and $62.8 million), respectively.

Convertible Senior Notes. In June 2009, we issued $345.0 million aggregate principal amount of convertible senior notes that matured and were repaid on May 15, 2014. We settled in cash the 2014 convertible senior notes, which were surrendered for conversion for $1,864.8 million. We applied $1,519.8 million of cash from the counterparties in settlement of the related convertible note hedge transactions.

Senior Notes Due 2017. In November 2012, we issued and sold $400 million aggregate principal amount of 5.250% senior notes due December 1, 2017, or the Senior Notes due 2017, at an issue price of 98.912% of the aggregate principal amount. The Senior Notes due 2017 accrue interest on the principal amount at the rate of 5.250% per annum from November 20, 2012, payable semiannually in arrears, on June 1 and December 1 of each year, beginning on June 1, 2013.

Senior Notes Due 2020. In March 2012, we issued and sold $500 million aggregate principal amount of 6.375% senior notes due April 1, 2020, or the Senior Notes due 2020. The Senior Notes due 2020 accrue interest on the principal amount at the rate of 6.375% per annum from March 29, 2012, payable semiannually in arrears, on April 1 and October 1 of each year, beginning on October 1, 2012.

Senior Notes due 2022. In July 2014, we issued and sold $600 million aggregate principal amount of 5.375% senior notes due August 1, 2022, or the Senior Notes due 2022. The Senior Notes due 2022 accrue interest on the principal amount at the rate of 5.375% per annum from July 29, 2014, payable semi-annually in arrears, on February 1 and August 1 of each year, beginning on February 1, 2015.

We expect to add Conversant LLC and Commission Junction, Inc. as guarantors for the 2013 Credit Agreement, the Senior Notes due 2017, the Senior Notes due 2020 and the Senior Notes due 2022 prior to March 10, 2015.

As of December 31, 2014, we were in compliance with our debt covenants.

Deposits. We utilize money market deposits and certificates of deposit to finance the operating activities and fund securitization enhancement requirements of our bank subsidiaries, Comenity Bank and Comenity Capital Bank.

Comenity Bank and Comenity Capital Bank offer demand deposit programs through contractual arrangements with securities brokerage firms. As of December 31, 2014, Comenity Bank and Comenity Capital Bank had $838.6 million in money market deposits outstanding with interest rates ranging from 0.01% to 0.42%. Money market deposits are redeemable on demand by the customer and, as such, have no scheduled maturity date.

Comenity Bank and Comenity Capital Bank issue certificates of deposit in denominations of $100,000 and $1,000, respectively, in various maturities ranging between three months and seven years and with effective annual interest rates ranging from 0.30% to 3.25%. As of December 31, 2014, we had $3.9 billion of certificates of deposit outstanding. Certificate of deposit borrowings are subject to regulatory capital requirements.

Securitization Program. We sell a majority of the credit card receivables originated by Comenity Bank to WFN Credit Company, LLC, which in turn sells them to World Financial Network Credit Card Master Trust, World Financial Network Credit Card Master Note Trust, or Master Trust I, and World Financial Network Credit Card Master Trust III, or collectively, the WFN Trusts, as part of our credit card securitization program, which has been in existence since January 1996. We also sell our credit card receivables originated by Comenity Capital Bank to World Financial Capital Credit Company, LLC, which in turn sells them to World Financial Capital Master Note Trust, or the WFC Trust. These securitization programs are the primary vehicle through which we finance Comenity Bank's and Comenity Capital Bank's credit card receivables.

As of December 31, 2014, the WFN Trusts and the WFC Trust had approximately $8.3 billion of securitized credit card receivables. Securitizations require credit enhancements in the form of cash, spread deposits, additional receivables and subordinated classes. The credit enhancement is principally based on the outstanding balances of the series issued by the WFN Trusts and the WFC Trust and by the performance of the credit card receivables in these credit card securitization trusts.

Historically, we have used both public and private term asset-backed securities transactions as well as private conduit facilities as sources of funding for our credit card receivables. Private conduit facilities have been used to accommodate seasonality needs and to bridge to completion of asset-backed securitization transactions.

At December 31, 2014, we had $5.2 billion of non-recourse borrowings of consolidated securitization entities, of which $1.1 billion is due within the next 12 months.

We have secured and continue to secure the necessary commitments to fund our portfolio of securitized credit card receivables originated by Comenity Bank and Comenity Capital Bank. However, certain of these commitments are short-term in nature and all are subject to renewal. There is not a guarantee that these funding sources, when they mature, will be renewed on similar terms or at all as they are dependent on the asset-backed securitization markets at the time.

The following table shows the maturities of borrowing commitments as of December 31, 2014 for the WFN Trusts and the WFC Trust by year:

	2015	2016	2017	2018	2019 and Thereafter	Total
	(In thousands)					
Term notes	$ 693,750	$ 1,050,000	$ 650,000	$ 631,000	$ 802,166	$ 3,826,916
Conduit facilities [1]	440,000	1,150,000	—	—	—	1,590,000
Total [2]	$ 1,133,750	$ 2,200,000	$ 650,000	$ 631,000	$ 802,166	$ 5,416,916

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

(2) Total amounts do not include $1.6 billion of debt issued by the credit card securitization trusts, which was retained by us and has been eliminated in the consolidated financial statements.

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

As of December 31, 2014, $4.9 billion of asset-backed term securities were outstanding, $1.1 billion of which we retained and eliminated from the consolidated financial statements. As of December 31, 2014, $3.4 billion of these asset-backed term securities have varying maturities from June 2015 through June 2019 and fixed interest rates ranging from 0.61% to 6.75%. The remaining $0.4 billion of these asset-backed term securities have a floating interest rate of 0.54% and a maturity in February 2016.

In February 2014, Master Trust I issued $625.0 million of asset-backed term securities, of which $175.0 million of subordinated classes were retained by us and eliminated from the consolidated financial statements. These securities mature in February 2016 and have a variable interest rate equal to the London Interbank Offered Rate, or LIBOR, plus a margin of 0.38%.

In July 2014, Master Trust I issued $394.7 million of asset-backed term securities, of which $94.7 million of subordinated classes were retained by us and eliminated from the consolidated financial statements. These securities mature in September 2015 and have a fixed interest rate of 0.61%.

In October 2014, $316.5 million of Series 2011-A asset backed term notes, of which $66.5 million of subordinated classes were retained by us and eliminated from the consolidated financial statements, matured and was repaid.

In November 2014, Master Trust I issued $427.6 million of asset-backed term notes, of which $102.6 million of subordinated classes were retained by us and eliminated from the consolidated financial statements. These securities will mature in October 2017 and have a fixed interest rate of 1.54%.

We have access to committed undrawn capacity through three conduit facilities to support the funding of our credit card receivables through World Financial Network Credit Card Master Note Trust, World Financial Network Credit Card Master Trust III and the WFC Trust. As of December 31, 2014, total capacity under the conduit facilities was $1.6 billion, of which $1.4 billion had been drawn and was included in non-recourse borrowings of consolidated securitization entities in the consolidated balance sheets. Borrowings outstanding under each facility bear interest at a margin above LIBOR or the asset-backed commercial paper costs of each individual conduit provider. The conduits have varying maturities from September 2015 to May 2016 with variable interest rates ranging from 1.05% to 1.71% as of December 31, 2014.

In February 2014, Master Trust I renewed its 2009-VFN conduit facility, extending the maturity to February 29, 2016, with a total capacity of $700.0 million.

In May 2014, the WFC Trust renewed its 2009-VFN conduit facility, extending the maturity to May 31, 2016, with a total capacity of $450.0 million.

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

Repurchase of Equity Securities. During 2014, 2013, and 2012, we repurchased approximately 1.1 million, 1.4 million and 1.0 million shares of our common stock for an aggregate amount of $286.6 million, $231.1 million and $137.4 million, respectively. We have authorization from our Board of Directors to acquire $600.0 million of our common stock through December 31, 2015.

Contractual Obligations. The following table highlights, as of December 31, 2014, our contractual obligations and commitments to make future payments by type and period:

	2015	2016 & 2017	2018 & 2019	2020 & Thereafter	Total
			(In thousands)		
Deposits [1]	$ 2,682,271	$ 1,387,925	$ 728,040	$ 79,046	$ 4,877,282
Non-recourse borrowings of consolidated securitization entities [1]	1,137,041	2,793,987	1,467,749	—	5,398,777
Long-term and other debt [1]	343,129	926,088	2,445,288	1,191,281	4,905,786
Operating leases	101,910	160,207	121,292	397,062	780,471
Software licenses	4,337	—	—	—	4,337
ASC 740 obligations [2]	—	—	—	—	—
Purchase obligations [3]	305,998	117,023	74,856	1,829	499,706
Total	$ 4,574,686	$ 5,385,230	$ 4,837,225	$ 1,669,218	$ 16,466,359

(1) The deposits, non-recourse borrowings of consolidated securitization entities and long-term and other debt represent our estimated debt service obligations, including both principal and interest. Interest was based on the interest rates in effect as of December 31, 2014, applied to the contractual repayment period.

(2) ASC 740 obligations do not reflect unrecognized tax benefits of $160.1 million, of which the timing remains uncertain.

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

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

Inflation and Seasonality

Although we cannot precisely determine the impact of inflation on our operations, we do not believe that we have been significantly affected by inflation. For the most part, we have relied on operating efficiencies from scale and technology, as well as decreases in technology and communication costs, to offset increased costs of employee compensation and other operating expenses. Our revenues, earnings and cash flows are affected by increased consumer spending patterns leading up to and including the holiday shopping period in the third and fourth quarter and, to a lesser extent, during the first quarter as credit card and note receivable balances are paid down.

Legislative and Regulatory Matters

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

Quantitative measures established by regulations to ensure capital adequacy require Comenity Bank and Comenity Capital Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk weighted assets and of Tier 1 capital to average assets. Under the regulations, a "well capitalized" institution must have a Tier 1 capital ratio of at least 6%, a total capital ratio of at least 10% and a leverage ratio of at least 5% and not be subject to a capital directive order. An "adequately capitalized" institution must have a Tier 1 capital ratio of at least 4%, a total capital ratio of at least 8% and a leverage ratio of at least 4%, but 3% is allowed in some cases. Under these guidelines, Comenity Bank and Comenity Capital Bank are considered well capitalized. As of December 31, 2014, Comenity Capital Bank's Tier 1 capital ratio was 14.1%, total capital ratio was 15.4% and leverage ratio was 14.6%, and Comenity Capital Bank was not subject to a capital directive order. As of December 31, 2014, Comenity Bank's Tier 1 capital ratio was 13.9%, total capital ratio was 15.2% and leverage ratio was 14.2%, and Comenity Bank was not subject to a capital directive order.

On August 27, 2014, the SEC adopted a number of rules that will change the disclosure, reporting and offering process for publicly registered offerings of asset-backed securities, including those offered under our credit card securitization program. The adopted rules finalize rules that were originally proposed on April 7, 2010 and re-proposed on July 26, 2011. A number of rules proposed by the SEC in 2010 and 2011, such as requiring group-level data for the underlying assets in credit card securitizations, were not adopted in the final rulemaking but may be implemented by the SEC in the future. We are still assessing the impact of the new rules, and the possibility of continued rulemaking, on our publicly offered credit card securitization program. The SEC also issued an advance notice of proposed rulemaking relating to the exemptions that our credit card securitization trusts relied on in our credit card securitization program to avoid registration as investment companies. The form that these rules may ultimately take is uncertain at this time, but such rules may impact our ability or desire to issue asset-backed securities in the future.

The FDIC, the SEC, the Federal Reserve and certain other federal regulators have adopted regulations that would mandate a minimum five percent risk retention requirement for securitizations that are issued on and after December 24, 2016. We have not yet determined whether our existing forms of risk retention will satisfy the final regulatory requirements or whether structural changes will be necessary. Such risk retention requirements may impact our ability or desire to issue asset-backed securities in the future.

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

Market Risk

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

Interest Rate Risk. Interest rate risk affects us directly in our borrowing activities. Our interest expense, net was approximately $260.5 million for 2014. To manage our risk from market interest rates, we actively monitor the interest rates and the interest sensitive components to minimize the impact that changes in interest rates have on the fair value of assets, net income and cash flow. To achieve this objective, we manage our exposure to fluctuations in market interest rates through the use of fixed-rate debt instruments to the extent that reasonably favorable rates are obtainable with such arrangements. In addition, we may enter into derivative instruments such as interest rate swaps and interest rate caps to mitigate our interest rate risk on related financial instruments or to lock the interest rate on a portion of our variable debt. We do not enter into derivative or interest rate transactions for trading or other speculative purposes.

The approach we use to quantify interest rate risk is a sensitivity analysis, which we believe best reflects the risk inherent in our business. This approach calculates the impact on pre-tax income from an instantaneous and sustained increase in interest rates of 1.0%. In 2014, a 1.0% increase in interest rates would have resulted in an increase to our interest expense of approximately $53.0 million. Conversely, a corresponding decrease in interest rates would have resulted in a decrease to interest expense of approximately $42.5 million. Our use of this methodology to quantify the market risk of financial instruments should not be construed as an endorsement of its accuracy or the appropriateness of the related assumptions.

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

Foreign Currency Exchange Rate Risk. We are exposed to fluctuations in the exchange rate between the U.S. and the Canadian dollar through our significant Canadian operations. In 2014, with the BrandLoyalty and Conversant acquisitions, we are also exposed to fluctuations in the exchange rate between the U.S. dollar and the Euro. We currently do not hedge any of our net investment exposure in our Canadian or European operations. For the year ended December 31, 2014, a 10% decrease in the strength of the Canadian dollar versus the U.S. dollar and the Euro versus the U.S. dollar would have resulted in a decrease in pre-tax income of $21.1 million and $3.9 million, respectively. Conversely, a corresponding increase in the strength of the Canadian dollar or the Euro versus the U.S. dollar would result in a comparable increase to pre-tax income in these periods.

Item 8. Financial Statements and Supplementary Data.

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

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

None.

Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2014, we carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2014, our disclosure controls and procedures are effective. Disclosure controls and procedures are controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

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

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

In December 2014, we acquired Conversant, Inc. Because of the timing of the acquisition, Conversant was excluded from our evaluation of and conclusion on the effectiveness of internal control over financial reporting as of December 31, 2014. Conversant represented $2.9 billion, or 14.3%, of our total assets at December 31, 2014 and contributed $45.5 million, or 0.9%, in revenues and $2.4 million, or 0.3%, of pre-tax income for the year ended December 31, 2014.

Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of internal control over financial reporting. In conducting this evaluation, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework (2013)*. Based on this evaluation, management, with the participation of the Chief Executive Officer and Chief Financial Officer, concluded that our internal control over financial reporting was effective as of December 31, 2014.

The effectiveness of internal control over financial reporting as of December 31, 2014, has been audited by Deloitte & Touche LLP, the independent registered public accounting firm who also audited our consolidated financial statements. Deloitte & Touche's attestation report on the effectiveness of our internal control over financial reporting appears on page F-3.

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Incorporated by reference to the Proxy Statement for the 2015 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2014.

Item 11. Executive Compensation.

Incorporated by reference to the Proxy Statement for the 2015 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2014.

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

Incorporated by reference to the Proxy Statement for the 2015 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2014.

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

Incorporated by reference to the Proxy Statement for the 2015 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2014.

Item 14. Principal Accounting Fees and Services.

Incorporated by reference to the Proxy Statement for the 2015 Annual Meeting of our stockholders, which will be filed with the SEC not later than 120 days after December 31, 2014.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

(1) Financial Statements

(2) Financial Statement Schedule

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

			Incorporated by Reference		
Exhibit No.	**Filer**	**Description**	**Form**	**Exhibit**	**Filing Date**
#2.1	(a)	Agreement and Plan of Merger, dated as of September 11, 2014, among Alliance Data Systems Corporation, Conversant, Inc. and Amber Sub LLC.	8-K	2.1	9/11/14
3.1	(a)	Second Amended and Restated Certificate of Incorporation of the Registrant.	S-1	3.1	3/3/00
3.2	(a)	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of the Registrant.	8-K	3.1	6/7/13
3.3	(a)	Fourth Amended and Restated Bylaws of the Registrant.	8-K	3.2	6/7/13
4	(a)	Specimen Certificate for shares of Common Stock of the Registrant.	10-Q	4	8/8/03
10.1	(a)	Office Lease between Nodenble Associates, LLC and ADS Alliance Data Systems, Inc., dated as of October 1, 2009.	10-K	10.1	3/1/10
10.2	(a)	Fourth Amendment to Office Lease between FSP One Legacy Circle LLC (as successor-in-interest to Nodenble Associates, LLC) and ADS Alliance Data Systems, Inc. dated as of June 15, 2011.	10-K	10.2	2/27/12
*10.3	(a)	Office Lease, dated as of June 7, 2013 between The Shops at Legacy (North) L.L.C. and ADS Alliance Data Systems, Inc.			
10.4	(a)	Lease Agreement, dated as of May 19, 2010 between Brandywine Operating Partnership, L.P. and ADS Alliance Data Systems, Inc.	10-Q	10.13	8/9/10
10.5	(a)	Office Lease between Office City, Inc. and World Financial Network National Bank, dated December 24, 1986, and amended January 19, 1987, May 11, 1988, August 4, 1989 and August 18, 1999.	S-1	10.17	1/13/00
10.6	(a)	Fifth Amendment to Office Lease between Office City, Inc. and World Financial Network National Bank, dated March 29, 2004.	10-K	10.6	2/28/08
10.7	(a)	Lease Modification Agreement between Office City, Inc. and Comenity Servicing LLC, successor in interest to World Financial Network National Bank, dated October 17, 2013.	10-K	10.6	2/28/14
10.8	(a)	Lease Agreement by and between Continental Acquisitions, Inc. and World Financial Network National Bank, dated July 2, 1990, and amended September 11, 1990, November 16, 1990 and February 18, 1991.	S-1	10.18	1/13/00

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.9	(a)	Fourth Amendment to Lease Agreement by and between Continental Acquisitions, Inc. and World Financial Network National Bank, dated June 1, 2000.	10-Q	10.1	5/14/03
10.10	(a)	Fifth Amendment to Lease Agreement by and between Continental Acquisitions, Inc. and World Financial Network National Bank, dated June 30, 2001.	10-K	10.10	3/3/06
10.11	(a)	Sixth Amendment to Lease Agreement by and between Continental Acquisitions, Inc. and World Financial Network National Bank, dated January 27, 2006.	10-K	10.10	2/28/08
10.12	(a)	Letter Agreement by and between Continental Realty, Ltd. and ADS Alliance Data Systems, Inc., dated as of October 29, 2009.	10-K	10.10	3/1/10
10.13	(a)	Seventh Amendment to Lease Agreement by and among JEL/220 W. Schrock, LLC, FEK/220 W. Schrock, LLC, CP/220 W. Schrock, LLC, NRI 220 Schrock, LLC, ADS Alliance Data Systems, Inc. and Alliance Data Systems Corporation, dated as of January 14, 2010.	10-K	10.10	2/28/11
10.14	(a)	Eighth Amendment to Lease by and between JEL/220 W. Schrock, LLC, FEK/220 W. Schrock, LLC, CP/220 W. Schrock, LLC, NRI 220 Schrock, LLC, Comenity Servicing LLC, successor in interest to ADS Alliance Data Systems, Inc., and Alliance Data Systems Corporation, dated as of December 3, 2013.	10-K	10.13	2/28/14
10.15	(a)	Lease Agreement by and between 601 Edgewater LLC and Epsilon Data Management, Inc., dated July 30, 2002.	10-K	10.17	3/4/05
10.16	(a)	First Amendment to Lease Agreement by and between 601 Edgewater LLC and Epsilon Data Management, Inc., dated August 29, 2007.	10-K	10.13	2/28/08
10.17	(a)	Second Amendment to Lease Agreement by and between 601 Edgewater LLC and Epsilon Data Management, LLC, dated October 3, 2008.	10-K	10.13	3/2/09
10.18	(a)	Third Amendment to Lease Agreement by and between 601 Edgewater LLC and Epsilon Data Management, LLC, dated November 10, 2009.	10-K	10.14	3/1/10
*10.19	(a)	Lease by and between 601 Edgewater LLC and Epsilon Data Management, LLC, dated August 16, 2011.			
10.20	(a)	Lease Agreement by and between Sterling Direct, Inc. and Sterling Properties, L.L.C., dated September 22, 1997, as subsequently assigned.	10-K	10.18	3/4/05
10.21	(a)	First Amendment to Lease by and between Bekins Properties LLC (as successor in interest to Sterling Properties LLC) and Epsilon Data Management, LLC (as successor in interest to Sterling Direct, Inc.), dated as of September 1, 2011.	10-K	10.17	2/27/12
*10.22	(a)	Second Amendment to Lease by and between RGA Real Estate Holdings, LLC (as successor in interest to Bekins Properties LLC) and Epsilon Data Management, LLC (as successor in interest to Sterling Direct, Inc.), dated as of September 30, 2014.			

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.23	(a)	Lease between 592423 Ontario Inc. and Loyalty Management Group Canada, Inc., dated November 14, 2005.	10-K	10.18	2/26/07
10.24	(a)	Lease Amending Agreement by and between Dundeal Canada (GP) Inc. (as successor in interest to 592423 Ontario Inc.) and LoyaltyOne, Inc., dated as of May 21, 2009.	10-K	10.19	3/1/10
10.25	(a)	Lease Agreement by and between ADS Place Phase I, LLC and ADS Alliance Data Systems, Inc. dated August 25, 2006.	10-K	10.20	2/26/07
10.26	(a)	Third Lease Amendment by and between ADS Place Phase I, LLC and ADS Alliance Data Systems, Inc. dated as of November 1, 2007.	10-K	10.21	3/1/10
10.27	(a)	Office Lease by and between BRE/COH OH LLC and ADS Alliance Data Systems, Inc. dated as of July 26, 2012, as amended.	10-K	10.26	2/28/14
10.28	(a)	Lease between 2725312 Canada Inc. and Loyalty Management Group Canada Inc. dated as of February 26, 2008, as amended.	10-K	10.29	2/27/12
10.29	(a)	Industrial Building Lease between Aspen Marketing Services, Inc. (as successor-in-interest to Aspen Marketing, Inc.) and A. & A. Conte Joint Venture Limited Partnership dated June 3, 2003, as amended.	10-K	10.30	2/27/12
10.30	(a)	Fourth Amendment to Industrial Building Lease between Aspen Marketing Services, LLC (as successor-in-interest to Aspen Marketing Services, Inc.) and A. & A. Conte Joint Venture Limited Partnership dated March 26, 2012.	10-K	10.26	2/28/13
10.31	(a)	Co-Location Agreement between Epsilon Data Management, LLC and Cyrus Networks, LLC d/b/a CyrusOne dated November 15, 2011.	10-K	10.27	2/28/13
10.32	(a)	Lease Agreement between NOP Cottonwood 2795, LLC and ADS Alliance Data Systems, Inc. dated as of September 21, 2010, as amended.	10-K	10.28	2/28/13
*10.33	(a)	Third Amendment to Lease Agreement between NOP Cottonwood 2795, LLC and Comenity Servicing LLC (successor in interest to ADS Alliance Data Systems, Inc.), dated as of March 11, 2014.			
*10.34	(a)	Lease Agreement between Piedmont Operating Partnership, L.P. and Epsilon Data Management, LLC dated as of August 1, 2013.			
*10.35	(a)	Assumption and Assignment Agreement between Coldwater Creek Merchandising & Logistics, Inc., Comenity Servicing LLC and Foothill Shadows, LLC dated as of September 16, 2014, as amended.			
*10.36	(a)	Lease Agreement between C.V. Kingsroad and Brand Loyalty International B.V. dated October 9, 2012, as amended.			
*10.37	(a)	Lease Agreement between Stichting Mathilda and Brand Loyalty Sourcing B.V. dated December 20, 2012.			
+10.38	(a)	Alliance Data Systems Corporation Amended and Restated Executive Deferred Compensation Plan effective January 1, 2008.	10-Q	10.1	5/11/09
+10.39	(a)	Alliance Data Systems Corporation 2003 Long-Term Incentive Plan.	S-8	4.6	6/18/03

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
+10.40	(a)	Alliance Data Systems Corporation 2005 Long-Term Incentive Plan.	DEF 14A	A	4/29/05
+10.41	(a)	Amendment Number One to the Alliance Data Systems Corporation 2005 Long Term Incentive Plan, dated as of September 24, 2009.	10-Q	10.8	11/9/09
+10.42	(a)	Alliance Data Systems Corporation 2010 Omnibus Incentive Plan.	DEF 14A	A	4/20/10
+10.43	(a)	Form of Nonqualified Stock Option Agreement for awards under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan.	8-K	10.4	8/4/05
+10.44	(a)	Form of Canadian Nonqualified Stock Option Agreement for awards under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan.	10-K	10.101	2/27/07
+10.45	(a)	Form of Time-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2010 Omnibus Incentive Plan (2013 grant).	8-K	10.1	2/25/13
+10.46	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2010 Omnibus Incentive Plan (2013 grant).	8-K	10.2	2/25/13
+10.47	(a)	Form of Time-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2010 Omnibus Incentive Plan.	8-K	10.1	2/20/14
+10.48	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2010 Omnibus Incentive Plan (2014 grant).	8-K	10.2	2/20/14
+10.49	(a)	Form of Performance-Based Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2010 Omnibus Incentive Plan (2015 grant).	8-K	10.2	2/19/15
+10.50	(a)	Form of Non-Employee Director Nonqualified Stock Option Agreement.	8-K	10.1	6/13/05
+10.51	(a)	Form of Non-Employee Director Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2005 Long Term Incentive Plan.	10-Q	10.10	8/8/08
+10.52	(a)	Form of Non-employee Director Restricted Stock Unit Award Agreement under the Alliance Data Systems Corporation 2010 Omnibus Incentive Plan.	10-K	10.52	2/28/13
+10.53	(a)	Alliance Data Systems Corporation Non-Employee Director Deferred Compensation Plan.	8-K	10.1	6/9/06
+10.54	(a)	Form of Alliance Data Systems Associate Confidentiality Agreement.	10-K	10.24	3/12/03
+10.55	(a)	Form of Alliance Data Systems Corporation Indemnification Agreement for Officers and Directors.	8-K	10.1	2/1/05
+10.56	(a)	Alliance Data Systems Corporation Amended and Restated Employee Stock Purchase Plan, effective July 1, 2005.	DEF 14A	C	4/29/05
+10.57	(a)	First Amendment to the Alliance Data Systems Corporation Amended and Restated Employee Stock Purchase Plan, dated as of May 1, 2014.	10-Q	10.6	5/4/14

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
+10.58	(a)	LoyaltyOne, Inc. Registered Retirement Savings Plan, as amended.	10-Q	10.1	5/7/10
+10.59	(a)	LoyaltyOne, Inc. Deferred Profit Sharing Plan, as amended.	10-Q	10.2	5/7/10
+10.60	(a)	LoyaltyOne, Inc. Canadian Supplemental Executive Retirement Plan, effective as of January 1, 2009.	10-Q	10.3	5/7/10
+10.61	(a)	Change in Control Agreement, dated as of September 25, 2003, by and between ADS Alliance Data Systems, Inc. and Edward J. Heffernan.	S-3	10.1	10/15/03
10.62	(a)	Amended and Restated License to Use the Air Miles Trade Marks in Canada, dated as of July 24, 1998, by and between Air Miles International Holdings N.V. and Loyalty Management Group Canada Inc. (assigned by Air Miles International Holdings N.V. to Air Miles International Trading B.V. by a novation agreement dated as of July 18, 2001).	S-1	10.43	1/13/00
10.63	(a)	Amended and Restated License to Use and Exploit the Air Miles Scheme in Canada, dated July 24, 1998, by and between Air Miles International Trading B.V. and Loyalty Management Group Canada Inc.	S-1	10.44	1/13/00
10.64	(b) (c)	Second Amended and Restated Pooling and Servicing Agreement, dated as of January 17, 1996 as amended and restated as of September 17, 1999 and August 1, 2001, by and among WFN Credit Company, LLC, World Financial Network National Bank, and BNY Midwest Trust Company.	S-3	4.6	7/5/01
10.65	(b) (c)	Omnibus Amendment, dated as of March 31, 2003, among WFN Credit Company, LLC, World Financial Network Credit Card Master Trust, World Financial Network National Bank and BNY Midwest Trust Company.	8-K	4	4/22/03
10.66	(b) (c) (d)	Second Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of May 19, 2004, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	8/4/04
10.67	(b) (c) (d)	Third Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of March 30, 2005, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	4/4/05
10.68	(b) (d)	Fourth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of June 13, 2007, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	6/15/07
10.69	(b) (c) (d)	Fifth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of October 26, 2007, among World Financial Network National Bank, WFN Credit Company, LLC and BNY Midwest Trust Company.	8-K	4.1	10/31/07
10.70	(b) (d)	Sixth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of May 27, 2008, among World Financial Network National Bank, WFN Credit Company, LLC, and The Bank of New York Trust Company, N.A.	8-K	4.1	5/29/08

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.71	(b) (d)	Seventh Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of June 28, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and The Bank of New York Mellon Trust Company, N.A.	8-K	4.2	6/30/10
10.72	(b) (d)	Supplemental Agreement to Second Amended and Restated Pooling and Servicing Agreement, dated as of August 9, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and The Bank of New York Mellon Trust Company, N.A.	8-K	4.1	8/12/10
10.73	(b) (c) (d)	Eighth Amendment to the Second Amended and Restated Pooling and Servicing Agreement, dated as of November 9, 2011, among World Financial Network Bank, WFN Credit Company, LLC, and The Bank of New York Mellon Trust Company, N.A.	8-K	4.1	11/14/11
10.74	(b) (c)	Transfer and Servicing Agreement, dated as of August 1, 2001, between WFN Credit Company, LLC, World Financial Network National Bank, and World Financial Network Credit Card Master Note Trust.	S-3	4.3	7/5/01
10.75	(b) (c)	First Amendment to the Transfer and Servicing Agreement, dated as of November 7, 2002, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	11/20/02
10.76	(b) (c) (d)	Third Amendment to the Transfer and Servicing Agreement, dated as of May 19, 2004, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	8/4/04
10.77	(b) (c) (d)	Fourth Amendment to the Transfer and Servicing Agreement, dated as of March 30, 2005, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	4/4/05
10.78	(b) (d)	Fifth Amendment to the Transfer and Servicing Agreement, dated as of June 13, 2007, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	6/15/07
10.79	(b) (c) (d)	Sixth Amendment to the Transfer and Servicing Agreement, dated as of October 26, 2007, among WFN Credit Company, LLC, World Financial Network National Bank and World Financial Network Credit Card Master Note Trust.	8-K	4.2	10/31/07
10.80	(b) (d)	Seventh Amendment to Transfer and Servicing Agreement, dated as of June 28, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.4	6/30/10
10.81	(b) (d)	Supplemental Agreement to Transfer and Servicing Agreement, dated as of August 9, 2010, among World Financial Network National Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.3	8/12/10
10.82	(b) (c) (d)	Eighth Amendment to Transfer and Servicing Agreement, dated as of June 15, 2011, among World Financial Network National Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.1	6/15/11

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.83	(b) (c) (d)	Ninth Amendment to Transfer and Servicing Agreement, dated as of November 9, 2011, among World Financial Network Bank, WFN Credit Company, LLC, and World Financial Network Credit Card Master Note Trust.	8-K	4.3	11/14/11
10.84	(b) (c)	Receivables Purchase Agreement, dated as of August 1, 2001, between World Financial Network National Bank and WFN Credit Company, LLC.	S-3	4.8	7/5/01
10.85	(b) (d)	First Amendment to Receivables Purchase Agreement, dated as of June 28, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	8-K	4.3	6/30/10
10.86	(b) (c) (d)	Second Amendment to Receivables Purchase Agreement, dated as of November 9, 2011, between World Financial Network Bank and WFN Credit Company, LLC.	8-K	4.2	11/14/11
10.87	(b) (d)	Supplemental Agreement to Receivables Purchase Agreement, dated as of August 9, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	8-K	4.2	8/12/10
10.88	(b) (c)	Master Indenture, dated as of August 1, 2001, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company.	S-3	4.1	7/5/01
10.89	(b) (c)	Supplemental Indenture No. 1, dated as of August 13, 2003, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company.	8-K	4.2	8/28/03
10.90	(b) (d)	Supplemental Indenture No. 2, dated as of June 13, 2007, between World Financial Network Credit Card Master Note Trust and BNY Midwest Trust Company.	8-K	4.3	6/15/07
10.91	(b) (d)	Supplemental Indenture No. 3, dated as of May 27, 2008, between World Financial Network Credit Card Master Note Trust and The Bank of New York Trust Company, N.A.	8-K	4.2	5/29/08
10.92	(b) (d)	Supplemental Indenture No. 4, dated as of June 28, 2010, between World Financial Network Credit Card Master Note Trust and The Bank of New York Mellon Trust Company, N.A..	8-K	4.1	6/30/10
10.93	(b) (c) (d)	Supplemental Indenture No. 5, dated as of February 20, 2013, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.2	2/22/13
10.94	(b) (c) (d)	Agreement of Resignation, Appointment and Acceptance, dated as of June 26, 2012, by and among World Financial Network Bank, World Financial Network Credit Card Master Note Trust, The Bank of New York Mellon Trust Company, N.A., and Union Bank, N.A.	8-K	4.1	6/26/12
10.95	(b) (c) (d)	Agreement of Resignation, Appointment and Acceptance, dated as of June 26, 2012, by and among WFN Credit Company, LLC, The Bank of New York Mellon Trust Company, N.A., and Union Bank, N.A.	8-K	4.2	6/26/12

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.96	(b) (d)	Series 2010-A Indenture Supplement, dated as of July 8, 2010, between World Financial Network Credit Card Master Note Trust and The Bank of New York Mellon Trust Company, N.A.	8-K	4.1	7/14/10
10.97	(b) (c) (d)	Series 2011-B Indenture Supplement, dated as of November 9, 2011, between World Financial Network Credit Card Master Note Trust and The Bank of New York Mellon Trust Company, N.A.	8-K	4.2	11/14/11
10.98	(b) (c) (d)	Series 2012-A Indenture Supplement, dated as of April 12, 2012, between World Financial Network Credit Card Master Note Trust and The Bank of New York Mellon Trust Company, N.A.	8-K	4.1	4/16/12
10.99	(b) (c) (d)	Series 2012-B Indenture Supplement, dated as of July 19, 2012, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.1	7/23/12
10.100	(b) (c) (d)	Series 2012-C Indenture Supplement, dated as of July 19, 2012, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.2	7/23/12
10.101	(b) (c) (d)	Series 2012-D Indenture Supplement, dated as of October 5, 2012, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.1	10/10/12
10.102	(b) (c) (d)	Series 2013-A Indenture Supplement, dated as of February 20, 2013, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.1	2/22/13
10.103	(b) (c) (d)	Series 2013-B Indenture Supplement, dated as of May 21, 2013, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.1	5/24/13
10.104	(b) (c) (d)	Series 2014-A Indenture Supplement, dated as of February 19, 2014, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.	8-K	4.1	2/21/14
10.105	(b) (c) (d)	Series 2014-B Indenture Supplement, dated as of July 18, 2014, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	7/22/14
10.106	(b) (c) (d)	Series 2014-C Indenture Supplement, dated as of November 7, 2014, between World Financial Network Credit Card Master Note Trust and MUFG Union Bank, N.A.	8-K	4.1	11/13/14
10.107	(b) (c) (d)	Amended and Restated Service Agreement, dated as of June 28, 2013, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	7/3/13

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.108	(b) (c) (d)	First Amendment to Amended and Restated Service Agreement, dated as of September 9, 2013, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	9/11/13
10.109	(b) (c) (d)	Second Amendment to Amended and Restated Service Agreement, dated as of March 1, 2014, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	3/5/14
10.110	(b) (c) (d)	Third Amendment to Amended and Restated Service Agreement, dated as of September 1, 2014, between Comenity Servicing LLC and Comenity Bank.	8-K	99.1	9/5/14
10.111	(a)	Receivables Purchase Agreement, dated as of September 28, 2001, between World Financial Network National Bank and WFN Credit Company, LLC.	10-Q	10.5	11/7/08
10.112	(a)	First Amendment to Receivables Purchase Agreement, dated as of June 24, 2008, between World Financial Network National Bank and WFN Credit Company, LLC..	10-K	10.94	3/2/09
10.113	(a)	Second Amendment to Receivables Purchase Agreement, dated as of March 30, 2010, between World Financial Network National Bank and WFN Credit Company, LLC..	10-K	10.127	2/28/11
10.114	(a)	Supplemental Agreement to Receivables Purchase Agreement, dated as of August 9, 2010, between World Financial Network National Bank and WFN Credit Company, LLC.	10-K	10.128	2/28/11
10.115	(a)	Third Amendment to Receivables Purchase Agreement, dated as of September 30, 2011, between World Financial Network Bank and WFN Credit Company, LLC.	10-Q	10.4	11/7/11
10.116	(a)	World Financial Network Credit Card Master Trust III Amended and Restated Pooling and Servicing Agreement, dated as of September 28, 2001, among WFN Credit Company, LLC, World Financial Network National Bank, and The Chase Manhattan Bank, USA, National Association.	10-Q	10.6	11/7/08
10.117	(a)	First Amendment to the Amended and Restated Pooling and Servicing Agreement, dated as of April 7, 2004, among WFN Credit Company, LLC, World Financial Network National Bank, and The Chase Manhattan Bank, USA, National Association.	10-Q	10.7	11/7/08
10.118	(a)	Second Amendment to the Amended and Restated Pooling and Servicing Agreement, dated as of March 23, 2005, among WFN Credit Company, LLC, World Financial Network National Bank, and The Chase Manhattan Bank, USA, National Association.	10-Q	10.8	11/7/08
10.119	(a)	Third Amendment to the Amended and Restated Pooling and Servicing Agreement, dated as of October 26, 2007, among WFN Credit Company, LLC, World Financial Network National Bank, and Union Bank of California, N.A. (successor to JPMorgan Chase Bank, N.A.).	10-Q	10.9	11/7/08
10.120	(a)	Fourth Amendment to Amended and Restated Pooling and Servicing Agreement, dated as of March 30, 2010, among WFN Credit Company, LLC, World Financial Network National Bank, and Union Bank, N.A.	10-Q	10.9	5/7/10

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.121	(a)	Fifth Amendment to Amended and Restated Pooling and Servicing Agreement, dated as of September 30, 2011, among WFN Credit Company, LLC, World Financial Network Bank, and Union Bank, N.A.	10-Q	10.3	11/7/11
10.122	(a)	Supplemental Agreement to Amended and Restated Pooling and Servicing Agreement, dated as of August 9, 2010, among WFN Credit Company, LLC, World Financial Network National Bank, and Union Bank, N.A.	10-K	10.134	2/28/11
10.123	(a)	Receivables Purchase Agreement, dated as of September 29, 2008, between World Financial Capital Bank and World Financial Capital Credit Company, LLC.	10-Q	10.3	11/7/08
10.124	(a)	Amendment No. 1 to Receivables Purchase Agreement, dated as of June 4, 2010, between World Financial Capital Bank and World Financial Capital Credit Company, LLC.	10-Q	10.11	8/9/10
10.125	(a)	Transfer and Servicing Agreement, dated as of September 29, 2008, among World Financial Capital Credit Company, LLC, World Financial Capital Bank and World Financial Capital Master Note Trust.	10-Q	10.4	11/7/08
10.126	(a)	Amendment No. 1 to Transfer and Servicing Agreement, dated as of June 4, 2010, among World Financial Capital Credit Company, LLC, World Financial Capital Bank and World Financial Capital Master Note Trust.	10-Q	10.12	8/9/10
10.127	(a)	Second Amended and Restated Series 2009-VFC1 Supplement, dated as of September 25, 2013, among WFN Credit Company, LLC, Comenity Bank and Deutsche Bank Trust Company Americas.	10-Q	10.4	11/5/13
10.128	(a)	Third Amended and Restated Series 2009-VFN Indenture Supplement, dated as of May 24, 2013, between World Financial Capital Master Note Trust and Deutsche Bank Trust Company Americas.	10-Q	10.2	8/5/13
*10.129	(a)	Fourth Amended and Restated Series 2009-VFN Indenture Supplement, dated as of February 28, 2014, between World Financial Network Credit Card Master Note Trust and Union Bank, N.A.			
10.130	(a)	Amendment and Restatement Agreement, dated as of December 19, 2013, including Amended and Restated Completion Facilities Agreement, as amended, by and among Brand Loyalty Group B.V. and certain subsidiaries parties thereto, as borrowers and guarantors, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (as Coordinator and Documentation Agent), Deutsche Bank Nederland N.V., ING Bank N.V. (as Agent and Security Agent) and NIBC Bank N.V.	10-Q	10.5	5/5/14
10.131	(a)	Credit Agreement, dated as of July 10, 2013, by and among Alliance Data Systems Corporation, as borrower, and certain subsidiaries parties thereto, as guarantors, Wells Fargo Bank, N.A., as Administrative Agent, and various other agents and lenders.	8-K	10.1	7/16/13
10.132	(a)	First Amendment to Credit Agreement, dated as of December 8, 2014, by and among Alliance Data Systems Corporation, as borrower, and certain of its subsidiaries as guarantors, Wells Fargo Bank, N.A., as Administrative Agent and Letter of Credit Issuer, and various other lenders.	8-K	10.1	12/10/14

Exhibit No.	Filer	Description	Incorporated by Reference		
			Form	Exhibit	Filing Date
10.133	(a)	Indenture, dated March 29, 2012, by and among Alliance Data Systems Corporation, as issuer, and certain subsidiaries parties thereto, as guarantors, and Wells Fargo Bank, N.A., as Trustee (including the form of the Company's 6.375% Senior Note due April 1, 2020).	8-K	4.1	4/2/12
10.134	(a)	Indenture, dated November 20, 2012, by and among Alliance Data Systems Corporation, as issuer, and certain subsidiaries parties thereto, as guarantors, and Wells Fargo Bank, N.A., as Trustee (including the form of the Company's 5.250% Senior Note due December 1, 2017).	8-K	4.1	11/27/12
10.135	(a)	Indenture, dated July 29, 2014, by and among Alliance Data Systems Corporation, as issuer, and certain subsidiaries parties thereto, as guarantors, and Wells Fargo Bank, N.A., as trustee (including the form of the Company's 5.375% Senior Note due August 1, 2022).	8-K	4.1	7/30/14
*12.1	(a)	Statement re Computation of Ratios			
*21	(a)	Subsidiaries of the Registrant			
*23.1	(a)	Consent of Deloitte & Touche LLP			
*31.1	(a)	Certification of Chief Executive Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.			
*31.2	(a)	Certification of Chief Financial Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(a) promulgated under the Securities Exchange Act of 1934, as amended.			
*32.1	(a)	Certification of Chief Executive Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.			
*32.2	(a)	Certification of Chief Financial Officer of Alliance Data Systems Corporation pursuant to Rule 13a-14(b) promulgated under the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code.			
*101.INS	(a)	XBRL Instance Document			
*101.SCH	(a)	XBRL Taxonomy Extension Schema Document			
*101.CAL	(a)	XBRL Taxonomy Extension Calculation Linkbase Document			
*101.DEF	(a)	XBRL Taxonomy Extension Definition Linkbase Document			
*101.LAB	(a)	XBRL Taxonomy Extension Label Linkbase Document			
*101.PRE	(a)	XBRL Taxonomy Extension Presentation Linkbase Document			

* Filed herewith

\+ Management contract, compensatory plan or arrangement

\# Schedules to this Exhibit have been omitted in reliance on Item 601(b)(2) of Regulation S-K, Alliance Data will furnish copies of any such schedules to the SEC upon request

(a) Alliance Data Systems Corporation

(b) WFN Credit Company

(c) World Financial Network Credit Card Master Trust

(d) World Financial Network Credit Card Master Note Trust

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
ALLIANCE DATA SYSTEMS CORPORATION

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Alliance Data Systems Corporation
Plano, Texas

We have audited the accompanying consolidated balance sheets of Alliance Data Systems Corporation and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Alliance Data Systems Corporation and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 27, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Alliance Data Systems Corporation
Plano, Texas

We have audited the internal control over financial reporting of Alliance Data Systems Corporation and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Conversant, Inc. ("Conversant"), which was acquired on December 10, 2014 and whose financial statements constitute approximately 14.3% of total assets, 0.9% of revenues, and 0.3% of pre-tax income of the consolidated financial statement amounts as of and for the year ended December 31, 2014. Accordingly, our audit did not include the internal control over financial reporting at Conversant. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2014 of the Company and our report dated February 27, 2015 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 27, 2015

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2014	2013
	(In thousands, except per share amounts)	
ASSETS		
Cash and cash equivalents	$ 1,077,152	$ 969,822
Trade receivables, less allowance for doubtful accounts ($3,811 and $2,262 at December 31, 2014 and 2013, respectively)	743,294	394,822
Credit card and loan receivables:		
Credit card receivables – restricted for securitization investors	8,312,291	7,080,014
Other credit card and loan receivables	2,931,589	1,492,868
Total credit card and loan receivables	11,243,880	8,572,882
Allowance for loan loss	(570,171)	(503,169)
Credit card and loan receivables, net	10,673,709	8,069,713
Credit card and loan receivables held for sale	125,060	62,082
Deferred tax asset, net	218,872	216,195
Other current assets	456,349	177,859
Redemption settlement assets, restricted	520,340	510,349
Total current assets	13,814,776	10,400,842
Property and equipment, net	559,628	299,188
Deferred tax asset, net	164	2,454
Cash collateral, restricted	22,511	34,124
Intangible assets, net	1,515,994	460,404
Goodwill	3,865,484	1,735,703
Other non-current assets	485,420	311,542
Total assets	$ 20,263,977	$ 13,244,257
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 455,656	$ 210,019
Accrued expenses	457,472	262,307
Contingent consideration	326,023	—
Deposits	2,645,995	1,544,059
Non-recourse borrowings of consolidated securitization entities	1,058,750	1,025,000
Current debt	208,164	364,489
Other current liabilities	306,123	140,186
Deferred revenue	846,370	966,438
Deferred tax liability, net	930	—
Total current liabilities	6,305,483	4,512,498
Deferred revenue	166,807	170,748
Deferred tax liability, net	690,175	275,757
Deposits	2,127,546	1,272,302
Non-recourse borrowings of consolidated securitization entities	4,133,166	3,566,916
Long-term and other debt	4,001,082	2,435,792
Other liabilities	207,772	154,483
Total liabilities	17,632,031	12,388,496
Commitments and contingencies (Note 14)		
Redeemable non-controlling interest	235,566	—
Stockholders' equity:		
Common stock, $0.01 par value; authorized, 200,000 shares; issued, 111,686 shares and 98,302 shares at December 31, 2014 and 2013, respectively	1,117	983
Additional paid-in capital	2,905,563	1,512,752
Treasury stock, at cost, 47,874 shares and 46,752 shares at December 31, 2014 and 2013, respectively	(2,975,795)	(2,689,177)
Retained earnings	2,540,948	2,049,430
Accumulated other comprehensive loss	(75,453)	(18,227)
Total stockholders' equity	2,396,380	855,761
Total liabilities and stockholders' equity	$ 20,263,977	$ 13,244,257

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		
	2014	2013	2012
	(In thousands, except per share amounts)		
Revenues			
Transaction	$ 337,391	$ 329,027	$ 300,801
Redemption	1,053,248	587,187	635,536
Finance charges, net	2,303,698	1,956,654	1,643,405
Database marketing fees and direct marketing services	1,438,688	1,289,356	931,533
Other revenue	169,915	156,839	130,115
Total revenue	5,302,940	4,319,063	3,641,390
Operating expenses			
Cost of operations (exclusive of depreciation and amortization disclosed separately below)	3,218,774	2,549,159	2,106,612
Earn-out obligation	105,944	—	—
Provision for loan loss	425,205	345,758	285,479
General and administrative	141,468	109,115	108,059
Depreciation and other amortization	109,655	84,291	73,802
Amortization of purchased intangibles	203,427	131,828	93,074
Total operating expenses	4,204,473	3,220,151	2,667,026
Operating income	1,098,467	1,098,912	974,364
Interest expense			
Securitization funding costs	91,103	95,326	92,808
Interest expense on deposits	37,543	29,111	25,181
Interest expense on long-term and other debt, net	131,880	181,063	173,471
Total interest expense, net	260,526	305,500	291,460
Income before income tax	837,941	793,412	682,904
Provision for income taxes	321,801	297,242	260,648
Net income	$ 516,140	$ 496,170	$ 422,256
Less: Net income attributable to non-controlling interest	9,847	—	—
Net income attributable to Alliance Data Systems Corporation stockholders	$ 506,293	$ 496,170	$ 422,256
Net income attributable to Alliance Data Systems Corporation stockholders per share:			
Basic	$ 8.72	$ 10.09	$ 8.44
Diluted	$ 7.87	$ 7.42	$ 6.58
Weighted average shares:			
Basic	56,378	49,190	50,008
Diluted	62,445	66,866	64,143

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Net income	$ 516,140	$ 496,170	$ 422,256
Other comprehensive income, net of tax			
Net unrealized (loss) gain on securities available-for-sale, net of tax expense (benefit) of $1,271, $(1,460) and $(377) for the years ended December 31, 2014, 2013 and 2012, respectively	(1,535)	(6,132)	3,368
Net unrealized gain on cash flow hedges, net of tax expense of $952 for the year ended December 31, 2014	2,350	—	—
Foreign currency translation adjustments	(58,041)	9,766	(2,173)
Other comprehensive (loss) income	(57,226)	3,634	1,195
Total comprehensive income, net of tax	$ 458,914	$ 499,804	$ 423,451
Less: Comprehensive income attributable to non-controlling interest	11,766	—	—
Comprehensive income attributable to Alliance Data Systems Corporation stockholders	$ 470,680	$ 499,804	$ 423,451

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount					
				(In thousands)			
January 1, 2012	94,141	$ 941	$ 1,387,773	$ (2,320,696)	$ 1,131,004	$ (23,056)	$ 175,966
Net income attributable to Alliance Data Systems Corporation stockholders	—	—	—	—	422,256	—	422,256
Other comprehensive income	—	—	—	—	—	1,195	1,195
Stock-based compensation	—	—	50,497	—	—	—	50,497
Repurchases of common stock	—	—	—	(137,396)	—	—	(137,396)
Other	822	9	15,960	—	—	—	15,969
December 31, 2012	94,963	$ 950	$ 1,454,230	$ (2,458,092)	$ 1,553,260	$ (21,861)	$ 528,487
Net income attributable to Alliance Data Systems Corporation stockholders	—	—	—	—	496,170	—	496,170
Other comprehensive income	—	—	—	—	—	3,634	3,634
Stock-based compensation	—	—	59,183	—	—	—	59,183
Repurchases of common stock	—	—	—	(231,085)	—	—	(231,085)
Warrant conversions	2,783	28	(37)	—	—	—	(9)
Other	556	5	(624)	—	—	—	(619)
December 31, 2013	98,302	$ 983	$ 1,512,752	$ (2,689,177)	$ 2,049,430	$ (18,227)	$ 855,761
Net income attributable to Alliance Data Systems Corporation stockholders	—	—	—	—	506,293	—	506,293
Accretion of non-controlling interest	—	—	—	—	(14,775)	—	(14,775)
Other comprehensive loss	—	—	—	—	—	(57,226)	(57,226)
Stock-based compensation	—	—	72,462	—	—	—	72,462
Repurchases of common stock	—	—	—	(286,618)	—	—	(286,618)
Warrant conversions	8,289	83	(1,559)	—	—	—	(1,476)
Acquisition of Conversant, Inc.	4,608	46	1,322,695	—	—	—	1,322,741
Other	487	5	(787)	—	—	—	(782)
December 31, 2014	111,686	$ 1,117	$ 2,905,563	$ (2,975,795)	$ 2,540,948	$ (75,453)	$ 2,396,380

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 516,140	$ 496,170	$ 422,256
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	313,082	216,119	166,876
Deferred income taxes	(13,391)	42,913	102,266
Provision for loan loss	425,205	345,758	285,479
Non-cash stock compensation	72,462	59,183	50,497
Amortization of discount on debt	12,709	65,677	82,452
Amortization of deferred financing costs	24,019	25,492	24,935
Earn-out obligation	105,944	—	—
Change in other operating assets and liabilities, net of acquisitions:			
Change in deferred revenue	(27,782)	(30,383)	(11,225)
Change in trade receivables	(156,003)	(33,414)	(49,219)
Change in accounts payable and accrued expenses	125,919	(28,011)	115,114
Change in other assets	(128,660)	(148,952)	(3,184)
Change in other liabilities	89,915	63,914	(13,146)
Originations of credit card and loan receivables held for sale	(5,271,668)	(1,674,713)	—
Sales of credit card and loan receivables held for sale	5,284,880	1,612,631	—
Excess tax benefits from stock-based compensation	(34,159)	(17,267)	(20,199)
Other	5,547	8,375	(18,712)
Net cash provided by operating activities	1,344,159	1,003,492	1,134,190
CASH FLOWS FROM INVESTING ACTIVITIES:			
Change in redemption settlement assets	(59,701)	(54,572)	37,232
Change in cash collateral, restricted	12,658	32,405	99,035
Change in restricted cash	803	39,378	(46,837)
Change in credit card and loan receivables	(2,260,706)	(1,420,931)	(1,371,352)
Purchase of credit card portfolios	(953,171)	(46,705)	(780,003)
Payments for acquired businesses, net of cash	(1,195,808)	—	(463,964)
Capital expenditures	(158,694)	(135,376)	(116,455)
Purchases of other investments	(125,729)	(35,084)	(34,069)
Maturities/sales of other investments	7,227	2,852	15,651
Other	(4,000)	(1,383)	(10,588)
Net cash used in investing activities	(4,737,121)	(1,619,416)	(2,671,350)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under debt agreements	3,431,087	1,985,000	1,095,148
Repayments of borrowings	(1,835,161)	(1,300,241)	(506,214)
Proceeds from convertible note hedge counterparties	1,519,833	1,056,307	—
Settlement of convertible note borrowings	(1,864,803)	(1,861,289)	—
Issuances of deposits	3,820,867	1,989,576	1,866,213
Repayments of deposits	(1,863,686)	(1,401,625)	(991,577)
Non-recourse borrowings of consolidated securitization entities	2,670,000	2,268,285	2,543,892
Repayments/maturities of non-recourse borrowings of consolidated securitization entities	(2,070,000)	(1,807,339)	(1,673,209)
Payment of deferred financing costs	(55,119)	(24,772)	(40,267)
Excess tax benefits from stock-based compensation	34,159	17,267	20,199
Proceeds from issuance of common stock	17,063	14,090	20,696
Purchase of treasury shares	(286,618)	(231,085)	(125,840)
Other	(1,476)	(22)	(22)
Net cash provided by financing activities	3,516,146	704,152	2,209,019
Effect of exchange rate changes on cash and cash equivalents	(15,854)	(11,758)	5,280
Change in cash and cash equivalents	107,330	76,470	677,139
Cash and cash equivalents at beginning of year	969,822	893,352	216,213
Cash and cash equivalents at end of year	$ 1,077,152	$ 969,822	$ 893,352
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid	$ 221,237	$ 239,203	$ 215,708
Income taxes paid, net	$ 255,985	$ 216,530	$ 137,838

See accompanying notes to consolidated financial statements.

ALLIANCE DATA SYSTEMS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

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

The Company operates in the following reportable segments: LoyaltyOne®, Epsilon®, and Private Label Services and Credit.

LoyaltyOne includes the Company's Canadian AIR MILES® Reward Program and BrandLoyalty. Epsilon provides end-to-end, integrated direct marketing solutions that leverage transactional data to help clients more effectively acquire and build stronger relationships with their customers. Private Label Services and Credit encompasses credit card processing, billing and payment processing, customer care and collections services for private label retailers as well as private label retail credit card and loan receivables financing, including securitization of the credit card receivables that it underwrites from its private label and co-brand retail credit card programs.

For purposes of comparability, certain prior period amounts have been reclassified to conform to the current year presentation in accordance with accounting principles generally accepted in the United States of America ("GAAP").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Credit Card and Loan Receivables—The Company sells a majority of the credit card receivables originated by Comenity Bank to WFN Credit Company, LLC, which in turn sells them to the WFN Trusts as part of a securitization program. The Company also sells its credit card receivables originated by Comenity Capital Bank to World Financial Capital Credit Company, LLC which in turn sells them to the WFC Trust. The credit card receivables sold to each of the trusts are restricted for securitization investors.

Credit card and loan receivables consist of credit card and loan receivables held for investment. All new originations of credit card and loan receivables are deemed to be held for investment at origination because management has the intent and ability to hold them for the foreseeable future. Management makes judgments about the Company's ability to fund these credit card and loan receivables through means other than securitization, such as money market deposits, certificates of deposit and other borrowings. In determining what constitutes the foreseeable future, management considers the short average life and homogenous nature of the Company's credit card and loan receivables. In assessing whether these credit card and loan receivables continue to be held for investment, management also considers capital levels and scheduled maturities of funding instruments used. Management believes that the assertion regarding its intent and ability to hold credit card and loan receivables for the foreseeable future can be made with a high degree of certainty given the maturity distribution of the Company's money market deposits, certificates of deposit and other funding instruments; the historic ability to replace maturing certificates of deposits and other borrowings with new deposits or borrowings; and historic credit card payment activity. Due to the homogenous nature of the Company's credit card and loan receivables, amounts are classified as held for investment on an individual client portfolio basis.

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

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

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

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

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

In evaluating the allowance for loan loss for both principal and unpaid interest and fees, management also considers factors that may impact loan loss experience, including seasoning, loan volume and amounts, payment rates and forecasting uncertainties.

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

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

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

Cash Collateral, Restricted—Cash collateral, restricted consists of cash and securities and includes spread deposits and excess funding deposits. Spread deposits are held by a trustee or agent and are used to absorb shortfalls in the available net cash flows related to securitized credit card receivables if those available net cash flows are insufficient to satisfy certain obligations of the WFN Trusts and WFC Trust. The spread deposit accounts are recorded in cash collateral, restricted at their estimated fair values. The Company uses a valuation model that calculates the present value of estimated future cash flows for each asset. The model is based on the weighted average life of the underlying securities and discount rate. Changes in the fair value estimates of the spread deposit accounts are recorded in interest expense, net. The excess funding deposits represent cash amounts deposited with the trustee of the securitizations and are used to supplement seller's interest.

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

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

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

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

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

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

Changes in the fair value of derivative instruments designated as cash flow hedges, excluding any ineffective portion are recorded in other comprehensive income (loss) until the hedged transactions affect net income. The ineffective portion of these cash flow hedges impacts net income when the ineffectiveness occurs.

Derivatives not Designated as Hedging Instruments—Certain interest rate derivative instruments and foreign currency exchange forward contracts are not designated as hedges as they do not meet the specific hedge accounting requirements of ASC 815, "Derivatives and Hedging." Changes in the fair value of the derivative instruments not designated as hedging instruments are recorded in the Consolidated Statements of Income as they occur.

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

Transaction —The Company earns transaction fees, which are principally based on the number of transactions processed or statements generated and are recognized as such services are performed.

Air Miles Reward Program —The AIR MILES Reward Program collects fees from its sponsors based on the number of AIR MILES reward miles issued and, in limited circumstances, the number of AIR MILES reward miles redeemed. Because management has determined that the earnings process is not complete at the time an AIR MILES reward mile is issued, the recognition of redemption and service revenue is deferred. Redemption revenue is recognized as AIR MILES reward miles are redeemed and is impacted by the Company's estimate of breakage, or those AIR MILES reward miles the Company estimates will remain unredeemed by collectors. Service revenue is amortized over the estimated life of an AIR MILES reward mile.

For those sponsor contracts not yet subject to the adoption of ASU 2009-13, the Company allocates the proceeds received from sponsors for the issuance of AIR MILES reward miles between the redemption element which represents the award ultimately provided to the collector (the "redemption element") and the service element (the "service element"). The service element consists of direct marketing and support services. For contracts entered into prior to January 1, 2011, revenue related to the service element is determined using the residual method.

The adoption of ASU 2009-13 eliminated the use of the residual method for new sponsor agreements entered into, or existing sponsor agreements that are materially modified, after January 1, 2011. ASU 2009-13 also established the use of a three-level hierarchy when establishing the selling price and the relative selling price method when allocating arrangement consideration. The ASU had no significant impact upon adoption in 2011, as no new material contracts or material modifications were experienced with sponsors in the AIR MILES Reward Program from its adoption through December 31, 2012.

In 2013, as part of the Company's analysis of the renewal of certain sponsor contracts, it was determined that in addition to the redemption and service elements, the right to use of the "AIR MILES" brand name met the criteria for a separate deliverable or element under ASU 2009-13. For the brand element, revenue is recognized at the time an AIR MILES reward mile is issued.

For those sponsor contracts within the scope of ASU 2009-13, proceeds from the issuance of AIR MILES reward miles are allocated to three elements, the redemption element, the service element, and the brand element, based on the relative selling price method. The fair value of each element was determined using management's estimated selling price for that respective element. The estimated breakage rate changed from 28% to 27%, effective December 31, 2012 and from 27% to 26%, effective December 31, 2013 As of December 31, 2014, the estimated breakage rate remained at 26%.

Based on its historical analysis, the Company makes a determination as to average life of an AIR MILES reward mile. The estimated life of an AIR MILES reward mile is 42 months. There have been no changes to management's estimate of the life of an AIR MILES reward mile in the periods presented in the financial statements.

Finance charges, net—Finance charges, net represents revenue earned on customer accounts serviced by the Company, and is recognized in the period in which it is earned. The Company recognizes earned finance charges, interest income and fees on credit card and loan receivables in accordance with the contractual provisions of the credit arrangements. As discussed in Note 4, "Credit Card and Loan Receivables," interest and fees continue to accrue on all credit card accounts beyond 90 days, except in limited circumstances, until the credit card account balance and all related interest and other fees are paid or charged-off, typically at 180 days delinquent. Charge-offs for unpaid interest and fees as well as any adjustments to the allowance associated with unpaid interest and fees are recorded as a reduction to finance charges, net. Pursuant to ASC Subtopic 310-20, "Receivables - Nonrefundable Fees and Other Costs," direct loan origination costs on credit card and loan receivables are deferred and amortized on a straight-line basis over a one-year period and recorded as a reduction to finance charges, net. As of December 31, 2014 and 2013, the remaining unamortized deferred costs related to loan origination were $32.0 million and $20.5 million, respectively, and were recorded in other current assets in the consolidated balance sheets.

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

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

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

Earnings Per Share— Basic earnings per share is based only on the weighted average number of common shares outstanding, excluding any dilutive effects of options or other dilutive securities. Diluted earnings per share are based on the weighted average number of common and potentially dilutive common shares (dilutive stock options, unvested restricted stock and other dilutive securities outstanding during the year).

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

	Years Ended December 31,		
	2014	2013	2012
	(In thousands, except per share amounts)		
Numerator			
Net income attributable to Alliance Data Systems Corporation stockholders	$ 506,293	$ 496,170	$ 422,256
Less: Accretion of redeemable non-controlling interest	14,775	—	—
Net income attributable to Alliance Data Systems Corporation stockholders after accretion of redeemable non-controlling interest	$ 491,518	$ 496,170	$ 422,256
Denominator			
Weighted average shares, basic	56,378	49,190	50,008
Weighted average effect of dilutive securities:			
Shares from assumed conversion of convertible senior notes	2,112	8,516	8,645
Shares from assumed exercise of convertible note warrants	3,421	8,482	4,702
Net effect of dilutive stock options and unvested restricted stock	534	678	788
Denominator for diluted calculation	62,445	66,866	64,143
Net income attributable to Alliance Data Systems Corporation stockholders per share:			
Basic	$ 8.72	$ 10.09	$ 8.44
Diluted	$ 7.87	$ 7.42	$ 6.58

The Company calculated the effect of its convertible senior notes on diluted net income per share as if they would be settled in cash as the Company had the intent to settle the convertible senior notes for cash. The convertible senior notes were settled with cash upon maturity in August 2013 and May 2014, respectively.

Currency Translation—The assets and liabilities of the Company's subsidiaries outside the U.S. are translated into U.S. dollars at the rates of exchange in effect at the balance sheet dates, primarily from Canadian dollars and the Euro. Income and expense items are translated at the average exchange rates prevailing during the period. Gains and losses resulting from currency transactions are recognized currently in income and those resulting from translation of financial statements are included in accumulated other comprehensive income (loss). The Company recognized $12.0 million, $(1.0) million and $0.6 million in foreign currency transaction gains (losses) for the years ended December 31, 2014, 2013 and 2012, respectively.

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

Advertising Costs—The Company participates in various advertising and marketing programs, including collaborative arrangements with certain clients. The cost of advertising and marketing programs is expensed in the period incurred. The Company has recognized advertising expenses, including advertising on behalf of its clients, of $239.5 million, $206.6 million and $166.1 million for the years ended December 31, 2014, 2013 and 2012, respectively.

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

Management Estimates—The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Standards

In August 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-15, "Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern." ASU 2014-15 provides guidance regarding management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and if such doubt exists, requires specific disclosures. ASU 2014-15 is effective for interim and annual periods beginning after December 15, 2016 and is not expected to have a significant impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for interim and annual reporting periods beginning after December 15, 2016. Early application is not permitted. ASU 2014-09 permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU 2014-09 will have on its consolidated financial statements and related disclosures.

Recently Adopted Accounting Standards

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists," which provides guidance on financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. ASU 2013-11 requires an entity to present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward when settlement in this manner is available under the governing tax law. ASU 2013-11 was effective for interim and annual periods beginning after December 15, 2013 and required prospective application. The adoption of ASU 2013-11 did not have a material impact on the Company's financial condition, results of operations or cash flows.

3. ACQUISITIONS

2014 Acquisitions:

Brand Loyalty Group B.V.

On January 2, 2014, the Company acquired a 60% ownership interest in BrandLoyalty Group B.V. ("BrandLoyalty"), a Netherlands-based, data-driven loyalty marketer. BrandLoyalty designs, organizes, implements and evaluates innovative and tailor-made loyalty programs for food retailers worldwide. The acquisition expands the Company's presence across Europe, Asia and Latin America. The results of BrandLoyalty have been included since the date of acquisition and are reflected in the Company's LoyaltyOne segment. The initial cash consideration was approximately $259.5 million in addition to the assumption of debt. The goodwill resulting from the acquisition is not deductible for tax purposes.

The following table summarizes the allocation of consideration and the respective fair values of the assets acquired and liabilities assumed in the BrandLoyalty acquisition as of the date of purchase:

	As of January 2, 2014
	(In thousands)
Current assets, net of cash acquired	$ 246,769
Deferred tax asset	3,509
Property and equipment	19,719
Other non-current assets	3,994
Intangible assets	423,832
Goodwill	565,015
Total assets acquired	1,262,838
Current liabilities	146,559
Current portion of long-term debt	34,180
Deferred tax liability	105,512
Long-term debt (net of current portion)	126,323
Other liabilities	142
Total liabilities assumed	412,716
Redeemable non-controlling interest	341,907
Net assets acquired	$ 508,215

The Company also recorded a liability for the earn-out provisions included in the BrandLoyalty share purchase agreement of €181.9 million ($248.7 million as of January 2, 2014), which is included in the Company's consolidated balance sheet. The liability was measured at fair value on the date of purchase and subsequent changes in the fair value of the liability of €87.6 million ($105.9 million at December 31, 2014) are included in operating expenses in the Company's consolidated statements of income. This earn-out obligation is not deductible for tax purposes.

Pursuant to the BrandLoyalty share purchase agreement, the Company may acquire the remaining 40% ownership interest in BrandLoyalty over a four-year period from the acquisition date at 10% per year at predetermined valuation multiples. If specified annual earnings targets are met by BrandLoyalty, the Company must acquire the additional 10% ownership interest for the year achieved; otherwise, the sellers have a put option to sell the Company their 10% ownership interest for the respective year.

The specified annual earnings target was met for the year ended December 31, 2014 and the Company acquired an additional 10% ownership interest effective January 1, 2015. See Note 15, "Redeemable Non-Controlling Interest," for more information.

In February 2015, the Company paid €269.9 million to settle the contingent consideration associated with the Company's 60% ownership interest and €77.2 million for the acquisition of the Company's additional 10% ownership interest in BrandLoyalty ($305.5 million and $87.4 million on February 10, 2015, respectively).

Conversant, Inc.

On December 10, 2014, the Company completed the acquisition of 100% of the common stock of Conversant, Inc. ("Conversant"), a digital marketing services company offering unique end-to-end digital marketing solutions that empower clients to more effectively market to their customers across all channels.

The results of Conversant have been included since the date of acquisition and are reflected in the Company's Epsilon segment. The addition of Conversant provides scale in display, mobile, video, and social digital channels, and adds important capabilities to Epsilon's digital messaging platform, Agility Harmony®. The addition of Conversant's Common ID initiative, which is able to recognize individuals across devices (desktop, tablet, mobile), as well as the ability to insource all digital capabilities, enhances Agility Harmony. Conversant's data is also expected to enrich the Company's existing offline and online data set, allowing for more effective targeted marketing programs. The goodwill recognized is attributable to expected synergies and the assembled workforce. The goodwill resulting from the acquisition is not expected to be deductible for tax purposes.

The Company paid total consideration of approximately $2.3 billion, with cash consideration of approximately $936.3 million, net of cash acquired and equity consideration of $1.3 billion with the issuance of 4.6 million shares and the exchange of certain restricted stock awards and stock options. The cash and equity consideration paid and issued were determined in accordance with the terms of the merger agreement, with the value based on the volume weighted average price per share of the Company's common stock for the consecutive period of 15 trading days ending on the close of trading on the second trading day immediately preceding the closing of the merger. The following table summarizes the allocation of the consideration and the respective fair values of the assets acquired and liabilities assumed in the Conversant acquisition as of the date of purchase:

	As of December 10, 2014
	(In thousands)
Current assets, net of cash acquired	$ 180,030
Deferred tax asset	11,905
Property and equipment	25,555
Developed technology	182,500
Other non-current assets	1,744
Intangible assets	755,600
Goodwill	1,650,299
Total assets acquired	2,807,633
Current liabilities	177,585
Deferred tax liability	344,081
Other liabilities	26,933
Total liabilities assumed	548,599
Net assets acquired	$ 2,259,034

The allocation of the purchase price was based upon a preliminary valuation and the Company's estimates and assumptions are subject to change when purchase price adjustments are finalized, which will occur prior to December 10, 2015.

The following table presents the Company's unaudited pro forma consolidated revenue and net income for the years ended December 31, 2014 and 2013. The unaudited pro forma results include the historical consolidated statements of income of the Company and Conversant, giving effect to the Conversant acquisition and related financing transactions as if they had occurred on January 1, 2013.

	Years Ended December 31,	
	2014	2013
	(In thousands)	
Total revenue	$ 5,853,501	$ 4,892,184
Net income	$ 528,870	$ 482,221

The unaudited pro forma results are not necessarily indicative of the operating results that would have occurred if the Conversant acquisition had been completed as of the date for which the unaudited pro forma financial information is presented. The unaudited pro forma financial information for the years ended December 31, 2014 and 2013 includes adjustments that are directly related to the acquisition, factually supportable, and expected to have a continuing impact. These adjustments include, but are not limited to, amortization related to fair value adjustments to intangible assets and interest expense on acquisition-related debt. The unaudited pro forma financial information for the year ended December 31, 2014 was also adjusted to exclude $44.1 million of acquisition costs, which primarily consist of advisory, legal, accounting, valuation and other professional or consulting fees.

In addition the unaudited pro forma statements do not purport to project the future consolidated operating results of the combined Company.

2012 Acquisitions:

Hyper Marketing Group

On November 30, 2012, the Company acquired all of the stock of HMI Holding Corp. and Solution Set Holding Corp. (collectively, "HMI"). The purchase price was subject to customary working capital adjustments. HMI offers ROI-based targeted marketing services through digital user experience design technology, customer relationship marketing, consumer promotions marketing, direct and digital shopper marketing, distributed and local area marketing, and analytical services that include brand planning and consumer insights. The results of HMI have been included since the date of acquisition and are reflected in the Company's Epsilon segment. The acquisition enhanced Epsilon's core capabilities, strengthened its competitive advantage and expanded Epsilon into new industry verticals.

Total consideration was $451.8 million, net of $7.1 million of cash and cash equivalents acquired. The goodwill that was deductible for tax purposes is $66.4 million. The following table summarizes the allocation of the consideration and the respective fair values of the assets acquired and liabilities assumed in the HMI acquisition as of the date of purchase:

	As of November 30, 2012 (In thousands)
Current assets, net of cash acquired	$ 49,700
Deferred tax assets	12,050
Property and equipment	6,907
Other assets	118
Intangible assets	194,751
Goodwill	291,249
Total assets acquired	554,775
Current liabilities	33,928
Deferred tax liabilities	68,624
Other liabilities	420
Total liabilities assumed	102,972
Net assets acquired	$ 451,803

In connection with the HMI acquisition, on December 31, 2012, the Company acquired Advecor, Inc., a marketing services agency, for consideration of $12.2 million, net of $0.4 million of cash and cash equivalents acquired. Total assets acquired were $13.4 million, including $8.8 million of intangible assets and $3.0 million of goodwill, with current liabilities assumed of $1.2 million.

4. CREDIT CARD AND LOAN RECEIVABLES

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

	December 31, 2014	December 31, 2013
	(In thousands)	
Principal receivables	$ 10,762,498	$ 8,166,961
Billed and accrued finance charges	422,838	343,521
Other credit card and loan receivables	58,544	62,400
Total credit card and loan receivables	11,243,880	8,572,882
Less credit card receivables – restricted for securitization investors	8,312,291	7,080,014
Other credit card and loan receivables	$ 2,931,589	$ 1,492,868

Allowance for Loan Loss

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

In estimating the allowance for principal loan losses, management utilizes a migration analysis of delinquent and current credit card and loan receivables. Migration analysis is a technique used to estimate the likelihood that a credit card or loan receivable will progress through the various stages of delinquency and to charge-off. The allowance is maintained through an adjustment to the provision for loan loss. Charge-offs of principal amounts, net of recoveries are deducted from the allowance. In estimating the allowance for uncollectible unpaid interest and fees, the Company utilizes historical charge-off trends, analyzing actual charge-offs for the prior three months. The allowance is maintained through an adjustment to finance charges, net. In evaluating the allowance for loan loss for both principal and unpaid interest and fees, management also considers factors that may impact loan loss experience, including seasoning, loan volume and amounts, seasonality, payment rates and forecasting uncertainties.

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

The Company records the actual charge-offs for unpaid interest and fees as a reduction to finance charges, net. In estimating the allowance for uncollectable unpaid interest and fees, the Company utilizes historical charge-off trends, analyzing actual charge-offs for the prior three months. The allowance for unpaid interest and fees is maintained through an adjustment to finance charges, net. For the years ended December 31, 2014, 2013 and 2012, actual charge-offs for unpaid interest and fees were $302.7 million, $240.8 million and $191.1 million, respectively.

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

	Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Balance at beginning of period	$ 503,169	$ 481,958	$ 468,321
Provision for loan loss	425,205	345,758	285,479
Change in estimate for uncollectible unpaid interest and fees	12,500	11,000	11,000
Recoveries	178,394	112,538	97,131
Principal charge-offs	(549,097)	(448,085)	(379,973)
Balance at end of period	$ 570,171	$ 503,169	$ 481,958

Delinquencies

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

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

	December 31, 2014	% of Total	December 31, 2013	% of Total
	(In thousands, except percentages)			
Receivables outstanding - principal	$ 10,762,498	100.0%	$ 8,166,961	100.0%
Principal receivables balances contractually delinquent:				
31 to 60 days	$ 157,760	1.4%	$ 114,430	1.4%
61 to 90 days	93,175	0.9	74,700	0.9
91 or more days	182,945	1.7	150,425	1.9
Total	$ 433,880	4.0%	$ 339,555	4.2%

The practice of re-aging an account may affect credit card loan delinquencies and charge-offs. A re-age is intended to assist delinquent cardholders who have experienced financial difficulties but who demonstrate both an ability and willingness to repay the amounts due. Accounts meeting specific defined criteria are re-aged when the cardholder makes one or more consecutive payments aggregating a certain pre-defined amount of their account balance. With re-aging, the outstanding balance of a delinquent account is returned to a current status. For the years ended December 31, 2014, 2013 and 2012, the Company's re-aged accounts represented 1.2%, 1.4% and 1.3%, respectively, of total credit card and loan receivables for each period and thus do not have a significant impact on the Company's delinquencies or net charge-offs. The Company's re-aging practices comply with regulatory guidelines.

Modified Credit Card and Loan Receivables

The Company holds certain credit card and loan receivables for which the terms have been modified. The Company's modified credit card and loan receivables include credit card and loan receivables for which temporary hardship concessions have been granted and credit card and loan receivables in permanent workout programs. These modified credit card and loan receivables include concessions consisting primarily of a reduced minimum payment and an interest rate reduction. The temporary programs' concessions remain in place for a period no longer than twelve months, while the permanent programs remain in place through the payoff of the credit card and loan receivables if the credit cardholder complies with the terms of the program. These concessions do not include the forgiveness of unpaid principal, but may involve the reversal of certain unpaid interest or fee assessments. In the case of the temporary programs, at the end of the concession period, credit card and loan receivable terms revert to standard rates. These arrangements are automatically terminated if the customer fails to make payments in accordance with the terms of the program, at which time their account reverts back to its original terms.

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

The Company had $134.9 million and $118.1 million, respectively, as a recorded investment in impaired credit card and loan receivables with an associated allowance for loan loss of $35.2 million and $33.9 million, respectively, as of December 31, 2014 and 2013. These modified credit card and loan receivables represented less than 2% of the Company's total credit card and loan receivables as of both December 31, 2014 and 2013.

The average recorded investment in the impaired credit card and loan receivables was $117.9 million and $117.4 million for the years ended December 31, 2014 and 2013, respectively.

Interest income on these modified credit card and loan receivables is accounted for in the same manner as other accruing credit card and loan receivables. Cash collections on these modified credit card and loan receivables are allocated according to the same payment hierarchy methodology applied to credit card and loan receivables that are not in such programs. The Company recognized $13.2 million, $12.7 million and $15.5 million for the years ended December 31, 2014, 2013 and 2012, respectively, in interest income associated with modified credit card and loan receivables during the period that such credit card and loan receivables were impaired.

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

	Year Ended December 31, 2014		
	Number of Restructurings	Pre-modification Outstanding Balance	Post-modification Outstanding Balance
		(Dollars in thousands)	
Troubled debt restructurings – credit card and loan receivables	141,137	$ 142,260	$ 142,141

	Year Ended December 31, 2013		
	Number of Restructurings	Pre-modification Outstanding Balance	Post-modification Outstanding Balance
		(Dollars in thousands)	
Troubled debt restructurings – credit card and loan receivables	147,200	$ 134,892	$ 134,799

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

	Year Ended December 31, 2014	
	Number of Restructurings	Outstanding Balance
	(Dollars in thousands)	
Troubled debt restructurings that subsequently defaulted – credit card and loan receivables	60,427	$ 59,862

	Year Ended December 31, 2013	
	Number of Restructurings	Outstanding Balance
	(Dollars in thousands)	
Troubled debt restructurings that subsequently defaulted – credit card and loan receivables	63,590	$ 60,490

Age of Credit Card and Loan Receivable Accounts

The following tables set forth, as of December 31, 2014 and 2013, the number of active credit card and loan accounts with balances and the related principal balances outstanding, based upon the age of the active credit card and loan accounts from origination:

	December 31, 2014			
Age of Accounts Since Origination	Number of Active Accounts with Balances	Percentage of Active Accounts with Balances	Principal Receivables Outstanding	Percentage of Principal Receivables Outstanding
	(In thousands, except percentages)			
0-12 Months	6,029	28.8%	$ 2,710,992	25.2%
13-24 Months	3,026	14.4	1,549,899	14.4
25-36 Months	2,120	10.1	1,113,755	10.3
37-48 Months	1,548	7.4	866,645	8.1
49-60 Months	1,158	5.5	655,351	6.1
Over 60 Months	7,082	33.8	3,865,856	35.9
Total	20,963	100.0%	$ 10,762,498	100.0%

	December 31, 2013			
Age of Accounts Since Origination	Number of Active Accounts with Balances	Percentage of Active Accounts with Balances	Principal Receivables Outstanding	Percentage of Principal Receivables Outstanding
	(In thousands, except percentages)			
0-12 Months	5,048	27.2%	$ 1,962,153	24.1%
13-24 Months	2,550	13.7	1,072,648	13.1
25-36 Months	1,799	9.7	826,911	10.1
37-48 Months	1,318	7.1	622,766	7.6
49-60 Months	1,104	6.0	557,407	6.8
Over 60 Months	6,729	36.3	3,125,076	38.3
Total	18,548	100.0%	$ 8,166,961	100.0%

Credit Quality

The Company uses proprietary scoring models developed specifically for the purpose of monitoring the Company's obligor credit quality. The proprietary scoring models are used as a tool in the underwriting process and for making credit decisions. The proprietary scoring models are based on historical data and require various assumptions about future performance. Information regarding customer performance is factored into these proprietary scoring models to determine the probability of an account becoming 90 or more days past due at any time within the next 12 months. Obligor credit quality is monitored at least monthly during the life of an account. The following table reflects composition of the Company's credit card and loan receivables by obligor credit quality as of December 31, 2014 and 2013:

	December 31, 2014		December 31, 2013	
Probability of an Account Becoming 90 or More Days Past Due or Becoming Charged-off (within the next 12 months)	Principal Receivables Outstanding	Percentage of Principal Receivables Outstanding	Principal Receivables Outstanding	Percentage of Principal Receivables Outstanding
	(In thousands, except percentages)			
No Score	$ 227,378	2.1%	$ 162,366	2.0%
27.1% and higher	499,989	4.6	362,366	4.4
17.1% - 27.0%	967,035	9.0	732,425	9.0
12.6% - 17.0%	1,129,122	10.5	858,721	10.5
3.7% - 12.5%	4,429,399	41.1	3,234,547	39.6
1.9% - 3.6%	2,254,794	21.0	1,748,317	21.4
Lower than 1.9%	1,254,781	11.7	1,068,219	13.1
Total	$ 10,762,498	100.0%	$ 8,166,961	100.0%

Transfer of Financial Assets

The Company originates loans under an agreement with one of its clients, and after origination, these loan receivables are sold to the client at par value plus accrued interest. These transfers qualify for sale treatment as they meet the conditions established in ASC 860. Following the sale, the client owns the loan receivables, bears the risk of loss in the event of loan defaults and is responsible for all servicing functions related to the receivables. The loan receivables originated by the Company that have not yet been sold to the client were $48.9 million and $62.1 million at December 31, 2014 and December 31, 2013, respectively, and are included in credit card and loan receivables held for sale in the Company's consolidated balance sheets and carried at the lower of cost or fair value. The carrying value of these loan receivables approximates fair value due to the short duration between the date of origination and sale. Originations and sales of these loan receivables held for sale are reflected as operating activities in the Company's consolidated statements of cash flows.

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

During the years ended December 31, 2014 and 2013, the Company purchased $263.8 and $80.1 million of loan receivables under these agreements, respectively. The outstanding balance of these loan receivables was $160.6 million and $61.6 million as of December 31, 2014 and 2013, respectively, and was included in other credit card and loan receivables in the Company's consolidated balance sheets.

Portfolio Acquisitions

During the year ended December 31, 2014, the Company acquired four credit card portfolios for purchase prices totaling approximately $976.5 million and consisting of $862.4 million of credit card receivables and $114.1 million of intangible assets. The purchase price of one of the portfolio acquisitions remains subject to customary purchase price adjustments.

During the year ended December 31, 2013, the Company acquired two credit card portfolios for purchase prices totaling approximately $46.7 million, which consist of $43.6 million of credit card receivables, $3.5 million of intangible assets and a liability of approximately $0.4 million.

Portfolios Held for Sale

In December 2014, the Company elected to sell two credit card portfolios and reclassified the receivables in these portfolios to credit card and loan receivables held for sale in the Company's consolidated balance sheets. These credit card receivables held for sale are carried at the lower of cost or fair value, or $76.2 million as of December 31, 2014.

Securitized Credit Card Receivables

The Company regularly securitizes its credit card receivables through its credit card securitization trusts, consisting of the WFN Trusts and the WFC Trust. The Company continues to own and service the accounts that generate credit card receivables held by the WFN Trusts and the WFC Trust. In its capacity as a servicer, each of the respective banks earns a fee from the WFN Trusts and the WFC Trust to service and administer the credit card receivables, collect payments and charge-off uncollectible receivables. These fees are eliminated and therefore are not reflected in the consolidated statements of income for the years ended December 31, 2014, 2013 and 2012.

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

During the initial phase of a securitization reinvestment period, the Company generally retains principal collections in exchange for the transfer of additional credit card receivables into the securitized pool of assets. During the amortization or accumulation period of a securitization, the investors' share of principal collections (in certain cases, up to a maximum specified amount each month) is either distributed to the investors or held in an account until it accumulates to the total amount due, at which time it is paid to the investors in a lump sum.

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

Cash collateral, restricted deposits are generally released proportionately as investors are repaid, although some cash collateral, restricted deposits are released only when investors have been paid in full. None of the cash collateral, restricted deposits were required to be used to cover losses on securitized credit card receivables in the periods ending December 31, 2014, 2013 and 2012, respectively.

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

	December 31, 2014	December 31, 2013
	(In thousands)	
Total credit card receivables – restricted for securitization investors	$ 8,312,291	$ 7,080,014
Principal amount of credit card receivables – restricted for securitization investors, 90 days or more past due	$ 145,768	$ 131,659

	Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Net charge-offs of securitized principal	$ 317,877	$ 311,111	$ 265,305

5. INVENTORIES

Inventories of $220.5 million and $14.6 million at December 31, 2014 and 2013, respectively, consist of finished goods primarily to be utilized as rewards in the Company's loyalty programs and are included in other current assets in the Company's consolidated balance sheets. The Company acquired $198.9 million of finished goods inventory in the BrandLoyalty acquisition on January 2, 2014.

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

6. OTHER INVESTMENTS

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

	December 31, 2014				December 31, 2013			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In thousands)							
Restricted cash	$ 22,611	$ —	$ —	$ 22,611	$ 25,988	$ —	$ —	$ 25,988
Marketable securities	95,669	520	(1,322)	94,867	77,351	62	(4,180)	73,233
U.S. Treasury bonds	100,072	66	(33)	100,105	—	—	—	—
Total	$ 218,352	$ 586	$ (1,355)	$ 217,583	$ 103,339	$ 62	$ (4,180)	$ 99,221

The following tables show the unrealized losses and fair value for those investments that were in an unrealized loss position as of December 31, 2014 and 2013, aggregated by investment category and the length of time that individual securities have been in a continuous loss position:

	December 31, 2014					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Marketable securities	$ 8,757	$ (27)	$ 48,961	$ (1,295)	$ 57,718	$ (1,322)
U.S. Treasury bonds	75,043	(33)	—	—	75,043	(33)
Total	$ 83,800	$ (60)	$ 48,961	$ (1,295)	$ 132,761	$ (1,355)

	December 31, 2013					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Marketable securities	$ 39,954	$ (2,206)	$ 25,785	$ (1,974)	$ 65,739	$ (4,180)

The amortized cost and estimated fair value of the marketable securities and U.S. Treasury bonds at December 31, 2014 by contractual maturity are as follows:

	Amortized Cost	Estimated Fair Value
	(In thousands)	
Due in one year or less	$ 6,599	$ 6,570
Due after one year through five years	100,072	100,105
Due after five years through ten years	4,240	4,439
Due after ten years	84,830	83,858
Total	$ 195,741	$ 194,972

Market values were determined for each individual security in the investment portfolio. When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the security's issuer, and the Company's intent to sell the security and whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. The Company typically invests in highly-rated securities with low probabilities of default and has the ability to hold the investments until maturity. As of December 31, 2014, the Company does not consider the investments to be other-than-temporarily impaired.

There were no realized gains or losses from the sale of investment securities for the years ended December 31, 2014, 2013 and 2012.

7. REDEMPTION SETTLEMENT ASSETS

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

	December 31, 2014				December 31, 2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(In thousands)							
Cash and cash equivalents	$ 237,127	$ —	$ —	$ 237,127	$ 73,984	$ —	$ —	$ 73,984
Corporate bonds	280,053	3,160	—	283,213	429,592	7,083	(310)	436,365
Total	$ 517,180	$ 3,160	$ —	$ 520,340	$ 503,576	$ 7,083	$ (310)	$ 510,349

The following table shows the unrealized losses and fair value for those investments that were in an unrealized loss position as of December 31 2013, aggregated by investment category and the length of time that individual securities have been in a continuous loss position:

	December 31, 2013					
	Less than 12 months		12 Months or Greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In thousands)					
Corporate bonds	$ 80,493	$ (310)	$ —	$ —	$ 80,493	$ (310)

The amortized cost and estimated fair value of the securities at December 31, 2014 by contractual maturity are as follows:

	Amortized Cost	Estimated Fair Value
	(In thousands)	
Due in one year or less	$ 139,603	$ 140,785
Due after one year through five years	140,450	142,428
Total	$ 280,053	$ 283,213

Market values were determined for each individual security in the investment portfolio. When evaluating the investments for other-than-temporary impairment, the Company reviews factors such as the length of time and extent to which fair value has been below cost basis, the financial condition of the security's issuer, and the Company's intent to sell the security and whether it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. The Company typically invests in highly-rated securities with low probabilities of default and has the ability to hold the investments until maturity. As of December 31, 2014, the Company does not consider the investments to be other-than-temporarily impaired.

There were no realized gains or losses from the sale of investment securities for the years ended December 31, 2014, 2013 and 2012.

8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	2014	2013
	(In thousands)	
Computer software and development	$ 608,224	$ 373,844
Furniture and equipment	259,129	263,373
Land, buildings and leasehold improvements	104,631	106,197
Construction in progress	44,737	49,488
Total	1,016,721	792,902
Accumulated depreciation	(457,093)	(493,714)
Property and equipment, net	$ 559,628	$ 299,188

Depreciation expense totaled $67.1 million, $53.7 million and $46.6 million for the years ended December 31, 2014, 2013 and 2012, respectively, and includes purchased software. Amortization associated with internally developed capitalized software totaled $48.2 million, $33.9 million and $30.0 million for the years ended December 31, 2014, 2013 and 2012, respectively.

9. INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

Intangible assets consist of the following:

	December 31, 2014			
	Gross Assets	Accumulated Amortization	Net	Amortization Life and Method
		(In thousands)		
Finite Lived Assets				
Customer contracts and lists	$ 1,328,056	$ (295,263)	$ 1,032,793	4-12 years—straight line
Premium on purchased credit card portfolios	289,173	(114,923)	174,250	3-10 years—straight line, accelerated
Customer database	210,300	(126,157)	84,143	3-10 years—straight line
Collector database	60,238	(56,239)	3,999	30 years—15% declining balance
Publisher networks	140,200	(1,662)	138,538	5-7 years – straight line
Tradenames	86,934	(29,408)	57,526	2-15 years—straight line
Purchased data lists	12,335	(6,497)	5,838	1-5 years—straight line, accelerated
Favorable lease	6,891	(767)	6,124	3-10 years—straight line
Noncompete agreements	1,300	(867)	433	3 years—straight line
	$ 2,135,427	$ (631,783)	$ 1,503,644	
Indefinite Lived Assets				
Tradenames	12,350	—	12,350	Indefinite life
Total intangible assets	$ 2,147,777	$ (631,783)	$ 1,515,994	

	December 31, 2013			
	Gross Assets	Accumulated Amortization	Net	Amortization Life and Method
		(In thousands)		
Finite Lived Assets				
Customer contracts and lists	$ 440,200	$ (187,350)	$ 252,850	3-12 years—straight line
Premium on purchased credit card portfolios	216,041	(118,006)	98,035	5-10 years—straight line, accelerated
Customer databases	161,700	(122,230)	39,470	4-10 years—straight line
Collector database	65,895	(60,711)	5,184	30 years—15% declining balance
Tradenames	58,567	(15,443)	43,124	4-15 years—straight line
Purchased data lists	17,567	(11,959)	5,608	1-5 years—straight line, accelerated
Favorable lease	3,291	(375)	2,916	10 years—straight line
Noncompete agreements	1,300	(433)	867	3 years—straight line
	$ 964,561	$ (516,507)	$ 448,054	
Indefinite Lived Assets				
Tradenames	12,350	—	12,350	Indefinite life
Total intangible assets	$ 976,911	$ (516,507)	$ 460,404	

With the BrandLoyalty acquisition on January 2, 2014, the Company acquired $423.8 million of intangible assets, consisting of $396.5 million of customer contracts and a $27.3 million tradename, which are being amortized over weighted average lives of 7.0 years and 3.0 years, respectively.

With the Conversant acquisition on December 10, 2014, the Company acquired $755.6 million of intangible assets, consisting of $544.0 million of customer contracts, $140.2 million of publisher networks, $63.6 million of customer databases, a $4.2 million tradename and $3.6 million of favorable leases, which are being amortized over weighted average lives of 7.3 years, 5.3 years, 3.0 years, 1.7 years and 5.4 years, respectively.

For more information on these acquisitions, see Note 3, "Acquisitions."

With the credit card portfolio acquisitions made during the year ended December 31, 2014, the Company acquired $114.1 million of intangible assets, consisting of $82.5 million of customer relationships being amortized over a weighted average life of 3.6 years and $31.6 million of marketing relationships being amortized over a weighted average life of 6.1 years.

With the credit card portfolio acquisitions made during the year ended December 31, 2013, the Company acquired $3.5 million of intangible assets, consisting of $2.0 million of customer relationships being amortized over a weighted average life of 5.0 years and $1.5 million of marketing relationships being amortized over a weighted average life of 9.2 years.

Amortization expense related to the intangible assets was approximately $197.8 million, $128.5 million and $90.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

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

	For Years Ending December 31,
	(In thousands)
2015	$ 322,682
2016	303,984
2017	261,644
2018	200,738
2019	167,545
2020 & thereafter	247,051

Goodwill

The changes in the carrying amount of goodwill for the years ended December 31, 2014 and 2013, respectively, are as follows:

	LoyaltyOne	Epsilon	Private Label Services and Credit	Corporate/ Other	Total
			(In thousands)		
December 31, 2012	$ 248,070	$ 1,241,251	$ 261,732	$ —	$ 1,751,053
Effects of foreign currency translation	(15,621)	271	—	—	(15,350)
December 31, 2013	232,449	1,241,522	261,732	—	1,735,703
Goodwill acquired during year	565,015	1,650,299	—	—	2,215,314
Effects of foreign currency translation	(84,007)	(1,526)	—	—	(85,533)
December 31, 2014	$ 713,457	$ 2,890,295	$ 261,732	$ —	$ 3,865,484

For the year ended December 31, 2014, the Company acquired $2.2 billion of goodwill of which $565.0 million resulted from the BrandLoyalty acquisition in January 2014 and $1.6 billion resulted from the Conversant acquisition in December 2014. See Note 3, "Acquisitions," for additional information.

The Company completed annual impairment tests for goodwill on July 31, 2014, 2013 and 2012 and determined at each date that no impairment exists. No further testing of goodwill impairments will be performed until July 31, 2015, unless events occur or circumstances indicate an impairment may have occurred.

10. ACCRUED EXPENSES

Accrued expenses consist of the following:

	December 31,	
	2014	2013
	(In thousands)	
Accrued payroll and benefits	$ 182,148	$ 137,982
Accrued taxes	34,461	18,178
Accrued other liabilities	240,863	106,147
Accrued expenses	$ 457,472	$ 262,307

11. DEBT

Debt consists of the following:

Description	December 31, 2014	December 31, 2013	Maturity	Interest Rate
	(Dollars in thousands)			
Long-term and other debt:				
2013 credit facility	$ —	$ 336,000	July 2018 or December 2019	(1)
2013 term loan	2,603,125	1,234,688	July 2018 or December 2019	(1)
BrandLoyalty credit facility	108,789	—	December 2015	(2)
2014 convertible senior notes	—	333,082	—	—
Senior notes due 2017	397,332	396,511	December 2017	5.250%
Senior notes due 2020	500,000	500,000	April 2020	6.375%
Senior notes due 2022	600,000	—	August 2022	5.375%
Total long-term and other debt	4,209,246	2,800,281		
Less: current portion	(208,164)	(364,489)		
Long-term portion	$ 4,001,082	$ 2,435,792		
Deposits:				
Certificates of deposit	$ 3,934,906	$ 2,486,533	Various – January 2015 – November 2021	0.30% to 3.25%
Money market deposits	838,635	329,828	On demand	(3)
Total deposits	4,773,541	2,816,361		
Less: current portion	(2,645,995)	(1,544,059)		
Long-term portion	$ 2,127,546	$ 1,272,302		
Non-recourse borrowings of consolidated securitization entities:				
Fixed rate asset-backed term note securities	$ 3,376,916	$ 3,001,916	Various - June 2015 – June 2019	0.61% to 6.75%
Floating rate asset-backed term note securities	450,000	—	February 2016	(4)
Conduit asset-backed securities	1,365,000	1,590,000	Various - September 2015 – May 2016	(5)
Total non-recourse borrowings of consolidated securitization entities	5,191,916	4,591,916		
Less: current portion	(1,058,750)	(1,025,000)		
Long-term portion	$ 4,133,166	$ 3,566,916		

(1) The interest rate is based upon the London Interbank Offered Rate ("LIBOR") plus an applicable margin. At December 31, 2014, the weighted average interest rate was 1.91% for the 2013 Term Loan.

(2) The interest rate is based upon the Euro Interbank Offered Rate ("EURIBOR") plus an applicable margin. At December 31, 2014, the weighted average interest rate was 2.83%.

(3) The interest rates are based on the Federal Funds rate. At December 31, 2014, the interest rates ranged from 0.01% to 0.42%.

(4) The interest rate is based upon LIBOR plus an applicable margin. At December 31, 2014, the interest rate was 0.54%.

(5) The interest rate is based upon LIBOR or the asset-backed commercial paper costs of each individual conduit provider plus an applicable margin. At December 31, 2014, the interest rates ranged from 1.05% to 1.71%.

At December 31, 2014, the Company was in compliance with its covenants.

Credit Agreements

In July 2013, the Company, as borrower, and ADS Alliance Data Systems, Inc., ADS Foreign Holdings, Inc., Alliance Data Foreign Holdings, Inc., Epsilon Data Management, LLC, Comenity LLC, Comenity Servicing LLC and Aspen Marketing Services, LLC, as guarantors, entered into a credit agreement with various agents and lenders dated July 10, 2013 (the "2013 Credit Agreement"). Wells Fargo Bank, National Association ("Wells Fargo"), is the administrative agent and letter of credit issuer under the 2013 Credit Agreement. At December 31, 2013, the 2013 Credit Agreement provided for a $1.25 billion term loan (the "2013 Term Loan"), subject to certain principal repayments, and a $1.25 billion revolving line of credit (the "2013 Credit Facility") with a U.S. $65.0 million sublimit for Canadian dollar borrowings and a $65.0 million sublimit for swing line loans. The 2013 Credit Agreement included an uncommitted accordion feature of up to $500.0 million in the aggregate allowing for future incremental borrowings, subject to certain conditions.

In July 2014, the Company exercised in part the accordion feature of the 2013 Credit Agreement and increased the capacity under the 2013 Credit Facility by $50.0 million to $1.3 billion.

On December 8, 2014, the Company entered into an amendment to the 2013 Credit Agreement (the "Amended 2013 Credit Agreement"), which provides for, among other things, (i) a new five-year incremental term loan of $1.4 billion which matures on December 8, 2019 and (ii) the extension of the maturity date for the majority of the existing term loans under the Amended 2013 Credit Agreement from July 10, 2018 to December 8, 2019. The Amended 2013 Credit Agreement also gives the Company the right to elect to optionally prepay non-extended term loans prior to the extended term loans and the new incremental term loan. The incremental term loans bear interest at the same rates as, and are generally subject to the same terms as, the existing term loans under the Amended 2013 Credit Agreement.

Total availability under the 2013 Credit Facility at December 31, 2014 was $1.3 billion.

The 2013 Term Loan, as amended, provides for aggregate principal payments of 2.5% of the initial term loan amount in each of the first and second year and 5% of the initial term loan amount in each of the third, fourth, and fifth year, payable in equal quarterly installments beginning on March 31, 2015.

The Amended 2013 Credit Agreement is unsecured.

Advances under the Amended 2013 Credit Agreement are in the form of either U.S. dollar-denominated or Canadian dollar-denominated base rate loans or U.S. dollar-denominated eurodollar loans. The interest rate for base rate loans denominated in U.S. dollars fluctuates and is equal to the highest of (i) Wells Fargo's prime rate (ii) the Federal funds rate plus 0.5% and (iii) LIBOR as defined in the Amended 2013 Credit Agreement plus 1.0%, in each case plus a margin of 0.25% to 1.0% based upon the Company's total leverage ratio as defined in the Amended 2013 Credit Agreement. The interest rate for base rate loans denominated in Canadian dollars fluctuates and is equal to the higher of (i) Wells Fargo's prime rate for Canadian dollar loans and (ii) the Canadian Dollar Offered Rate ("CDOR") plus 1.0%, in each case plus a margin of 0.25% to 1.0% based upon the Company's total leverage ratio as defined in the Amended 2013 Credit Agreement. The interest rate for eurodollar loans fluctuates based on the rate at which deposits of U.S. dollars in the London interbank market are quoted plus a margin of 1.25% to 2.0% based on the Company's total leverage ratio as defined in the Amended 2013 Credit Agreement.

The Amended 2013 Credit Agreement contains the usual and customary negative covenants for transactions of this type, including, but not limited to, restrictions on the Company's ability and in certain instances, its subsidiaries' ability to consolidate or merge; substantially change the nature of its business; sell, lease, or otherwise transfer any substantial part of its assets; create or incur indebtedness; create liens; pay dividends; and make acquisitions. The negative covenants are subject to certain exceptions as specified in the Amended 2013 Credit Agreement. The Amended 2013 Credit Agreement also requires the Company to satisfy certain financial covenants, including a maximum total leverage ratio as determined in accordance with the Amended 2013 Credit Agreement and a minimum ratio of consolidated operating EBITDA to consolidated interest expense as determined in accordance with the Amended 2013 Credit Agreement. The Amended 2013 Credit Agreement also includes customary events of default.

BrandLoyalty Credit Agreement

As part of the BrandLoyalty acquisition, the Company assumed the debt outstanding under BrandLoyalty's Amended and Restated Senior Facilities Agreement, as amended (the "BrandLoyalty Credit Agreement"). The BrandLoyalty Credit Agreement is secured by the accounts receivable, inventory, fixed assets, bank accounts and shares of BrandLoyalty Group B.V. and certain of its subsidiaries. The BrandLoyalty Credit Agreement consists of term loans of €63.0 million and a revolving line of credit of €87.0 million, both of which are scheduled to mature on December 31, 2015. The term loans provide for quarterly principal payments of €6.25 million through September 2015, with the remaining amount payable upon maturity in December 2015. As of December 31, 2014, amounts outstanding under the term loans and revolving line of credit were €38.0 million and €51.9 million ($46.0 million and $62.8 million), respectively.

All advances under the BrandLoyalty Credit Agreement are denominated in Euros. The interest rate fluctuates and is equal to EURIBOR, as defined in the BrandLoyalty Credit Agreement, plus an applicable margin based on BrandLoyalty's senior net leverage ratio. The BrandLoyalty Credit Agreement contains financial covenants, including a senior net leverage ratio and a minimum annual EBITDA, as well as usual and customary negative covenants and customary events of default.

Convertible Senior Notes

In August 2008, the Company issued $805.0 million aggregate principal amount of convertible senior notes that matured and were repaid on August 1, 2013 (the "2013 Convertible Senior Notes").

In June 2009, the Company issued $345.0 million aggregate principal amount of convertible senior notes that matured and were repaid on May 15, 2014 (the "2014 Convertible Senior Notes"). Concurrently, with the pricing of the 2014 Convertible Senior Notes, the Company entered into convertible note hedge transactions with respect to its common stock. On or prior to May 15, 2014, the Company settled in cash the 2014 Convertible Senior Notes, which were surrendered for conversion for $1,864.8 million. The Company applied $1,519.8 million of cash from the counterparties in settlement of the related convertible note hedge transactions, including Bank of America, N.A., J.P. Morgan Securities LLC, as agent for JPMorgan Chase Bank, National Association, London Branch, and Barclays Bank PLC.

Concurrently with the issuance of the Company's 2013 Convertible Senior Notes and 2014 Convertible Senior Notes, the Company entered into warrant transactions with respect to its common stock. With respect to the 2013 Convertible Senior Notes, the Company net settled 10.2 million warrants by issuing 5.7 million shares of its common stock, of which 2.8 million shares were issued in 2013 and 2.9 million shares were issued in 2014. With respect to the 2014 Convertible Senior Notes, the Company net settled 7.3 million warrants by issuing 5.4 million shares of its common stock in 2014.

Concurrently with the pricing of the 2014 Convertible Senior Notes, the Company entered into prepaid forward transactions (the "Prepaid Forwards") with Merrill Lynch, Pierce, Fenner & Smith Incorporated, as agent for Merrill Lynch International, and Barclays Capital Inc., as agent for Barclays Bank PLC. Under the Prepaid Forwards, the Company purchased 1,857,400 shares of its common stock for approximately $74.9 million with proceeds from the 2014 Convertible Senior Notes offering. The shares were delivered over a settlement period in 2014.

The table below summarizes the carrying value of the components of the convertible senior notes at December 31, 2013:

	(In millions)
Carrying amount of equity component	$ 115.9
Principal amount of liability component	$ 345.0
Unamortized discount	(11.9)
Net carrying value of liability component	$ 333.1
If-converted value of common stock	$ 1,906.9

Interest expense on the convertible senior notes recognized in the Company's consolidated statements of income for the years ended December 31, 2014, 2013 and 2012 is as follows:

	Years Ended December 31,		
	2014	2013	2012
	(In thousands, except percentages)		
Interest expense calculated on contractual interest rate	$ 5,630	$ 24,169	$ 30,475
Amortization of discount on liability component	11,888	64,900	82,366
Total interest expense on convertible senior notes	$ 17,518	$ 89,069	$ 112,841
Effective interest rate (annualized)	14.2%	12.4%	11.0%

Senior Notes

Due 2017

In November 2012, the Company issued and sold $400 million aggregate principal amount of 5.250% senior notes due December 1, 2017 (the "Senior Notes due 2017") at an issue price of 98.912% of the aggregate principal amount. The Senior Notes due 2017 accrue interest on the principal amount at the rate of 5.250% per annum from November 20, 2012, payable semiannually in arrears, on June 1 and December 1 of each year, beginning on June 1, 2013. The unamortized discount was $2.7 million and $3.5 million at December 31, 2014 and December 31, 2013, respectively. The discount is being amortized using the effective interest method over the remaining life of the Senior Notes due 2017 which, at December 31, 2014, is a period of 2.9 years at an effective annual interest rate of 5.5%.

The payment obligations under the Senior Notes due 2017 are governed by an indenture dated November 20, 2012 with Wells Fargo Bank, N.A., as trustee. The Senior Notes due 2017 are unsecured and are guaranteed on a senior unsecured basis by certain of the Company's existing and future domestic subsidiaries that guarantee its Amended 2013 Credit Agreement, including ADS Alliance Data Systems, Inc., ADS Foreign Holdings, Inc., Alliance Data Foreign Holdings, Inc., Epsilon Data Management LLC, Comenity LLC, Comenity Servicing LLC and Aspen Marketing Services, LLC. The indenture includes usual and customary negative covenants and events of default for transactions of this type.

Due 2020

In March 2012, the Company issued and sold $500 million aggregate principal amount of 6.375% senior notes due April 1, 2020 (the "Senior Notes due 2020"). The Senior Notes due 2020 accrue interest on the principal amount at the rate of 6.375% per annum from March 29, 2012, payable semiannually in arrears, on April 1 and October 1 of each year, beginning on October 1, 2012. The proceeds from the issuance of the Senior Notes due 2020 were used to repay outstanding indebtedness under the Company's Amended 2013 Credit Agreement.

The payment obligations under the Senior Notes due 2020 are governed by an indenture dated March 29, 2012 with Wells Fargo Bank, N.A., as trustee. The Senior Notes due 2020 are unsecured and are guaranteed on a senior unsecured basis by certain of the Company's existing and future domestic subsidiaries that guarantee its Credit Agreement, including ADS Alliance Data Systems, Inc., ADS Foreign Holdings, Inc., Alliance Data Foreign Holdings, Inc., Epsilon Data Management LLC, Comenity LLC, Comenity Servicing LLC and Aspen Marketing Services, LLC. The indenture includes usual and customary negative covenants and events of default for transactions of this type.

Due 2022

In July 2014, the Company issued and sold $600.0 million aggregate principal amount of 5.375% senior notes due August 1, 2022 (the "Senior Notes due 2022"). The Senior Notes due 2022 accrue interest on the principal amount at the rate of 5.375% per annum from July 29, 2014, payable semi-annually in arrears, on February 1 and August 1 of each year, beginning on February 1, 2015. The proceeds from the issuance of the Senior Notes due 2022 were used to repay outstanding indebtedness under the Company's Amended 2013 Credit Agreement.

The payment obligations under the Senior Notes due 2022 are governed by an indenture dated July 29, 2014 with Wells Fargo Bank, N.A., as trustee. The Senior Notes due 2022 are unsecured and are guaranteed on a senior unsecured basis by certain of the Company's existing and future domestic subsidiaries that guarantee its Credit Agreement, including ADS Alliance Data Systems, Inc., ADS Foreign Holdings, Inc., Alliance Data Foreign Holdings, Inc., Epsilon Data Management LLC, Comenity LLC, Comenity Servicing LLC and Aspen Marketing Services, LLC. The indenture includes usual and customary negative covenants and events of default for transactions of this type.

Deposits

Terms of the certificates of deposit range from three months to seven years with annual interest rates ranging from 0.30% to 3.25%, with a weighted average interest rate of 1.27%, at December 31, 2014 and 0.15% to 3.55%, with a weighted average interest rate of 1.07%, at December 31, 2013. Interest is paid monthly and at maturity.

Comenity Bank and Comenity Capital Bank offer demand deposit programs through contractual arrangements with securities brokerage firms. Money market deposits are redeemable on demand by the customer and, as such, have no scheduled maturity date. As of December 31, 2014, Comenity Bank and Comenity Capital Bank had $838.6 million in money market deposits outstanding with annual interest rates ranging from 0.01% to 0.42%, with a weighted average interest rate of 0.23%. As of December 31, 2013, Comenity Bank and Comenity Capital Bank had $329.8 million in money market deposits outstanding with annual interest rates ranging from 0.01% to 0.12%, with a weighted average interest rate of 0.04%.

Non-Recourse Borrowings of Consolidated Securitization Entities

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

Asset-Backed Term Notes

In February 2014, Master Trust I issued $625.0 million of asset-backed term securities, $175.0 million of which was retained by the Company and eliminated from the consolidated financial statements. These securities mature in February 2016 and have a variable interest rate equal to LIBOR plus a margin of 0.38%.

In July 2014, Master Trust I issued $394.7 million of asset-backed term securities, $94.7 million of which was retained by the Company and eliminated from the consolidated financial statements. These securities mature in September 2015 and have a fixed interest rate of 0.61%.

In October 2014, $316.5 million of Series 2011-A asset backed term notes, of which $66.5 million was retained by the Company and eliminated from the Company's consolidated financial statements, matured and was repaid.

In November 2014, Master Trust I issued $427.6 million of asset-backed term notes, of which $102.6 million was retained by the Company and eliminated from the Company's consolidated financial statements. These securities mature in October 2017 and have a fixed interest rate of 1.54%.

Conduit Facilities

The Company has access to committed undrawn capacity through three conduit facilities to support the funding of its credit card receivables through Master Trust I, Master Trust III and the WFC Trust. As of December 31, 2014, total capacity under the conduit facilities was $ 1.6 billion, of which $1.4 billion had been drawn and was included in non-recourse borrowings of consolidated securitization entities in the consolidated balance sheets. Borrowings outstanding under each facility bear interest at a margin above LIBOR or the asset-backed commercial paper costs of each individual conduit provider. The conduits have varying maturities from September 2015 to May 2016 with variable interest rates ranging from 1.05% to 1.71% as of December 31, 2014.

In February 2014, Master Trust I renewed its 2009-VFN conduit facility, extending the maturity to February 29, 2016, with a total capacity of $700.0 million.

In May 2014, the WFC Trust renewed its 2009-VFN conduit facility, extending the maturity to May 31, 2016, with a total capacity of $450.0 million.

Maturities

Debt at December 31, 2014 matures as follows:

Year	Long-Term and Other Debt	Non-Recourse Borrowings of Consolidated Securitization Entities	Deposits	Total
		(In thousands)		
2015	$ 208,164	$ 1,058,750	$ 2,645,995	$ 3,912,909
2016	132,500	2,050,000	809,293	2,991,793
2017 (1)	532,500	650,000	532,168	1,714,668
2018	184,911	631,000	386,728	1,202,639
2019	2,053,839	802,166	322,236	3,178,241
Thereafter	1,100,000	—	77,121	1,177,121
Total maturities	4,211,914	5,191,916	4,773,541	14,177,371
Unamortized discount (2)	(2,668)	—	—	(2,668)
	$ 4,209,246	$ 5,191,916	$ 4,773,541	$ 14,174,703

(1) Long-Term and Other Debt includes $400.0 million representing the aggregate principal amount of the Senior Notes due 2017.

(2) Unamortized discount represents the unamortized discount, at December 31, 2014, associated with the Senior Notes due 2017.

12. DERIVATIVE INSTRUMENTS

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

The Company is a party to certain interest rate derivative instruments that involve the receipt of variable rate amounts from counterparties in exchange for the Company making fixed rate payments over the life of the agreement without the exchange of the underlying notional amount. These interest rate derivative instruments are not designated as hedges. Such instruments are not speculative and are used to manage interest rate risk, but do not meet the specific hedge accounting requirements of ASC 815, "Derivatives and Hedging."

The Company enters into certain foreign currency derivatives to reduce the volatility of the Company's cash flows resulting from changes in foreign currency exchange rates associated with certain inventory transactions, certain of which are designated as cash flow hedges.

The following table presents the fair values of the derivative instruments included within the Company's consolidated balance sheets as of December 31, 2014:

	December 31, 2014			
	Balance Sheet Location	Notional Amount	Maturity	Fair Value
		(In thousands)		
Designated as hedging instruments:				
Foreign currency exchange hedges	Other current assets	$ 50,908	January 2015 to September 2015	$ 3,528
Not designated as hedging instruments:				
Foreign currency exchange hedges	Other current assets	$ 3,125	January 2015 to March 2015	$ 343
Foreign currency exchange forward contract	Other current liabilities	$ 236,578	January 2015	$ 16,990
Interest rate derivatives	Other current liabilities	$ 79,429	December 2015 to August 2016	$ 330

Gains of $2.4 million, net of tax, were recognized in other comprehensive income for the year ended December 31, 2014 related to foreign exchange hedges designated as effective. At December 31, 2014, $0.3 million was reclassified from accumulated other comprehensive income into net income. A de minimus amount of ineffectiveness was recorded for the year ended December 31, 2014. At December 31, 2014, $2.4 million is expected to be reclassified from accumulated other comprehensive income into net income in the coming 12 months.

The Company was not a party to any derivative instruments as of December 31, 2013.

The following table summarizes activity related to and identifies the location of the Company's outstanding derivatives not designated as hedging instruments for the years ended December 31, 2014, 2013 and 2012 recognized in the Company's consolidated statements of income:

	Years Ended December 31,					
	2014		2013		2012	
	Income Statement Location	Gain (loss) on Derivative Instruments	Income Statement Location	Gain on Derivative Instruments	Income Statement Location	Gain on Derivative Instruments
			(In thousands)			
Interest rate derivatives	Interest expense on long-term and other debt, net	$ 297	Securitization funding costs	$ 8,511	Securitization funding costs	$ 29,592
Foreign currency exchange forward contract	General and administrative	$ (16,990)	General and administrative	$ —	General and administrative	$ —
Foreign currency exchange hedges	Cost of operations	$ 257	Cost of operations	$ —	Cost of operations	$ —

Gains and losses on derivatives not designated as hedging instruments are included in other operating activities in the consolidated statements of cash flows for all periods presented.

The Company limits its exposure on derivatives by entering into contracts with institutions that are established dealers who maintain certain minimum credit criteria established by the Company. At December 31, 2014, the Company does not maintain any derivative instruments subject to master agreements that would require the Company to post collateral or that contain any credit-risk related contingent features.

13. DEFERRED REVENUE

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

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

	Deferred Revenue		
	Service	Redemption	Total
		(In thousands)	
December 31, 2012	$ 380,013	$ 869,048	$ 1,249,061
Cash proceeds	203,735	528,474	732,209
Revenue recognized	(212,301)	(550,577)	(762,878)
Other	—	276	276
Effects of foreign currency translation	(24,816)	(56,666)	(81,482)
December 31, 2013	346,631	790,555	1,137,186
Cash proceeds	219,124	437,383	656,507
Revenue recognized	(202,828)	(481,577)	(684,405)
Other	—	85	85
Effects of foreign currency translation	(30,559)	(65,637)	(96,196)
December 31, 2014	$ 332,368	$ 680,809	$ 1,013,177
Amounts recognized in the consolidated balance sheets:			
Current liabilities	$ 165,561	$ 680,809	$ 846,370
Non-current liabilities	$ 166,807	$ —	$ 166,807

14. COMMITMENTS AND CONTINGENCIES

AIR MILES Reward Program

The Company has entered into contractual arrangements with certain AIR MILES Reward Program sponsors that result in fees being billed to those sponsors upon the redemption of AIR MILES reward miles issued by those sponsors. The Company has obtained letters of credit and other assurances from those sponsors for the Company's benefit that expire at various dates. These letters of credit and other assurances totaled $172.1 million at December 31, 2014, which exceeds the amount of the Company's estimate of its obligation to provide travel and other rewards upon the redemption of the AIR MILES reward miles issued by those sponsors.

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

The Company has entered into certain long-term arrangements to purchase tickets from airlines and other suppliers in connection with redemptions under the AIR MILES Reward Program. These long-term arrangements allow the Company to make purchases at set prices.

Leases

The Company leases certain office facilities and equipment under noncancellable operating leases and is generally responsible for property taxes and insurance related to such facilities. Lease expense was $91.8 million, $80.5 million and $71.5 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Future annual minimum rental payments required under noncancellable operating leases, some of which contain renewal options, as of December 31, 2014, are:

Year	Future Minimum Rental Payments
	(In thousands)
2015	$ 101,910
2016	85,425
2017	74,782
2018	62,487
2019	58,805
Thereafter	397,062
Total	$ 780,471

Regulatory Matters

Comenity Bank is regulated, supervised and examined by the State of Delaware and the Federal Deposit Insurance Corporation ("FDIC"). Comenity Bank remains subject to regulation by the Board of the Governors of the Federal Reserve System. The Company's industrial bank, Comenity Capital Bank, is authorized to do business by the State of Utah and the FDIC.

Quantitative measures established by regulations to ensure capital adequacy require Comenity Bank and Comenity Capital Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk weighted assets and of Tier 1 capital to average assets as well as adequate allowances for loan losses. Under the regulations, a "well capitalized" institution must have a Tier 1 capital ratio of at least 6%, a total capital ratio of at least 10% and a leverage ratio of at least 5% and not be subject to a capital directive order. An "adequately capitalized" institution must have a Tier 1 capital ratio of at least 4%, a total capital ratio of at least 8% and a leverage ratio of at least 4%, but 3% is allowed in some cases. The Tier 1 risk-based capital ratio, leverage ratio and total risk-based capital ratio for Comenity Capital Bank were 14.1%, 14.6% and 15.4%, respectively, at December 31, 2014. The Tier 1 risk-based capital ratio, leverage ratio and total risk-based capital ratio for Comenity Bank were 13.9%, 14.2% and 15.2%, respectively, at December 31, 2014. Based on these guidelines, Comenity Bank and Comenity Capital Bank are considered well capitalized.

Cardholders

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

Holders of credit cards issued by the Company have available lines of credit, which vary by cardholder. These lines of credit represent elements of risk in excess of the amount recognized in the financial statements. The lines of credit are subject to change or cancellation by the Company. The Company had a total of 54.7 million accounts having unused lines of credit averaging $1,634 per account. Within this total, the Company owns 11.3 million accounts through its agreements with one of its client as discussed in "Transfer of Financial Assets" in Note 4, "Credit Card and Loan Receivables," with unused lines of credit averaging $1,790 per account. The Company only bears the risk for its participating interest in the loan receivables originated by the Company and subsequently purchased by this client.

Legal Proceedings

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

15. REDEEMABLE NON-CONTROLLING INTEREST

On January 2, 2014, the Company acquired a 60% ownership interest in BrandLoyalty. The remaining 40% ownership interest held by minority interest shareholders is considered a redeemable non-controlling interest. Pursuant to the BrandLoyalty share purchase agreement, the Company may acquire the remaining 40% ownership interest in BrandLoyalty over a four-year period at 10% per year at predetermined valuation multiples. If specified annual earnings targets are met by BrandLoyalty, the Company must acquire the additional 10% ownership interest for the year achieved; otherwise, the sellers have a put option to sell the Company their 10% ownership interest for the respective year.

On the acquisition date, the Company recognized a redeemable non-controlling interest in the amount of $341.9 million, which was measured at fair value at the acquisition date. A reconciliation of the changes in the redeemable non-controlling interest is as follows:

	Redeemable Non-Controlling Interest
	(In thousands)
Balance at January 2, 2014	$ 341,907
Net income attributable to non-controlling interest	9,847
Other comprehensive income attributable to non-controlling interest	1,988
Adjustment to redemption value	14,775
Foreign currency translation adjustments	(39,654)
Reclassification to accrued expenses	(93,297)
Balance at December 31, 2014	$ 235,566

As of December 31, 2014, BrandLoyalty met the specified annual earnings target and the Company was obligated to acquire an additional 10% ownership interest effective January 1, 2015.

16. STOCKHOLDERS' EQUITY

Stock Repurchase Programs

On December 13, 2011, the Company's Board of Directors authorized a stock repurchase program to acquire up to $400.0 million of the Company's outstanding common stock from January 1, 2012 through December 31, 2012. On January 2, 2013, the Company's Board of Directors authorized a stock repurchase program to acquire up to $400.0 million of the Company's outstanding common stock from January 2, 2013 through December 31, 2013. On December 5, 2013, the Company's Board of Directors authorized a stock repurchase program to acquire up to $400.0 million of our outstanding common stock from January 1, 2014 through December 31, 2014, subject to any restrictions pursuant to the terms of the Company's credit agreements, indentures, applicable securities laws or otherwise.

During the years ended December 31, 2014, 2013 and 2012, the Company repurchased approximately 1.1 million, 1.4 million and 1.0 million shares of its common stock for an aggregate amount of $286.6 million, $231.1 million and $137.4 million, respectively.

As of December 31, 2014, $113.4 million remained unused under the stock repurchase program that was authorized in December 2013 and expired on December 31, 2014.

On January 1, 2015, our Board of Directors authorized a stock repurchase program to acquire up to $600.0 million of our outstanding common stock from January 1, 2015 through December 31, 2015, subject to any restrictions pursuant to the terms of our credit agreements, indentures, applicable securities laws or otherwise.

Stock Compensation Plans

The Company has adopted equity compensation plans to advance the interests of the Company by rewarding certain employees for their contributions to the financial success of the Company and thereby motivating them to continue to make such contributions in the future.

The 2010 Omnibus Incentive Plan became effective July 1, 2010 and expires on June 30, 2015. This plan reserves 3,000,000 shares of common stock for grants of nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance share awards, cash incentive awards, deferred stock units, and other stock-based and cash-based awards to selected officers, employees, non-employee directors and consultants performing services for the Company or its affiliates, with only employees being eligible to receive incentive stock options.

Terms of all awards under the 2010 Omnibus Incentive Plan are determined by the Board of Directors or the compensation committee of the Board of Directors or its designee at the time of award.

Stock Compensation Expense

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

Total stock-based compensation expense recognized in the Company's consolidated statements of income for the years ended December 31, 2014, 2013 and 2012, is as follows:

	Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Cost of operations	$ 50,790	$ 40,264	$ 32,654
General and administrative	21,672	18,919	17,843
Total	$ 72,462	$ 59,183	$ 50,497

As the amount of stock-based compensation expense recognized is based on awards ultimately expected to vest, the amount recognized in the Company's results of operations has been reduced for estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on the Company's historical experience. The Company's forfeiture rate was 5% for the years ended December 31, 2014, 2013 and 2012. As of December 31, 2014, there was approximately $112.7 million of unrecognized expense, adjusted for estimated forfeitures, related to non-vested, stock-based equity awards granted to employees, which is expected to be recognized over a weighted average period of approximately 1.9 years.

Restricted Stock Awards

During 2014, the Company awarded both service-based and performance-based restricted stock units. Fair value of the restricted stock units is estimated using the Company's closing share price on the date of grant. In accordance with ASC 718, the Company recognizes the estimated stock-based compensation expense, net of estimated forfeitures, over the applicable service period.

Service-based restricted stock unit awards typically vest ratably over a three year period. Performance-based restricted stock unit awards typically vest ratably over a three year period if specified performance measures tied to the Company's financial performance are met.

	Performance-Based	Service-Based	Total	Weighted Average Fair Value
Balance at January 1, 2012	856,572	345,189	1,201,761	$ 65.39
Shares granted	527,080	127,646	654,726	110.18
Shares vested	(505,335)	(130,066)	(635,401)	59.06
Shares cancelled	(104,476)	(27,618)	(132,094)	86.13
Balance at December 31, 2012	773,841	315,151	1,088,992	$ 93.33
Shares granted	409,575	92,206	501,781	155.31
Shares vested	(448,868)	(122,931)	(571,799)	88.15
Shares cancelled	(49,544)	(14,915)	(64,459)	115.83
Balance at December 31, 2013	685,004	269,511	954,515	$ 121.86
Shares granted (1)	271,616	246,867	518,483	282.34
Shares vested	(405,655)	(99,037)	(504,692)	116.07
Shares cancelled	(32,898)	(16,074)	(48,972)	177.14
Balance at December 31, 2014	518,067	401,267	919,334	$ 198.85
Outstanding and Expected to Vest			839,110	$ 194.82

(1) During the year ended December 31, 2014, shares granted for service-based restricted stock awards include 181,487 shares exchanged pursuant to the Conversant acquisition.

The total fair value of restricted stock units vested was $58.6 million, $50.4 million and $37.5 million for the years ended December 31, 2014, 2013 and 2012, respectively. The aggregate intrinsic value of restricted stock units outstanding and expected to vest was $240.0 million at December 31, 2014. The weighted-average remaining contractual life for unvested restricted stock units was 1.2 years at December 31, 2014.

Stock Options

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

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

	Outstanding		Exercisable	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Balance at January 1, 2012	740,017	$ 42.87	740,017	$ 42.87
Granted	—	—		
Exercised	(355,764)	42.95		
Forfeited	—	—		
Balance at December 31, 2012	384,253	$ 42.80	384,253	$ 42.80
Granted	—	—		
Exercised	(143,577)	36.30		
Forfeited	(1,000)	31.38		
Balance at December 31, 2013	239,676	$ 46.75	239,676	$ 46.75
Granted (1)	49,117	41.94		
Exercised	(117,260)	48.68		
Forfeited	—	—		
Balance at December 31, 2014	171,533	$ 44.05	165,745	$ 44.62
Vested and Expected to Vest	171,244	$ 44.03		

(1) During the year ended December 31, 2014, stock options granted represent those options exchanged pursuant to the Conversant acquisition.

Based on the market value on their respective exercise dates, the total intrinsic value of stock options exercised was approximately $25.9 million, $25.7 million and $31.0 million for the years ended December 31, 2014, 2013 and 2012, respectively.

The aggregate intrinsic value of the outstanding stock options as of December 31, 2014 was approximately $41.5 million. The aggregate intrinsic value of stock options exercisable as of December 31, 2014 was approximately $40.0 million. The weighted average remaining contractual life of stock options vested and exercisable as of December 31, 2014 was approximately 1.9 years.

The Company received cash proceeds of approximately $5.7 million from stock options exercised during the year ended December 31, 2014.

17. EMPLOYEE BENEFIT PLANS

Employee Stock Purchase Plan

On June 7, 2005, at the annual meeting of stockholders, the stockholders approved and adopted the Amended and Restated Employee Stock Purchase Plan (the "ESPP"), effective on July 1, 2005. No employee may purchase more than $25,000 in stock under the ESPP in any calendar year, and no employee may purchase stock under the ESPP if such purchase would cause the employee to own more than 5% of the voting power or value of the Company's common stock. The Company amended its ESPP effective June 1, 2014. The ESPP, as amended, provides for six month offering periods, commencing on the first trading day of the first and third calendar quarter of each year and ending on the last trading day of each subsequent calendar quarter. The purchase price of the common stock upon exercise shall be 85% of the fair market value of shares on the applicable purchase date as determined by averaging the high and low trading prices of the last trading day of the six-month period. An employee may elect to pay the purchase price of such common stock through payroll deductions. The maximum number of shares reserved for issuance under the ESPP is 1,500,000 shares, subject to adjustment as provided in the ESPP. Employees are required to hold any stock purchased through the ESPP for 180 days prior to any sale or withdrawal of shares.

On August 22, 2001, the Company registered 1,500,000 shares of its common stock for issuance in accordance with the ESPP pursuant to a Registration Statement on Form S-8, File No. 333-68134.

During the year ended December 31, 2014, the Company issued 47,250 shares of common stock under the ESPP at a weighted-average issue price of $240.30. Since its adoption, 1,058,673 shares of common stock have been issued under the ESPP.

2010 Omnibus Incentive Plan

At the June 8, 2010 annual meeting of stockholders, the Company's stockholders approved the 2010 Omnibus Incentive Plan. The 2010 plan authorizes the compensation committee to grant cash-based and other equity-based or equity-related awards, including deferred stock units and fully-vested shares. The maximum cash amount that may be awarded to any single participant in any one calendar year may not exceed $7.5 million.

401(k) Retirement Savings Plan

The Alliance Data Systems 401(k) and Retirement Savings Plan is a defined contribution plan that is qualified under Section 401(k) of the Internal Revenue Code of 1986. The Company amended its 401(k) and Retirement Savings Plan effective December 10, 2014. The 401(k) and Retirement Savings Plan is an IRS-approved safe harbor plan design that eliminates the need for most discrimination testing. Eligible employees can participate in the 401(k) and Retirement Savings Plan immediately upon joining the Company and after 180 days of employment begin receiving company matching contributions. In addition, "seasonal" or "on-call" employees must complete a year of eligibility service before they may participate in the 401(k) and Retirement Savings Plan. The 401(k) and Retirement Savings Plan permits eligible employees to make Roth elective deferrals, effective November 1, 2012, which are included in the employee's taxable income at the time of contribution, but not when distributed. Regular, or Non-Roth, elective deferrals made by employees, together with contributions by the Company to the 401(k) and Retirement Savings Plan, and income earned on these contributions, are not taxable to employees until withdrawn from the 401(k) and Retirement Savings Plan. The 401(k) and Retirement Savings Plan covers U.S. employees, who are at least 18 years old, of ADS Alliance Data Systems, Inc., one of the Company's wholly-owned subsidiaries, and any other subsidiary or affiliated organization that adopts this 401(k) and Retirement Savings Plan. The Company, and all of its U.S. subsidiaries, are currently covered under the 401(k) and Retirement Savings Plan.

Through December 31, 2013, the Company matched dollar-for-dollar on the first three percent of savings, and an additional fifty cents for each dollar an employee contributed for savings of more than three percent and up to five percent of pay. Effective January 1, 2014, the Company matched dollar-for-dollar up to five percent of savings. All company matching contributions are immediately vested. In addition to the company match, the Company may make an additional annual discretionary contribution based on the Company's profitability. This contribution, subject to Board of Director approval, is based on a percentage of pay and is subject to a separate three-year cliff vesting schedule. The discretionary contribution vests in full upon achieving three years of service for participants with less than three years of service. All of these contributions vest immediately if the participating employee has more than three years of service, attains age 65, becomes disabled, dies or if the 401(k) and Retirement Savings Plan terminates. Company matching and discretionary contributions for the years ended December 31, 2014, 2013 and 2012 were $37.4 million, $28.1 million and $22.0 million, respectively.

The participants in the plan can direct their contributions and the Company's matching contribution to numerous investment options, including the Company's common stock. On July 20, 2001, the Company registered 1,500,000 shares of its common stock for issuance in accordance with its 401(k) and Retirement Savings Plan pursuant to a Registration Statement on Form S-8, File No. 333-65556. As of December 31, 2014, 712,210 of such shares remain available for issuance.

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

The Company provides for its Canadian employees the Group Retirement Savings Plan of the Loyalty Group ("GRSP"), which is a group retirement savings plan registered with the Canada Revenue Agency. Contributions made by Canadian employees on their behalf or on behalf of their spouse to the GRSP, and income earned on these contributions, are not taxable to employees until withdrawn from the GRSP. Employee contributions eligible for company match may not exceed the overall maximum allowed by the Income Tax Act (Canada); the maximum tax-deductible GRSP contribution is set by the Canada Revenue Agency each year. The Deferred Profit Sharing Plan ("DPSP") is a legal trust registered with the Canada Revenue Agency. Eligible full-time employees can participate in the GRSP after three months of employment and eligible part-time employees after six months of employment. Employees become eligible to receive company matching contributions into the DPSP on the first day of the calendar quarter following twelve months of employment. Based on the eligibility guidelines, the Company matches up to 5% of contributions dollar-for-dollar. Contributions made to the DPSP reduce an employee's maximum contribution amounts to the GRSP under the Income Tax Act (Canada) for the following year. All company matching contributions into the DPSP vest after receipt of one continuous year of DPSP contributions. LoyaltyOne matching and discretionary contributions for each of the years ended December 31, 2014 and 2013 was $2.1 million, and $2.0 million for the year ended December 31, 2012.

Executive Deferred Compensation Plan and the Canadian Supplemental Executive Retirement Plan

The Company also maintains an Executive Deferred Compensation Plan ("EDCP"). The EDCP provides an opportunity for a defined group of management and highly compensated employees to defer on a pre-tax basis a portion of their regular compensation and bonuses payable for services rendered and to receive certain employer contributions.

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

18. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

	Net Unrealized Gains (Losses) on Securities	Unrealized Losses on Cash Flow Hedges	Foreign Currency Translation Adjustments [1]	Accumulated Other Comprehensive Income (Loss)
		(In thousands)		
Balance as of January 1, 2012	$ 6,953	$ —	$ (30,009)	$ (23,056)
Changes in other comprehensive income (loss)	3,368	—	(2,173)	1,195
Balance at December 31, 2012	$ 10,321	$ —	$ (32,182)	$ (21,861)
Changes in other comprehensive income (loss)	(6,132)	—	9,766	3,634
Balance at December 31, 2013	$ 4,189	$ —	$ (22,416)	$ (18,227)
Changes in other comprehensive income (loss) before reclassifications	(1,535)	2,661	(58,041)	(56,915)
Amounts reclassified from other comprehensive income (loss)	—	(311)	—	(311)
Changes in other comprehensive income (loss)	(1,535)	2,350	(58,041)	(57,226)
Balance at December 31, 2014	$ 2,654	$ 2,350	$ (80,457)	$ (75,453)

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

19. INCOME TAXES

The Company files a consolidated federal income tax return.

	Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Components of income before income taxes:			
Domestic	$ 667,869	$ 547,757	$ 481,243
Foreign	170,072	245,655	201,661
Total	$ 837,941	$ 793,412	$ 682,904
Components of income tax expense are as follows:			
Current			
Federal	$ 224,604	$ 188,600	$ 143,695
State	31,049	33,595	13,991
Foreign	79,539	32,134	696
Total current	335,192	254,329	158,382
Deferred			
Federal	(14,250)	1,477	28,267
State	(18,935)	(1,485)	6,176
Foreign	19,794	42,921	67,823
Total deferred	(13,391)	42,913	102,266
Total provision for income taxes	$ 321,801	$ 297,242	$ 260,648

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

	Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Expected expense at statutory rate	$ 293,279	$ 277,694	$ 239,016
Increase (decrease) in income taxes resulting from:			
State income taxes, net of federal benefit	7,874	20,871	13,109
Foreign earnings at other than U.S. rates	(8,108)	(9,225)	(4,328)
Canadian tax rate reductions	—	—	(7,128)
U.S. tax on foreign dividends, net of credits	—	—	15,617
Non-deductible expenses (non-taxable income)	27,347	(742)	4,282
Other	1,409	8,644	80
Total	$ 321,801	$ 297,242	$ 260,648

Deferred tax assets and liabilities consist of the following:

	December 31,	
	2014	2013
	(In thousands)	
Deferred tax assets		
Deferred revenue	$ 7,111	$ 42,359
Allowance for doubtful accounts	220,527	192,546
Net operating loss carryforwards and other carryforwards	98,910	53,591
Stock-based compensation and other employee benefits	44,694	28,582
Accrued expenses and other	48,444	50,120
Total deferred tax assets	419,686	367,198
Valuation allowance	(13,013)	(22,414)
Deferred tax assets, net of valuation allowance	406,673	344,784
Deferred tax liabilities		
Deferred income	$ 301,282	$ 244,612
Convertible note hedges	—	1,474
Depreciation	19,379	8,440
Intangible assets	558,081	147,366
Total deferred tax liabilities	878,742	401,892
Net deferred tax liability	$ (472,069)	$ (57,108)
Amounts recognized in the consolidated balance sheets:		
Current assets	$ 218,872	$ 216,195
Non-current assets	164	2,454
Current liabilities	(930)	—
Non-current liabilities	(690,175)	(275,757)
Total – Net deferred tax liability	$ (472,069)	$ (57,108)

At December 31, 2014, the Company has approximately $33.8 million of U.S. federal net operating loss carryovers ("NOLs"), approximately $8.5 million of capital losses, and approximately $57.9 million of credits, of which $57.1 million are foreign tax credits, that expire at various times through the year 2024. Pursuant to Section 382 and Section 383 of the Internal Revenue Code, the Company's utilization of such NOLs and a portion of such credits is subject to an annual limitation. At December 31, 2014, the Company has state income tax NOLs of approximately $447.8 million, approximately $8.5 million of capital losses, and state credits of approximately $7.5 million available to offset future state taxable income. The state NOLs and credits will expire at various times through the year 2034. The Company believes it is more likely than not that the capital losses and a portion of the federal and state credits and state NOLs will expire before being utilized. Therefore, in accordance with ASC 740-10, "Income Taxes—Overall—Initial Measurement," the Company has established a valuation allowance on the capital losses and a portion of federal and state credits and state NOLs that the Company expects to expire prior to utilization.

The Company has $17.9 million of foreign NOLs at December 31, 2014, which have an unlimited carryforward period. The Company does not believe it is more likely than not that these NOLs will be utilized and has therefore established a full valuation allowance against them.

The Company's valuation allowance decreased during the year ended December 31, 2014 as a result of anticipated utilization of state NOLs following the Conversant acquisition.

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

As of December 31, 2014, income taxes have not been provided on approximately $55.0 million of unremitted earnings of certain non-U.S. subsidiaries as such earnings are expected to be indefinitely reinvested in foreign operations. The determination of taxes associated with the $55.0 million is not practicable.

The income tax expense does not reflect the tax effect of certain items recorded directly to additional paid-in capital. The net tax impact resulting from the exercise of employee stock options and other employee stock programs that was recorded in additional paid-in capital was approximately $34.2 million, $17.3 million and $21.4 million for the years ended December 31, 2014, 2013 and 2012, respectively.

In June 2012, the Ontario government enacted a law that froze the corporate income tax rate at the current rate, essentially repealing rate reductions scheduled for future years. As a result of the rate freeze, the Company was required to record a $7.1 million tax benefit in the year ended December 31, 2012 to increase its deferred tax asset in Canada related to future years.

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

Balance at December 31, 2011	$	69,544
Increases related to prior years' tax positions		4,188
Decreases related to prior years' tax positions		(7,424)
Increases related to current year tax positions		11,703
Settlements during the period		(1,253)
Lapses of applicable statutes of limitation		(604)
Balance at December 31, 2012	$	76,154
Increases related to prior years' tax positions		4,328
Decreases related to prior years' tax positions		(1,580)
Increases related to current year tax positions		23,567
Settlements during the period		(197)
Lapses of applicable statutes of limitation		(918)
Balance at December 31, 2013	$	101,354
Increases related to prior years' tax positions		3,500
Decreases related to prior years' tax positions		(4,184)
Increases related to current year tax positions		18,404
Settlements during the period		(1,841)
Lapses of applicable statutes of limitation		(1,936)
Increases related to acquisitions		22,253
Balance at December 31, 2014	$	137,550

Included in the balance at December 31, 2014 are tax positions reclassified from deferred tax liabilities. Deductibility or taxability is highly certain for these tax positions but there is uncertainty about the timing of such deductibility or taxability. Because of the impact of deferred tax accounting, other than interest and penalties, this timing uncertainty would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company recognizes potential accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company has potential cumulative interest and penalties with respect to unrecognized tax benefits of approximately $25.2 million, $18.5 million and $15.5 million at December 31, 2014, 2013 and 2012, respectively. For the years ended December 31, 2014, 2013 and 2012, the Company recorded approximately $1.4 million, $2.1 million and $0.3 million, respectively, in potential interest and penalties with respect to unrecognized tax benefits.

At December 31, 2014, 2013 and 2012, the Company had unrecognized tax benefits of approximately $88.9 million, $56.0 million and $37.5 million, respectively that, if recognized, would impact the effective tax rate. The Company does not anticipate a significant change to the total amount of unrecognized tax benefits over the next twelve months.

The Company files income tax returns in the U.S. federal jurisdiction and in many state and foreign jurisdictions. With some exceptions, the tax returns filed by the Company are no longer subject to U.S. federal income tax examinations for the years before 2011, state and local examinations for years before 2010 or foreign income tax examinations for years before 2008.

20. FINANCIAL INSTRUMENTS

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

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

	December 31,			
	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Financial assets				
Cash and cash equivalents	$ 1,077,152	$ 1,077,152	$ 969,822	$ 969,822
Trade receivables, net	743,294	743,294	394,822	394,822
Credit card and loan receivables, net	10,673,709	10,673,709	8,069,713	8,069,713
Credit card and loan receivables held for sale	125,060	125,060	62,082	62,082
Redemption settlement assets, restricted	520,340	520,340	510,349	510,349
Cash collateral, restricted	22,511	22,511	34,124	34,124
Other investments	217,583	217,583	99,221	99,221
Derivative instruments	3,871	3,871	—	—
Financial liabilities				
Accounts payable	455,656	455,656	210,019	210,019
Derivative instruments	17,290	17,290	—	—
Deposits	4,773,541	4,801,464	2,816,361	2,836,352
Non-recourse borrowings of consolidated securitization entities	5.191,916	5,225,359	4,591,916	4,618,205
Long-term and other debt	4,209,246	4,227,414	2,800,281	4,404,500
Contingent consideration	326,023	326,023	—	—

Fair Value of Assets and Liabilities Held at December 31, 2014 and 2013

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

Cash and cash equivalents, trade receivables, net and accounts payable — The carrying amount approximates fair value due to the short maturity and the relatively liquid nature of these assets and liabilities.

Credit card and loan receivables, net — Credit card and loan receivables, net includes both receivables issued or purchased by the Company in the normal course of business as described in Note 4, "Credit Card and Loan Receivables." The carrying amount of credit card and loan receivables, net approximates fair value due to the short maturity and average interest rates that approximate current market origination rates.

Credit card and loan receivables held for sale — Credit card and loan receivables held for sale are carried at the lower of cost or fair value, and their carrying amount approximates fair value due to the short duration of the holding period of the receivables prior to sale.

Redemption settlement assets, restricted — Redemption settlement assets, restricted consists of cash and cash equivalents and government and corporate bonds. The fair value for securities is based on quoted market prices for the same or similar securities.

Cash collateral, restricted — The spread deposits are recorded at their fair value based on discounted cash flow models. The Company uses a valuation model that calculates the present value of estimated cash flows for each asset. The fair value is based on the term of the underlying securities and a discount rate. The carrying amount of excess funding deposits approximates its fair value due to the relatively short maturity period and average interest rates, which approximate current market rates.

Other investments — Other investments consist of restricted cash, U.S. Treasury bonds and marketable securities. The fair value is based on quoted market prices for the same or similar securities.

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

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

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

Derivative instruments — The fair value of the interest rate derivative instruments was determined using a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflected the contractual terms of the derivatives, including the period to maturity, and used observable market-based inputs, including interest rate curves and option volatility. The fair value of the foreign currency derivative instruments is estimated based on published quotations of spot foreign currency rates and forward points which are converted into implied foreign currency rates.

Contingent consideration — The fair value at inception was determined using a Monte Carlo simulation valuation technique, which is based on certain key assumptions, including the estimated 2014 earnings and net debt of BrandLoyalty, each as defined in the BrandLoyalty share purchase agreement, earnings volatility, and discount rate. As of December 31, 2014, the fair value was determined based on the provisions in the BrandLoyalty share purchase agreement which was based on a defined multiple, 2014 BrandLoyalty EBITDA, and net debt.

Financial Assets and Financial Liabilities Fair Value Hierarchy

ASC 825 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

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

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

The following tables provide information for the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2014 and 2013:

	Balance at December 31, 2014	Fair Value Measurements at December 31, 2014 Using		
		Level 1	Level 2	Level 3
		(In thousands)		
Corporate bonds [1]	$ 283,213	$ —	$ 283,213	$ —
Cash collateral, restricted	22,511	—	—	22,511
Other investments [2]	217,583	127,764	89,819	—
Derivative instruments [3]	3,871	—	3,871	—
Total assets measured at fair value	$ 527,178	$ 127,764	$ 376,903	$ 22,511
Derivative instruments [3]	$ 17,290	$ —	$ 17,290	$ —
Contingent consideration	326,023	—	—	326,023
Total liabilities measured at fair value	$ 343,313	$ —	$ 17,290	$ 326,023

	Balance at December 31, 2013	Fair Value Measurements at December 31, 2013 Using		
		Level 1	Level 2	Level 3
		(In thousands)		
Corporate bonds [1]	$ 436,365	$ —	$ 436,365	$ —
Cash collateral, restricted	34,124	—	—	34,124
Other investments [2]	99,221	30,888	68,333	—
Total assets measured at fair value	$ 569,710	$ 30,888	$ 504,698	$ 34,124

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

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

(3) Interest rate derivatives are included in other current liabilities in the consolidated balance sheets. Foreign currency derivatives are included in other current assets and other current liabilities in the consolidated balance sheets.

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

The following table summarizes the changes in fair value of the Company's asset and liability measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in ASC 825 as of December 31, 2014 and 2013:

	Cash Collateral, Restricted	
	Years Ended December 31,	
	2014	2013
	(In thousands)	
Balance at beginning of period	$ 34,124	$ 62,660
Total gains (realized or unrealized):		
Included in earnings	1,046	1,369
Purchases	—	—
Sales	—	—
Issuances	—	—
Settlements	(12,659)	(29,905)
Transfers in or out of Level 3	—	—
Balance at end of period	$ 22,511	$ 34,124
Gains for the period included in earnings related to asset still held at end of period	$ 716	$ 971

The spread deposits included in cash collateral, restricted are recorded at their fair value based on discounted cash flow models, utilizing the respective term of each instrument which ranged from 6 to 22 months, with a weighted average term of nine months. The unobservable input used to calculate the fair value was the discount rate of 3.1%, which was based on an interest rate curve that is observable in the market as adjusted for a credit spread. Significant increases in the term or the discount rate would result in a lower fair value. Conversely, significant decreases in the term or the discount rate would result in a higher fair value.

For the years ended December 31, 2014, 2013 and 2012 gains included in earnings attributable to cash collateral, restricted are included in securitization funding costs in the Company's consolidated statements of income.

	Contingent Consideration	
	Years Ended December 31,	
	2014	2013
	(In thousands)	
Balance at beginning of period	$ —	$ —
Total losses (realized or unrealized):		
Included in earnings	105,944	—
Purchases	248,702	—
Sales	—	—
Issuances	—	—
Settlements	—	—
Foreign currency transaction adjustments	(28,623)	—
Transfers in or out of Level 3	—	—
Balance at end of period	$ 326,023	$ —
Losses for the period included in earnings related to liability still held at end of period	$ 77,321	$ —

The contingent consideration represents the additional consideration that the Company was required to pay in the first quarter of 2015 as part of the earn-out provisions included in the share purchase agreement for the BrandLoyalty acquisition. At December 31, 2014, the contingent consideration was included in the Company's consolidated balance sheets and was recorded at fair value. The fair value of €270.0 million ($326.0 million as of December 31, 2014) was determined based on BrandLoyalty's earnings for the year ended December 31, 2014 using the methodology defined in the BrandLoyalty share purchase agreement.

For the year ended December 31, 2014, the change in fair value of the contingent consideration was included in operating expenses in the Company's consolidated statements of income, while foreign currency transaction gains are included in general and administrative expenses in the Company's consolidated statements of income.

There were no transfers between Levels 1 and 2 within the fair value hierarchy for the years ended December 31, 2014 and 2013.

Financial Instruments Disclosed but Not Carried at Fair Value

The following tables provide assets and liabilities disclosed but not carried at fair value as of December 31, 2014 and 2013:

	Fair Value Measurements at December 31, 2014			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Financial assets:				
Cash and cash equivalents	$ 1,077,152	$ 1,077,152	$ —	$ —
Credit card and loan receivables, net	10,673,709	—	—	10,673,709
Credit card and loan receivables held for sale	125,060	—	—	125,060
Total	$ 11,875,921	$ 1,077,152	$ —	$ 10,798,769
Financial liabilities:				
Deposits	$ 4,801,464	$ —	$ 4,801,464	$ —
Non-recourse borrowings of consolidated securitization entities	5,225,359	—	5,225,359	—
Long-term and other debt	4,227,414	—	4,227,414	—
Total liabilities	$ 14,254,237	$ —	$ 14,254,237	$ —

	Fair Value Measurements at December 31, 2013			
	Total	Level 1	Level 2	Level 3
	(In thousands)			
Financial assets:				
Cash and cash equivalents	$ 969,822	$ 969,822	$ —	$ —
Credit card and loan receivables, net	8,069,713	—	—	8,069,713
Credit card and loan receivables held for sale	62,082	—	—	62,082
Total	$ 9,101,617	$ 969,822	$ —	$ 8,131,795
Financial liabilities:				
Deposits	$ 2,836,352	$ —	$ 2,836,352	$ —
Non-recourse borrowings of consolidated securitization entities	4,618,205	—	4,618,205	—
Long-term and other debt	4,404,500	—	4,404,500	—
Total liabilities	$ 11,859,057	$ —	$ 11,859,057	$ —

21. PARENT-ONLY FINANCIAL STATEMENTS

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

Balance Sheets

	December 31,	
	2014	2013
	(In thousands)	
Assets:		
Cash and cash equivalents	$ 533	$ 15,216
Investment in subsidiaries	6,731,287	3,819,760
Intercompany receivables	378,562	399,305
Other assets	148,240	96,039
Total assets	$ 7,258,622	$ 4,330,320
Liabilities:		
Current debt	$ 99,375	$ 364,489
Long-term debt	4,001,082	2,435,792
Intercompany payables	—	—
Other liabilities	761,785	674,278
Total liabilities	4,862,242	3,474,559
Stockholders' equity	2,396,380	855,761
Total liabilities and stockholders' equity	$ 7,258,622	$ 4,330,320

Statements of Income

	Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Interest from loans to subsidiaries	$ 9,988	$ 10,065	$ 10,248
Dividends from subsidiaries	194,441	68,544	464,971
Total revenue	204,429	78,609	475,219
Interest expense, net	129,831	184,727	179,527
Other expenses, net	17,867	1,240	533
Total expenses	147,698	185,967	180,060
Income (loss) before income taxes and equity in undistributed net income of subsidiaries	56,731	(107,358)	295,159
Benefit for income taxes	36,615	32,909	73,106
Income (loss) before equity in undistributed net income of subsidiaries	93,346	(74,449)	368,265
Equity in undistributed net income of subsidiaries	422,794	570,619	53,991
Net income	$ 516,140	$ 496,170	$ 422,256

Statements of Cash Flows

	Years Ended December 31,		
	2014	2013	2012
		(In thousands)	
Net cash (used in) provided by operating activities	$ (318,116)	$ 144,841	$ (224,835)
Investing activities:			
Payments for acquired businesses, net of cash acquired	(1,003,237)	—	—
Repayment of loans to subsidiaries	112,903	—	—
Loans to subsidiaries	—	(112,903)	—
Investment in subsidiaries	(15,000)	—	(475,000)
Dividends received	194,441	68,544	464,971
Net cash used in investing activities	(710,893)	(44,359)	(10,029)
Financing activities:			
Borrowings under debt agreements	3,358,000	1,985,000	1,095,148
Repayments of borrowings	(1,725,563)	(1,300,241)	(506,214)
Proceeds from convertible note hedge counterparties	1,519,833	1,056,307	—
Settlement of convertible note borrowings	(1,864,803)	(1,861,289)	—
Excess tax benefits from stock-based compensation	34,159	17,267	20,199
Payment of deferred financing costs	(36,269)	(12,784)	(21,672)
Purchase of treasury shares	(286,618)	(231,085)	(125,840)
Proceeds from issuance of common stock	17,063	14,090	20,696
Other	(1,476)	(9)	—
Net cash provided by (used in) financing activities	1,014,326	(332,744)	482,317
(Decrease) increase in cash and cash equivalents	(14,683)	(232,262)	247,453
Cash and cash equivalents at beginning of year	15,216	247,478	25
Cash and cash equivalents at end of year	$ 533	$ 15,216	$ 247,478

22. SEGMENT INFORMATION

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

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

- LoyaltyOne includes the Company's Canadian AIR MILES Reward Program and BrandLoyalty;
- Epsilon provides end-to-end, integrated direct marketing solutions that leverage transactional data to help clients more effectively acquire and build stronger relationships with their customers; and
- Private Label Services and Credit provides risk management solutions, account origination, funding, transaction processing, customer care, collections and marketing services for the Company's private label and co-brand retail credit card programs.

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

Year Ended December 31, 2014	LoyaltyOne	Epsilon	Private Label Services and Credit	Corporate/ Other	Eliminations	Total
			(In thousands)			
Revenues	$ 1,406,877	$ 1,522,423	$ 2,395,076	$ 556	$ (21,992)	$ 5,302,940
Income (loss) before income taxes	244,438	126,461	851,843	(384,801)	—	837,941
Interest expense, net	5,861	(49)	124,906	129,808	—	260,526
Operating income (loss)	250,299	126,412	976,749	(254,993)	—	1,098,467
Depreciation and amortization	88,710	157,353	58,884	8,135	—	313,082
Stock compensation expense	11,549	25,335	13,905	21,673	—	72,462
Business acquisition costs	—	—	—	7,301	—	7,301
Earn-out obligation	—	—	—	105,944	—	105,944
Adjusted EBITDA [1]	350,558	309,100	1,049,538	(111,940)	—	1,597,256
Less: Securitization funding costs	—	—	91,103	—	—	91,103
Less: Interest expense on deposits	—	—	37,543	—	—	37,543
Less: Adjusted EBITDA attributable to non-controlling interest	43,050	—	—	—	—	43,050
Adjusted EBITDA, net [1]	$ 307,508	$ 309,100	$ 920,892	$ (111,940)	$ —	$ 1,425,560
Capital expenditures	$ 31,751	$ 85,906	$ 29,932	$ 11,105	$ —	$ 158,694
Total assets	$ 2,362,722	$ 5,014,947	$ 12,645,228	$ 241,080	$ —	$ 20,263,977

Year Ended December 31, 2013	LoyaltyOne	Epsilon	Private Label Services and Credit	Corporate/ Other	Eliminations	Total
			(In thousands)			
Revenues	$ 919,480	$ 1,380,344	$ 2,034,724	$ 82	$ (15,567)	$ 4,319,063
Income (loss) before income taxes	230,992	131,406	730,568	(299,554)	—	793,412
Interest expense, net	(1,312)	(56)	122,159	184,709	—	305,500
Operating income (loss)	229,680	131,350	852,727	(114,845)	—	1,098,912
Depreciation and amortization	18,057	139,984	52,277	5,801	—	216,119
Stock compensation expense	10,804	18,365	11,095	18,919	—	59,183
Adjusted EBITDA [1]	258,541	289,699	916,099	(90,125)	—	1,374,214
Less: Securitization funding costs	—	—	95,326	—	—	95,326
Less: Interest expense on deposits	—	—	29,111	—	—	29,111
Adjusted EBITDA, net [1]	$ 258,541	$ 289,699	$ 791,662	$ (90,125)	$ —	$ 1,249,777
Capital expenditures	$ 28,713	$ 67,024	$ 27,909	$ 11,730	$ —	$ 135,376
Total assets	$ 1,100,396	$ 2,116,569	$ 9,677,651	$ 349,641	$ —	$ 13,244,257

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

Year Ended December 31, 2012	LoyaltyOne	Epsilon	Private Label Services and Credit	Corporate/ Other	Eliminations	Total
			(In thousands)			
Revenues	$ 919,041	$ 996,210	$ 1,732,160	$ 372	$ (6,393)	$ 3,641,390
Income (loss) before income taxes	208,729	106,222	657,654	(289,701)	—	682,904
Interest expense, net	(1,560)	(67)	114,193	178,894	—	291,460
Operating income (loss)	207,169	106,155	771,847	(110,807)	—	974,364
Depreciation and amortization	19,614	101,684	42,464	3,114	—	166,876
Stock compensation expense	9,311	14,414	8,930	17,842	—	50,497
Adjusted EBITDA (1)	236,094	222,253	823,241	(89,851)	—	1,191,737
Less: Securitization funding costs	—	—	92,808	—	—	92,808
Less: Interest expense on deposits	—	—	25,181	—	—	25,181
Adjusted EBITDA, net (1)	$ 236,094	$ 222,253	$ 705,252	$ (89,851)	$ —	$ 1,073,748
Capital expenditures	$ 19,424	$ 60,065	$ 28,295	$ 8,671	$ —	$ 116,455
Total assets	$ 1,083,374	$ 2,129,796	$ 8,171,541	$ 615,428	$ —	$ 12,000,139

(1) Adjusted EBITDA is a non-GAAP financial measure equal to net income, the most directly comparable financial measure based on GAAP plus stock compensation expense, provision for income taxes, interest expense, net, depreciation and other amortization and amortization of purchased intangibles. Adjusted EBITDA, net is also a non-GAAP financial measure equal to adjusted EBITDA less securitization funding costs, interest expense on deposits and adjusted EBITDA attributable to the non-controlling interest. Adjusted EBITDA and adjusted EBITDA, net is presented in accordance with ASC 280 as it is the primary performance metric utilized to assess performance of the segments.

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

	United States	Canada	Europe, Middle East and Africa	Asia Pacific	Other	Total
			(In thousands)			
Revenues						
Year Ended December 31, 2014	$ 3,867,013	$ 851,641	$ 463,299	$ 101,245	$ 19,742	$ 5,302,940
Year Ended December 31, 2013	$ 3,327,688	$ 906,459	$ 80,280	$ 4,636	$ —	$ 4,319,063
Year Ended December 31, 2012	$ 2,655,506	$ 913,188	$ 67,384	$ 5,312	$ —	$ 3,641,390
Long-Lived Assets						
Year Ended December 31, 2014	$ 5,295,776	$ 282,663	$ 865,961	$ 4,666	$ 135	$ 6,449,201
Year Ended December 31, 2013	$ 2,371,054	$ 313,891	$ 158,470	$ —	$ —	$ 2,843,415

23. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

Unaudited quarterly results of operations for the years ended December 31, 2014 and 2013 are presented below.

	Quarter Ended			
	March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014
	(In thousands, except per share amounts)			
Revenues	$ 1,232,900	$ 1,265,158	$ 1,319,133	$ 1,485,749
Operating expenses [1]	951,108	982,618	997,492	1,273,255
Operating income	281,792	282,540	321,641	212,494
Interest expense, net	67,747	62,932	61,464	68,383
Income before income taxes	214,045	219,608	260,177	144,111
Provision for income taxes	78,298	80,419	95,229	67,855
Net income	135,747	139,189	164,948	76,256
Less: Net (loss) income attributable to non-controlling interest	(1,648)	1,745	706	9,044
Net income attributable to Alliance Data Systems Corporation stockholders	$ 137,395	$ 137,444	$ 164,242	$ 67,212
Net income attributable to Alliance Data Systems Corporation stockholders per share:				
Basic	$ 2.59	$ 2.54	$ 2.84	$ 0.87
Diluted	$ 2.08	$ 2.19	$ 2.74	$ 0.86

(1) Included in operating expenses in the quarter ended December 31, 2014 is $105.9 million in additional contingent consideration associated with the Company's acquisition of a 60% ownership interest in BrandLoyalty.

	Quarter Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
	(In thousands, except per share amounts)			
Revenues	$ 1,053,437	$ 1,028,092	$ 1,096,447	$ 1,141,087
Operating expenses	762,212	758,912	807,679	891,348
Operating income	291,225	269,180	288,768	249,739
Interest expense, net	82,544	83,466	74,015	65,475
Income before income taxes	208,681	185,714	214,753	184,264
Provision for income taxes	79,702	69,274	81,875	66,391
Net income	128,979	116,440	132,878	117,873
Less: Net income attributable to non-controlling interest	—	—	—	—
Net income attributable to Alliance Data Systems Corporation stockholders	$ 128,979	$ 116,440	$ 132,878	$ 117,873
Net income attributable to Alliance Data Systems Corporation stockholders per share:				
Basic	$ 2.59	$ 2.37	$ 2.73	$ 2.40
Diluted	$ 1.92	$ 1.71	$ 2.01	$ 1.79

24. NON-CASH FINANCING AND INVESTING ACTIVITIES

As discussed in Note 3, "Acquisitions," on December 10, 2014, the Company completed the acquisition of 100% of the common stock of Conversant, Inc. Consideration for the acquisition included the issuance of 4.6 million shares of the Company's common stock to former stockholders of Conversant. Total value of the equity consideration paid and issued, based on the volume weighted average price per share of the Company's common stock for the consecutive period of 15 trading days ending on the close of trading on the second trading day preceding the close of the merger, was $1.3 billion.

In December 2012, the Company purchased 0.1 million of treasury shares for an aggregate amount of $11.6 million that had not settled on December 31, 2012 and was included in accounts payable.

As part of the BrandLoyalty acquisition on January 2, 2014, the Company recorded a liability of €181.9 million ($248.7 million as of January 2, 2014) for the earn-out provisions included in the BrandLoyalty share purchase agreement. See Note 3, "Acquisitions," for additional information. In addition, the Company assumed the debt outstanding under the BrandLoyalty Credit Agreement, consisting of term loans of €56.8 million and a revolving line of credit of €60.6 million ($77.6 million and $82.9 million, respectively, on January 2, 2014). See Note 11, "Debt," for additional information.

SIGNATURES

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

ALLIANCE DATA SYSTEMS CORPORATION

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

DATE: February 27, 2015

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

Name	Title	Date
/S/ EDWARD J. HEFFERNAN **Edward J. Heffernan**	President, Chief Executive Officer and Director	February 27, 2015
/S/ CHARLES L. HORN **Charles L. Horn**	Executive Vice President and Chief Financial Officer	February 27, 2015
/S/ LAURA SANTILLAN **Laura Santillan**	Senior Vice President and Chief Accounting Officer	February 27, 2015
/S/ BRUCE K. ANDERSON **Bruce K. Anderson**	Director	February 27, 2015
/S/ ROGER H. BALLOU **Roger H. Ballou**	Director	February 27, 2015
/S/ LAWRENCE M. BENVENISTE, PH.D. **Lawrence M. Benveniste, Ph.D.**	Director	February 27, 2015
/S/ D. KEITH COBB **D. Keith Cobb**	Director	February 27, 2015
/S/ E. LINN DRAPER, JR., PH.D. **E. Linn Draper, Jr., Ph.D.**	Director	February 27, 2015
/S/ KENNETH R. JENSEN **Kenneth R. Jensen**	Director	February 27, 2015
/S/ ROBERT A. MINICUCCI **Robert A. Minicucci**	Chairman of the Board, Director	February 27, 2015

SCHEDULE II

ALLIANCE DATA SYSTEMS CORPORATION

CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Write-Offs Net of Recoveries	Balance at End of Period
			(In thousands)		
Allowance for Doubtful Accounts —Trade receivables:					
Year Ended December 31, 2014	$ 2,262	$ 2,857	$ 143	$ (1,451)	$ 3,811
Year Ended December 31, 2013	$ 3,919	$ 386	$ 1,273	$ (3,316)	$ 2,262
Year Ended December 31, 2012	$ 2,406	$ 2,270	$ 384	$ (1,141)	$ 3,919

Exhibit 10.3

OFFICE LEASE

PROJECT:	**THE SHOPS AT LEGACY – NORTH PHASE II (OFFICES)**
LANDLORD:	**THE SHOPS AT LEGACY (NORTH) LLC**
TENANT:	**ADS ALLIANCE DATA SYSTEMS, INC.,** **a Delaware corporation**

OFFICE LEASE
BASIC LEASE INFORMATION

1. **Date of Lease**: June 7, 2013

2. **Office Project**:

   a. Name: The Shops at Legacy - North Phase II Offices
   b. Address: 5840 Legacy Circle Drive, Plano, Texas 75024
   c. Office Project Rentable Area: 114,116 rsf. or such area as may be required per subsection 1.102

3. **Tenant**: ADS Alliance Data Systems, Inc.

4. **Premises**:

   a. Suite D 270
   b. Premises Rentable Area: 11,520 s.f.
   c. Premises Usable Area: 10,492 s.f.

5. **Basic Rent**:

Rental Period	Annual Rate Per Foot of Premises Rentable Area	Basic Monthly Rent
Months 1 – 5		
Months 6-17		
Months 18-29		
Months 30-41		
Months 42-53		
Months 54-65		

6. **Tenant's Share**: 10.1% or such other percentage as may be reasonably determined pursuant to Section 1.102

7. **Operating Expense Stop**: Equal to actual Operating Expenses for the calendar year 2013, grossed up in accordance with subsection 2.202 of this Lease.

8. **Term**: Sixty-five (65) months, provided that if the Commencement Date occurs on a day other than the first day of a calendar month, the Term of this Lease shall be extended to the last day of the calendar month in which the Term of this Lease would otherwise expire and Tenant shall pay Basic Monthly Rent and Additional Rent through the end of such calendar month. Tenant shall have an option to renew the Term of this Lease for two (2) additional terms of five (5) years each, as set forth in Rider 2, Renewal Option.

9. **Commencement Date**: September 1, 2013

10. **Expiration Date**: January 31, 2019

11. **Permitted Use**: General office and administrative purposes.

12. **Security Deposit**:

13. **Payments**: All payments shall be payable to Landlord and sent in care of K-N Ventures, Inc. ("Property Manager"), at 7200 Bishop Road, Suite 250, Plano, Texas 75024, or such other place as Landlord may designate by written notice to Tenant from time to time. All payments shall be in the form of check or wire transfer until otherwise designated by Landlord, provided that payment by check shall not be deemed made if the check is not duly honored with good funds.

14. **Guarantor:** None.

15. **Addresses**:

Landlord:

The Shops at Legacy (North) L. L. C.
c/o The Karahan Companies
7200 Bishop Road, Suite 250
Plano, Texas 75024
Attention: Fehmi Karahan
Phone: 214-473-9700
Fax: 214-473-9701

Tenant:

Prior to Commencement Date:
ADS ALLIANCE DATA SYSTEMS, INC.
7500 Dallas Parkway, Suite 700
Plano, Texas 75024
Attention: VP of Corporate Administration
Phone: (214) 494-3000

After Commencement Date:
ADS ALLIANCE DATA SYSTEMS, INC.
7500 Dallas Parkway, Suite 700
Plano, Texas 75024
Attention: General Counsel
Phone: 214-494-3000

Landlord and Tenant are initialing this Basic Lease Information below as an acknowledgment that it is part of the attached Office Lease.

Initials:

Landlord: _____
Tenant: _____

OFFICE LEASE

This Office Lease (this "Lease") is made by and between **THE SHOPS AT LEGACY (NORTH) L. L. C.,** a Texas limited liability company ("Landlord"), and ADS **ALLIANCE DATA SYSTEMS, INC.**, a Delaware corporation ("Tenant"). The Basic Lease Information attached hereto as page i (the "Basic Lease Information") and all exhibits, riders and other attachments to this Lease are incorporated into this Lease and made a part hereof. Capitalized terms used in this Lease without definitions have the respective meanings assigned to them in the Basic Lease Information.

ARTICLE 1
TERM AND POSSESSION

SECTION 1.1 LEASE OF PREMISES, COMMENCEMENT AND EXPIRATION.

1.101 Lease of Premises. The "Office Project", (herein so called) which is located on the real property described in Exhibit A attached hereto (the "Land"), is comprised of certain ground floor lobby space and one (1) floor of space on the second level of a series of mixed-use buildings within "The Shops at Legacy – North (Phase II)" project (the "Master Project") in Legacy Town Center in Plano, Texas. The mixed use building in which the Premises is located shall be referred to herein as the "Building". The Office Project is located within several buildings within the Master Project; each such building is located adjacent to an above-grade, multi-level parking garage (the parking garage identified on Exhibit A-1 shall be referred to as the "Garage"). In consideration of the mutual covenants herein, Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, the Premises, subject to all the terms and conditions of this Lease. The Premises is shown as the crosshatched area on Exhibit B attached hereto. The Office Project, the Garage, the Land, the other parking garages within the Master Project that serve the Office Project (the "Other Garages") and all other improvements located on, and appurtenances to, the Office Project, the Garage, the Other Garages, and the Land are referred to collectively herein as the "Property." Exhibits "A", "A-1", and "B" indicates the current plans for development and location of the Office Project (which plans may change from time to time); however, with regard to Exhibit "A", the parties agree that the exhibit is attached solely for the purpose of locating the Office Project and the Premises within the Office Project and that no representation, warranty, or covenant is to be implied by any other information shown on the exhibit (i.e., any information as to buildings, tenants or prospective tenants, etc. is subject to change at any time).

1.102 Rentable Area and Usable Area. The agreed rentable area of the Office Project is stipulated to be 114,116 square feet (the "Office Project Rentable Area"); provided, however, the Office Project Rentable Area shall be subject to adjustment based on actual construction and measurement. The agreed rentable area of the Premises is stipulated to be the Premises Rentable Area, which is set forth in the Basic Lease Information. The "Tenant's Share" stipulated in the Basic Lease Information has been calculated by dividing the Premises Rentable Area by the Office Project Rentable Area, then expressing such quotient as a percentage. Notwithstanding the foregoing, it is the intention of the parties hereto that the Office Project Rentable Area and the Premises Rentable Area be calculated in accordance with the definitions contained in that certain publication entitled "Standard Method for Measuring Floor Area in Office Buildings", published by Building Owners and Managers Association International, as approved June 7, 1996 (hereinafter referred to as "BOMA"). Therefore, either Landlord or Tenant may at any time within 12 months of the execution of this Lease, elect to have the Office Project and the Premises re-measured in accordance with BOMA. In the event that the results of such re-measurement differ by more than five percent (5%) from the stipulated sizes of Office Project Rentable Area and/or Premises Rentable Area set forth in the Basic Lease Information, then the Office Project Rentable Area and/or Premises Rentable Area shall be adjusted as set forth in BOMA (and Tenant's Share, Basic Rent, the allowance payable pursuant to the Work Letter, and other similar matters based on Rentable Area shall be adjusted accordingly on a prospective basis).

1.103 Term and Commencement. The Term of this Lease shall commence on the Commencement Date (as such Commencement Date may be adjusted pursuant to subsection 1.201 below or the Work Letter (herein so called) attached hereto as Exhibit C) and, unless sooner terminated pursuant to the terms of this Lease, shall expire, without notice to Tenant, on the Expiration Date (as such Expiration Date may be adjusted pursuant to subsection 1.201 below or the Work Letter). Landlord shall deliver to Tenant a notice setting forth the Commencement Date and the Expiration Date which notice Tenant shall execute and return to Landlord within ten (10) days of the receipt thereof. Tenant shall have an option to renew the Term of this Lease for two (2) additional terms of five (5) years each, as set forth in Rider 2, Renewal Option

SECTION 1.2 COMPLETION AND DELIVERY OF PREMISES.

1.201 **Landlord hereby delivers the Premises to Tenant** upon execution of lease in its "as is, where is," condition, and Tenant hereby accepts same free of any tenancies or other rights of third parties. If Landlord has not delivered such exclusive possession of all of the Premises to Tenant on or before the fifth (5th) business day after the date (the "Lease Delivery Date") of Landlord's receipt of (i) at least four (4) original counterparts of this Lease each executed by Tenant, and (ii) at least six (6) original counterparts of the Initial Subordination, Non-Disturbance and Attornment Agreement in the form attached hereto as Exhibit H each executed and acknowledged by Tenant, the date set forth in Section 1.103 above will be extended on a day-for-day basis for each day after the expiration of such 5-business day time period it takes Landlord to satisfy its delivery of possession obligations set forth above. Tenant will construct "Tenant's Improvements" in the Premises as defined and provided in the Work Letter. Tenant will use reasonable efforts to achieve Substantial Completion (as defined in the Work Letter) of Tenant's Improvements by the Commencement Date. Landlord warrants that on the date hereof the Premises (except with respect to Tenant's Work) and the Building is in compliance with all laws (including the Disability Laws), statutes, ordinances, orders, rules, codes, restrictions, policies, determinations, requirements or regulations of the federal, state, county and/or municipal governments or other duly constituted public authority affecting said building(s) and the Premises therein and that all work performed by or on behalf of Landlord prior to the date hereof, if any, shall have been performed in a good and workmanlike manner (and in compliance with all building, electrical, communications and safety codes, ordinances, standards, regulations and requirements now in effect or hereafter promulgated. If it is reasonably determined after possession of the Premises has been delivered to Tenant that the same did not comply with applicable laws on such delivery date (for example, non-compliant restrooms), Landlord, not Tenant, will be responsible for remedying such non-compliance at Landlord's sole cost and expense notwithstanding anything to the contrary contained in this Lease.

1.202 Acceptance of Premises Memorandum. On the date hereof, Landlord and Tenant shall execute the Acceptance of Premises Memorandum (herein so called) attached hereto as Exhibit D.

1.203 Occupancy of the Premises . Tenant shall have the right to occupy the Premises prior to Substantial Completion in connection with Tenant's construction of Tenant's Work pursuant to the Work Letter. In addition, Tenant and Tenant's agents, contractors and consultants shall have the right to enter upon the Premises from and after the date hereof, without being required to pay Basic Annual Rent because of such entry, to perform certain agreed portions of Tenant's improvement work (such as, but not limited to cabling, furniture, fixture, and equipment installation), provided that such entry shall be subject to all terms and conditions of this Lease other than the obligation to pay Basic Annual Rent.

SECTION 1.3 REDELIVERY OF THE PREMISES. Upon the expiration or earlier termination of this Lease or upon the exercise by Landlord of its right to re-enter the Premises without terminating this Lease, Tenant shall immediately deliver to Landlord the Premises in a safe, clean, neat, sanitary and operational condition, ordinary wear and tear and damage by casualty (subject to the provisions of Article 7) excepted, together with all keys and parking and access cards. Further, upon the expiration or earlier termination of this Lease or upon the exercise by Landlord of its right to re-enter the Premises without terminating this Lease Tenant shall have the right to remove any of Tenant's property including but not limited to furniture, vending machines, specialty Air Conditioning units, Uninterrupted Power Supplies, white boards including SMART board, Audio/Visual systems, soda machines, added specialty lighting,

appliances including microwaves, icemakers, dishwashers, coffee brewing systems, "instahot" hot water heaters, white noise systems and security systems. Notwithstanding anything to the contrary contained in this Lease, Tenant agrees that any and all telecommunications equipment and other facilities for telecommunications transmission (including, without limitation, wires, cables, fibers, equipment, and connections for Tenant's telecommunications services) installed at the Building or in the Premises by or on behalf of Tenant shall be abandoned and left in place, without additional payment to Tenant or credit against rent, unless Tenant otherwise elects to remove the same provided that (i) any damage caused by such removal is repaired by Tenant, and (ii) such removal will not materially and adversely affect the value of the Building.

SECTION 1.4 HOLDING OVER. In the event Tenant or any party under Tenant claiming rights to this Lease, retains possession of the Premises after the expiration or earlier termination of this Lease, such possession shall constitute a tenancy at will only, subject, however, to all of the terms, provisions, covenants and agreements on the part of Tenant hereunder; such parties shall be subject to immediate eviction and removal and Tenant or any such party shall pay Landlord as rent for the first month of such holdover an amount equal to one (1) times the Basic Annual Rent and one (1) times Additional Rent (each as defined in Section 2.1 and Section 2.201(a), respectively) in effect immediately preceding expiration or termination, as applicable, prorated on a daily basis. Tenant shall pay Landlord as rent beginning month two of such holdover an amount equal to one and one-half (1½) times the Basic Annual Rent and one (1) times Additional Rent (each as defined in Section 2.1 and Section 2.201(a), respectively) in effect immediately preceding expiration or termination, as applicable, prorated on a daily basis. The rent during such holdover period shall be payable to Landlord from time to time on demand. Tenant will vacate the Premises and deliver same to Landlord immediately upon Tenant's receipt of notice from Landlord to so vacate. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend the term of this Lease; no payments of money by Tenant to Landlord after the expiration or earlier termination of this Lease shall reinstate, continue or extend the term of this Lease; and no extension of this Lease after the expiration or earlier termination thereof shall be valid unless reduced to writing and signed by both Landlord and Tenant.

ARTICLE 2
RENT

SECTION 2.1 BASIC RENT.

2.101 Tenant shall pay as annual rent for the Premises the product of the Premises Rentable Area times the annual rate per square foot of Premises Rentable Area shown in the Basic Lease Information (such product is herein called "Basic Annual Rent"). The Basic Annual Rent shall be payable in monthly installments equal to the applicable Basic Monthly Rent shown in the Basic Lease Information in advance, without demand, offset or deduction, except as otherwise provided to the contrary in this Lease which monthly installments shall commence on the Commencement Date and shall continue on the first (1st) day of each calendar month thereafter. If the Commencement Date occurs on a day other than the first day of a calendar month, the Basic Monthly Rent for such partial month shall be prorated.

SECTION 2.2 ADDITIONAL RENT.

2.201 Definitions . For purposes of this Lease, the following definitions shall apply:

(a) "Additional Rent" means the sum of: (i) Tenant's Share multiplied by the amount by which Operating Expenses (hereinafter defined) for the calendar year in question exceed the Operating Expense Stop, (as set forth in item 7 of the Basic Lease Information, and incorporated herein) plus (ii) any applicable Rental Tax on rent required to be paid by Tenant under this Lease during the calendar year in question. The term "Rental Tax" shall mean any rental, excise, sales, transaction, or other tax or levy, however denominated (but excluding Landlord's federal, state, or local income, franchise, or margins tax), imposed upon or measured by the rental hereunder (including, without limitation, any parking rental owing under Exhibit F hereto) required to be paid by Tenant under this Lease. Landlord shall clearly set forth the type of tax included in Additional Rent. Landlord shall provide Tenant calculations and supporting documentation that will permit Tenant to verify the Rental Tax included in Additional Rent.

(b) "Common Electrical Expenses" means all costs incurred by Landlord to supply electricity to the common areas of the Office Project, only as determined in good faith by Landlord, but shall not include any expenses for electricity provided directly for other space in the Property leased to tenants.

(c) "Operating Expenses" means all of the costs and expenses Landlord incurs, pays or becomes obligated to pay in connection with operating, maintaining, insuring, providing utilities to, and managing the Office Project, including the Common Areas for a particular calendar year or portion thereof, as reasonably determined by Landlord in accordance with generally accepted accounting principles, such costs and expenses to include, but not be limited to, the following: (i) Taxes; (ii) insurance premiums ("Insurance Premiums"); (iii) all gas, water, sewer and other utility charges including Common Electrical Expenses ("Utility Expenses"); (iv) all service, testing and other charges incurred in the operation and maintenance of the elevators and the plumbing, fire sprinkler, security, heating, ventilation and air conditioning systems; (v) cleaning and other janitorial services (inclusive of window cleaning); (vi) tools and supplies costs; (vii) repair costs; (viii) costs of landscaping, including landscape maintenance and sprinkler maintenance costs and rental and supply costs in connection therewith; (ix) security and alarm services; (x) license, permit and inspection fees; (xi) management fees customary in the marketplace for office buildings comparable to the Office Project (but in no event in excess of 3 % of gross rents); (xii) wages and related benefits payable to employees, including taxes and insurance relating thereto (but only to the extent that such employees work solely for the benefit of the Property at the level of Building manager and below); (xiii) accounting services; (xiv) legal services, unless incurred (A) in connection with tenant defaults, financings, lease negotiations, sales of the Property or any part thereof, or procuring new tenants, or (B) as the result of a specific claim or action for which another tenant in the Office Project is obligated under its lease to pay Landlord's legal fees; (C) as the result of a violation by Landlord, its employees, agents and /or contractor, any tenant or other occupant of the Building, of any terms and conditions of this Lease or of the leases of the other tenants in the Building, and/or of any applicable laws, regulation and codes of any federal, state, county, municipal or other governmental authority having jurisdiction over the Building that would not have been incurred but for such violation by Landlord, it's employees, agents and/or contractors, tenants or other occupants of the Building, it being intended that each party shall be responsible for the cost resulting from its own violation of such leases and laws, rules, regulations and codes as same shall pertain to the Building; (xv) trash removal; (xvi) maintenance, repair, repaving and operating costs for the Garage, the Other Garages (provided all other tenants or other occupants of the Building are responsible for their pro-rata share of the maintenance, repair, repaving and operating costs of the Other Garages under this subsection xvi) and parking areas; (xvii) any charges assessed against the Property pursuant to any recorded covenants affecting the Property, including all dues, charges, assessments and other payments made to Legacy Association or any other property owners' association affecting the Master Project (xviii) subject to the limitations of clause (xix) following, the cost of any improvement made to the Property by Landlord that is required under any governmental law or regulation which was not promulgated, or which was promulgated but was not applicable to the Office Project, at the time the Office Project was constructed, amortized over such period as Landlord shall reasonably determine (but not less than the useful life of such improvement), together with an amount equal to interest on the unamortized balance thereof at a rate which, on the date the improvement in question is fully completed, is equal to the sum of two percent (2%) per annum plus the annual "Prime Rate" published by The Wall Street Journal in its listing of "Money Rates," or if such rate is no longer published, a comparable rate of interest listed in a nationally circulated publication selected by Landlord, provided that such sum may in no event exceed the maximum interest allowed to be contracted for under applicable law (such sum is herein called the "Amortization Rate"); (xix) the cost of any improvement made to the Common Areas or Service Corridors of the Property that is required under interpretations or regulations issued after the Commencement Date under, or amendments made after the Commencement Date to, the provisions of Tex. Rev. Civ. Stat. Ann. art. 9102 and the provisions of the Americans With Disabilities Act of 1990, 42 U.S.C. §§12101-12213 (such statutes, interpretations

and regulations are herein collectively called the "Disability Acts"), amortized over such period as Landlord shall reasonably determine (but not less than the useful life of such improvement), together with an amount equal to interest on the unamortized balance thereof at a rate which, on the date the improvement in question is fully completed, is equal to the Amortization Rate; and (xx) the cost of any other equipment installed in, or capital improvement made to, the Office Project which Landlord reasonably anticipates will reduce Operating Expenses, amortized over such period as is reasonably determined by Landlord (but not less than the useful life of such improvement), together with an amount equal to interest on the unamortized balance thereof at a rate, which on the date the device or equipment in question is fully installed, is equal to the Amortization Rate. To the extent any element of Operating Expenses is, in Landlord's reasonable opinion, allocable between the Office Project and other components of the Master Project, Landlord shall be entitled to so allocate on a relative square footage basis; likewise, in the event Landlord reasonable determines that portion of certain expenses affecting the Master Project is allocable to the Office Project, then Landlord shall be entitled to allocate some expenses on a relative square foot basis or such other basis as Landlord deems reasonable.

"Operating Expenses" shall not include any of the following:

(a) costs of repairs, replacements or other work occasioned by casualties, or by the exercise by governmental authorities of the right of eminent domain;

(b) advertising and promotional expenses, leasing commissions, attorney's fees, costs, disbursements and other expenses incurred by Landlord or its agents in connection with the solicitation of, advertising for, negotiating with or entering into leases or other prospective tenancy arrangements for space in the Building (including, without limitation, lease assumptions or payments made to satisfy lease obligations), or in connection with negotiations or disputes with and/or enforcement of agreements with such prospective tenants, tenants or other occupants of the Building, marketing or leasing consultants, property management, purchasers (or prospective purchasers), ground lessors (or prospective ground lessors), mortgagees (or prospective mortgagees) of the Building including leasing commissions and fees of attorneys or of marketing or leasing consultants or brokers;

(c) tenant allowances, tenant concessions, work letters, and other costs or expenses(including permit, license and inspection fees) incurred in completing, fixturing, furnishing, renovating or otherwise improving, decorating or redecorating space for tenants or other occupants of the Building, or vacant, leaseable space in the Building, including space planning/interior design fees for same;

(d) payments of principal, finance charges or interest on debt or amortization on any mortgage. deed of trust or other debt, or rental payments (or increases in same) under any ground or underlying lease or leases;

(e) services, items and benefits for which any other tenant or occupant of the Building is obligated specifically to reimburse Landlord or any other tenant or occupant of the Building pays third persons;

(f) costs or expenses (including fines, penalties and legal fees) incurred due to the violation by Landlord, its employees, agents *and/or* contractors, any tenant or other occupant of the Building, of Any terms and conditions of this Lease or of the leases of other tenants in the Building, and/or of any applicable laws, rules, regulations and codes of any federal, state, county, municipal or other governmental authority having jurisdiction over the Building that would not have been incurred but for such violation by Landlord, its employees, agents and/or contractors, tenants or other occupants of the Building, it being intended that each party shall be responsible for the costs resulting from its own violation of such leases and laws, rules, regulations and codes as same shall pertain to the Building;

(g) penalties for late payment, including, without limitation, penalties for late payment of taxes, equipment leases, and other amounts owing by Landlord (as long as Tenant pays amounts owing to Landlord hereunder on a timely basis);

(h) costs for which Landlord is compensated through or reimbursed by insurance or other means of recovery including, without limitation, reimbursements made by Tenant or other occupants of the Building (payment by Tenant of Tenant's Expense Payment and similar payments by other Building tenants pursuant to their leases are not reimbursements);

(i) contributions to charitable organizations;

(j) the costs of any initial "tap fees" or one time lump sum sewer or water connection fees for the Building;

(k) costs or fees relating to the defense of Landlord's title to or interest in the Building and/or the Land, or any part thereof, or any costs or expenses associated with any sale or Finance transaction;

(l) reserves;

(m) any expense to comply with Laws for which compliance was required as of the date of this Lease;

(n) wages, benefits and other compensation for anyone above general manager level (and wages, benefits and other compensation of persons who are not fully devoted to the Building shall be equitably prorated based on percentage of time devoted to the Building as compared to other buildings);

(o) depreciation on the Building and related improvements;

(p) costs for materials, work or services/facilities that aren't generally available to all office tenants and other office occupants of the Building or for the general benefit of the Building;

(q) management fees to the extent material1y in excess of the management fees generally charged by owners of Comparable Properties;

(r) costs of capital improvements (as opposed to items properly considered a repair or replacement items although they may be considered capital items for accounting purposes), except to the extent the same are either reasonably expected to reduce the normal] operating costs (including, without limitation, utility costs) of the Building, or for the purpose of complying with any law, rule or order (or amendment thereto) not in effect as of the date of this Lease. All capital costs that are allowable as Operating Expenses shall be amortized using a commercially reasonable interest rate over the time period reasonably estimated by Landlord to be the item's useful life or to the extent of operating cost savings reasonably determined by Landlord to have occurred;

(s) costs and expenses incurred (whenever incurred) to remove (or to remediate damage to the extent therefrom) any Hazardous Substances (as defined in Section 4.103 below) that are in, on, under, about or affect the Property on or before the date of this Lease (regardless of when discovered) or have been released by Landlord or Landlord's managing agent;

(t) all costs of repair or replacement of any item covered by a warranty;

(u) payments in respect to overhead or profit to subsidiaries or other affiliates of Landlord, for management or other services in or to the Building, or for supplies or other materials to the extent that the costs of such services, supplies, or materials materially exceeds fair market costs;

(v) acquisition costs for sculptures, paintings or other works of art (not including seasonal decorations and customary flower arrangements);

(w) costs for repairs needed due to any defect in the original design or construction of the Building and any other improvements located at the Property;

(x) [intentionally deleted]
(y) any bad debt loss or rent loss;

(z) any expenses which under generally accepted accounting principles and sound management practices consistently applied would not be considered a normal maintenance or operating expense;

(aa) costs incurred in connection with the replacement of the roof, structural interior and exterior components of the Building, or the HVAC System;

(bb) [intentionally deleted]

(cc) Replacements of the foundation, structural elements or the roof.

(dd) Premises Electrical Expenses;

(ee) Rental Tax levied on any rent from the Property; federal income taxes, inheritance and estate taxes and capital gains taxes payable by Landlord;

(ff) rental under any prime lease or similar rental under any other superior
lease or sublease;

(gg) dividends or partnership distributions paid by Landlord;

(hh) costs of placing the common areas of the Building in compliance with the Disability Acts except for costs of placing the common areas of the Building in compliance with amendments to, or changes in (as opposed to a first interpretation of) governmental agency interpretations of or regulations governing the Disability Acts after the Commencement Date only;

(ii) any cost representing an amount paid to an affiliate of Landlord to the extent the same is in excess of the amount which would reasonably have been paid in the absence of such relationship;

(jj) the cost on any judgment, settlement, or arbitration award resulting from any liability of Landlord and all expenses incurred in connection therewith (other than a liability for amounts otherwise includable in Operating Expenses hereunder);

(kk) costs relating to withdrawal liability or unfunded pension liability under the Multi-Employer Pension Plan Act or similar law, except in any comparative year to the extent that such costs are offset by savings realized by Landlord in such comparative year in connection therewith;

(ll) any increase in insurance premiums for the Building due to acts or omissions of other tenants of the Building or uses or particular manners of use of space in the building by other tenants

(mm) that portion of costs incurred in connection with the Office Project and other properties that are reasonably attributable to such other properties;

(nn) any compensation paid to clerks, attendants or other persons in for-profit commercial concessions operated by Landlord;

(oo) any interest or penalty charges incurred by Landlord due to the gross negligent or willful violation of any Legal Requirement by Landlord;

(pp) Landlord's political contributions;

(qq) Rent paid by Landlord for office space (including office space used for a management office) and any other expenses related to such office space; provided, however, that Landlord may include in Operating Expenses the rental value of Landlord's building office or other space utilized by the personnel of Landlord, Landlord's affiliates or Landlord's managing agent in connection with the repair, replacement, maintenance, operation and/or security of the building project, and all Building offices expenses, such as telephone, utility, stationery and similar expenses incurred in connection therewith,

(rr) Dues and fees for trade and industry associations and costs of their related activities to the extent such dues, fees and costs exceed those customarily incurred by owners of office buildings similarly situated;

(ss) except as set forth in the foregoing paragraph, costs of alterations and capital improvements which are not treatable as expenses under generally accepted accounting principles; and

(tt) the costs that are reimbursed by others, including, without limitation, reimbursement made on warranty claims.

For the purpose of determining Additional Rent, Operating Expenses (exclusive of the Non-Capped Operating Expenses, as hereinafter defined) for each calendar year after the first full calendar year shall not be increased over the amount of Operating Expenses (exclusive of Non-Capped Operating Expenses) during the immediately preceding calendar year by more than five percent (5%), on a cumulative basis from year to year throughout the Term; increases in excess of such percentage shall be spread to subsequent and prior years, to the extent of the cap, pro tanto. There shall be no cap on "Non-Capped Operating Expenses," which are hereby defined to mean all Insurance Premiums and all reasonable costs and expenses which Landlord incurs, pays or becomes obligated to pay as the result of any law, regulation or requirement imposed by any governmental authority. The terms of this paragraph shall not be construed to limit the gross-up of Operating Expenses under subsection 2.202 below.

(d) "Taxes" means (i) all real estate taxes and other taxes or assessments which are levied or assessed with respect to the Property or any portion thereof for each calendar year (but excluding any penalties thereon) without regard to savings realized by Landlord as a result of any abatement, waiver or other credits which now or hereafter existing, directly or indirectly, relating to all or any part of the Master Project (collectively, "Tax Credits"), which Tax Credits shall be exclusively for the benefit of Landlord, and "Taxes" shall be computed and chargeable to Tenant hereunder as if such Tax Credits did not exist; Tax Credits shall not include actual tax savings or actual tax decrease realized from reduced assessments resulting from valuation challenges by Landlord or Tenant but rather only abatements, waivers and other credits meant as incentives, the Operating Expense Stop shall be calculated with regard to Tax Credits (ii) any tax, surcharge or assessment, however denominated, including any excise, sales, capital stock, assets, franchise, transaction, business activity, privilege or other tax, which is imposed upon Landlord or the Property as a supplement to or in lieu of real estate taxes or as a means of raising government revenue to replace revenue lost because of a reduction in real estate taxes, and (iii) the costs and expenses of a consultant, if any, or of contesting the validity or amount of any tax, surcharge or assessment described in clause (i) or (ii) above provided the reduction to the tax, surcharge or assessment described in clause (i) or (ii) above exceeds the costs and expenses described in clause (iii) above. If the costs described in clause (iii) above exceed the reduction to the tax, surcharge or assessment described in clause (1) or (ii) above, then the portion of the costs and expenses described in clause (iii) above shall be limited to the reduction to the tax, surcharge or assessment describe in clause (i) or (ii) above. Landlord shall provide

Tenant calculations and supporting documentation that will permit Tenant to verify the Taxes included in Operating Expenses. "Taxes" shall not include Rental Tax levied on any rent from the Property or Landlord's federal, state, or local income, franchise, or margins taxes.

In no event shall Landlord receive from all tenants of the Office Project more than 100% of Operating Expenses (as same may be grossed up in accordance with subsection 2.202 below) for any calendar year.

2.202 Gross-Up. In the event that during the calendar year in which the Commencement Date occurs the Office Project is not occupied to the extent of ninety-five percent (95%) of the Office Project Rentable Area for such full calendar year, then (i) Operating Expenses shall be grossed up to include all additional costs and expenses of, operating, maintaining and managing the Office Project which Landlord determines in good faith that it would have incurred, paid or been obligated to pay during such year if the Office Project had been occupied to the extent of ninety-five percent (95%) of the Office Project Rentable Area for all of such calendar year, and (ii) Electrical Expenses shall be grossed up to include all additional costs and expenses which Landlord determines in good faith that it would have incurred, paid or been obligated to pay during the portion of the Term of this Lease which falls in such calendar year to supply electricity to the Property if the Office Project had been occupied to the extent of ninety-five percent (95%) of the Office Project Rentable Area throughout such portion of the Term. With respect to each subsequent calendar year or partial calendar year during the Term of this Lease in which the Office Project is not occupied to the extent of ninety-five percent (95%) of the Office Project Rentable Area, Operating Expenses and Electrical Expenses shall be grossed up to include all additional costs and expenses of operating, maintaining and managing the Office Project which Landlord determines in good faith that it would have incurred, paid or been obligated to pay during such year or partial year if the Office Project had been occupied to the extent of ninety-five percent (95%) of the Office Project Rentable Area. In calculating any gross-up of costs and expenses hereunder, Landlord shall exclude the cost of any service which Landlord does not actually provide tenants in the Office Project unless the Office Project is actually occupied to the extent of ninety-five percent (95%) of the Office Project Rentable Area or more (by way of example, if Landlord would provide an Office Project concierge were the Office Project fully occupied but is not choosing to provide a concierge during any period in which the actual occupancy of the Office Project is less than 95% of the Office Project Rentable Area, then the cost of a concierge shall not be included in Landlord's gross-up calculation). As to any calendar year or partial calendar year in which the Office Project is occupied to the extent of ninety-five percent (95%) or more of the Office Project Rentable Area, the actual Operating Expenses and Electrical Expenses allocable to such calendar year or partial year shall be used in the calculation of Additional Rent hereunder.

2.203 Payment Obligation. In addition to the Basic Rent specified in this Lease, Tenant shall pay to Landlord the Additional Rent in monthly installments as hereinafter provided. By the Commencement Date (or as soon thereafter as is reasonably possible), Landlord shall give Tenant written notice of Tenant's estimated Additional Rent owing for Rental Tax for the remainder of the calendar year in which the Commencement Date occurs and the amount of the monthly installment of Additional Rent due for each month during such year. By December 1 of the calendar year in which the Commencement Date occurs and by December 1 of each calendar year thereafter (or as soon thereafter as is reasonably possible), Landlord shall give Tenant written notice of Tenant's estimated Additional Rent for the next calendar year and the amount of the monthly installment of Additional Rent due for each month during such year. Beginning on the Commencement Date and continuing on the first day of each month thereafter, Tenant shall pay to Landlord the amount of the applicable monthly installment of Additional Rent, without demand, offset or deduction, provided, however, if the applicable installment covers a partial month, then such installment shall be prorated on a daily basis.

(a) This subparagraph (a) applies to each calendar year during which Additional Rent is owing except for the calendar year in which the Expiration Date occurs. Within ninety (90) days after the end of each calendar year or as soon thereafter as is reasonably

possible and not later than one hundred eighty (180) days after the end of the calendar year, Landlord shall prepare and deliver to Tenant a statement showing Tenant's actual Additional Rent for the applicable calendar year. If Tenant's total monthly payments of estimated Additional Rent for the applicable year are less than Tenant's actual Additional Rent, then Tenant shall pay to Landlord the amount of such underpayment. If Tenant's total monthly payments of estimated Additional Rent for the applicable year are more than Tenant's actual Additional Rent, then Landlord shall credit against the next Additional Rent payment or payments due from Tenant the amount of such overpayment.

(b) This subparagraph (b) applies to the calendar year during which the Expiration Date occurs (the "Final Calendar Year"). Within ninety (90) days after the Expiration Date or as soon thereafter as is reasonably possible and not later than one hundred eighty (180) days after the Expiration Date, Landlord shall prepare and deliver to Tenant a statement showing Tenant's actual Additional Rent for the period beginning January 1 of the Final Calendar Year and ending on the Expiration Date (such period is herein called the "Final Additional Rent Period"). Landlord shall have the right to estimate the actual Rental Tax and Operating Expenses allocable to the Final Additional Rent Period but which are not determinable within such ninety (90) day period. If Tenant's total monthly payments of estimated Additional Rent for the Final Additional Rent Period are less than Tenant's actual Additional Rent for such period, then Tenant shall pay to Landlord the amount of such underpayment. If Tenant's total monthly payments of estimated Additional Rent for the Final Additional Rent Period are more than Tenant's actual Additional Rent for such period, Landlord shall pay to Tenant the amount of such excess payments, less any amounts then owed to Landlord, within fifteen (15) days.

(c) Unless Tenant takes written exception to any item within ninety (90) days after receipt of an annual statement or a statement delivered for the Final Additional Rent Period, such statement shall be considered as final and accepted by Tenant. Tenant shall pay Landlord any amount, not contested or excepted to by Tenant, due Landlord as shown on such statement within thirty (30) days after it is furnished to Tenant, subject to Tenant's right to subsequently take such an exception or perform such an audit. The payment of any Additional Rent by Tenant shall not preclude it from questioning the correctness of any annual expense statement in the manner provided in this Section.

(d) Tenant shall have the right to perform an annual audit of Landlord's books and records which reflect Additional Rent to verify Landlord's calculation of actual Additional Rent for the prior calendar year only, provided that such audit shall be conducted by Tenant's accountants, Tenant's auditors, or a certified public accountant with a reputable accounting firm who is not a tenant in the Office Project and who is otherwise reasonably acceptable to Landlord, and further provided that the auditor's report reflecting the results of such audit shall include a certification that it was prepared in accordance with the definition of "Additional Rent" set forth in this Lease and shall be promptly delivered to Landlord. Any such audit shall be commenced, if at all, (i) within ninety (180) days after Tenant's receipt of the annual statement of actual Additional Rent from Landlord, (ii) during Landlord's Normal Business Hours (as defined in subsection 5.101), (iii) at the place where Landlord maintains its records assuming such place is an air conditioned office space in Plano, TX and (iv) only after Landlord has received five (5) days prior written notice. Tenant shall require its auditor to use its best efforts to complete the audit within thirty (30) days after Landlord makes available its books and records reflecting Additional Rent. To facilitate an audit by Tenant, Landlord shall keep its books and records for any calendar year available to Tenant on a reasonable basis for a period of three (3) years following the delivery by Landlord to Tenant of Landlord's annual statement of Operating Expenses for such calendar year. Landlord shall keep its books and records for Tenant to audit pursuant to this provision notwithstanding the termination of this Lease. Tenant shall not be permitted to use any firm whose fees are based primarily upon a percentage of recovery or other contingency fee calculation. All information obtained by Tenant or Tenant's auditor as a result of any audit shall be treated as confidential except in any litigation or other dispute resolution proceeding between Landlord and Tenant. Prior to finalizing its report, Tenant's auditor shall present its findings and a draft report to Landlord for review, and Landlord may discuss the findings with the auditor and offer comments, explanations and suggested changes to the report as Landlord believes appropriate. Tenant's auditor's final report and

determinations set forth therein ("Tenant's Auditor's Report"), if prepared in accordance with this subparagraph (d), shall be binding on Landlord and Tenant unless Landlord specifically objects to same within ten (10) days after Landlord receives such report. If Tenant's Auditor's Report reflects that Tenant paid less Additional Rent than was due for the audited calendar year, Tenant shall within thirty (30) days after receipt of such report pay to Landlord the amount of such underpayment. If Tenant's Auditor's Report reflects that Tenant paid excess Additional Rent for the audited calendar year, Landlord shall allow Tenant a credit against the next accruing installment of Additional Rent in the amount of such overpayment. Tenant shall bear the cost of any audit performed on behalf of Tenant hereunder unless Tenant's Auditor's Report reflects that Tenant paid Additional Rent in excess of one hundred three percent (103%) of the Additional Rent that was actually due for the audited calendar year, in which case Landlord shall pay for the reasonable cost of such audit within thirty (30) days after receiving an invoice therefor. If Landlord fails to make such payment within such 30-day period, Tenant may pay its auditor, in which event Tenant shall be entitled to a credit against Rent in the amount of such payment.

2.204 Billing Disputes. If there exists any dispute as to (i) the amount of Additional Rent, (ii) whether a particular expense is properly included in Additional Rent or (iii) Landlord's calculation of Additional Rent (each an "Additional Rent Dispute"), the events, errors, acts or omissions giving rise to such Additional Rent Dispute shall not constitute a breach or default by Landlord under this Lease and even if a judgment resolving the Additional Rent Dispute is entered against Landlord, this Lease shall remain in full force and effect and Landlord shall not be liable for any consequential damages resulting from the event, error, act or omission giving rise to such Additional Rent Dispute. Any Additional Rent Dispute which is the subject of an audit performed in accordance with subsection 2.203(d) above shall be fully and finally resolved by the Tenant's Auditor's Report delivered in connection with such audit except as set forth in such subsection. If any other Additional Rent Dispute is resolved in favor of Tenant, Landlord shall pay to Tenant within thirty (30) days, the amount of Tenant's overpayment of Additional Rent, together with interest from the time of such overpayment at the annual rate of twelve percent (12%), plus all legal fees and court costs incurred by Tenant in connection with such Additional Rent Dispute.

2.205 Revisions in Estimated Additional Rent. If Rental Tax, Insurance Premiums or Utility Expenses increase during a calendar year or if the number of square feet of rentable area in the Premises increases due to an expansion of the Premises, Landlord may revise the estimated Additional Rent during such year by giving Tenant written notice to that effect and thereafter Tenant shall pay to Landlord, in each of the remaining months of such year, an additional amount equal to the amount of such increase in the estimated Additional Rent divided by the number of months remaining in such year.

2.206 Real Estate Tax Protest. Tenant agrees that, as between Tenant and Landlord, Landlord has the sole and absolute right to contest taxes levied against the Premises and the Building (other than taxes levied directly against Tenant's personal property within, or sales made from, the Premises). Therefore, Tenant, to the fullest extent permitted by law, irrevocably waives any and all rights that Tenant may have to receive from Landlord a copy of notices received by Landlord regarding the appraisal or reappraisal, for tax purposes, of all or any portion of the Premises or the Building (including, without limitation, any rights set forth in §41.413 of the Texas Property Tax Code, as such may be amended from time to time). Additionally, Tenant, to the fullest extent permitted by law, hereby irrevocably assigns to Landlord any and all rights of Tenant to protest or appeal any governmental appraisal or reappraisal of the value of all or any portion of the Premises or the Building (including, without limitation, any rights set forth in §41.413 and §42.015 of the Texas Property Tax Code, as such may be amended from time to time). Tenant agrees without reservation that it will not protest or appeal any such appraisal or reappraisal before a governmental taxing authority without the express written authorization of Landlord.

SECTION 2.3 RENT DEFINED AND NO OFFSETS. Basic Annual Rent, Additional Rent and all other sums (whether or not expressly designated as rent) required to be paid to Landlord by Tenant under this Lease (including, without limitation, any sums payable to Landlord under any addendum, exhibit, rider or schedule attached hereto) shall constitute rent and are sometimes collectively referred to as "Rent". Each payment of Rent shall be paid by Tenant when due, without prior demand therefor and without deduction or setoff, except as provided in subsection 2.203.

SECTION 2.4 LATE CHARGES. If any installment of Basic Annual Rent or Additional Rent or any other payment of Rent under this Lease shall not be paid within fifteen (15) days of the date such payment is due, a "Late Charge" of three cents ($.03) per dollar so overdue may be charged by Landlord to defray Landlord's administrative expense incident to the handling of such overdue payments. Each Late Charge shall be payable on demand. Furthermore, any amount due from Tenant to Landlord which is not paid within thirty (30) days after the date due shall bear interest at the lower of (i) ten percent (10 %) per annum or (ii) the highest rate from time to time allowed by applicable law (taking into account any and all other interest, charges or other amounts which are levied on the past-due amount under this Lease and which constitute "interest" under applicable law), from the date such payment is due until paid, but the payment of such interest shall not excuse or cure the default.

SECTION 2.5 FAILED PAYMENTS. If Tenant fails in two consecutive months (or any three months in any one year period) to make rental payments within fifteen (15) days after due, Landlord, in order to reduce its administrative costs, may require, by giving written notice to Tenant (and in addition to any late charge or interest accruing pursuant to Section 4.6 above, as well as any other rights and remedies accruing pursuant to Article 22 below, or any other provision of this lease or at law), that minimum guaranteed rentals are to be paid quarterly in advance instead of monthly and that all future rental payments are to be made on or before the due date by cash, cashier's check or money order and that the delivery of Tenant's personal or corporate check will no longer constitute a payment of rental as provided in this lease. Any acceptance of a monthly rental payment or of a personal or corporate check thereafter by Landlord cannot be construed as a subsequent waiver of such rights.

SECTION 2.6 RENT IN BANKRUPTCY. Notwithstanding anything contained in this Lease to the contrary, all amount payable by Tenant to or on behalf of Landlord under this Lease, whether or not expressly denominated as Rent, shall constitute Rent for the purposes of Section 502(b)(6) (or any comparable successor provision) of the United States Bankruptcy Code (Title 11 of the United States Code) and for all other purposes.

ARTICLE 3
SECURITY DEPOSIT

Intentionally Omitted

ARTICLE 4
OCCUPANCY AND USE

SECTION 4.1 USE OF PREMISES.

4.101 General. The Premises shall, subject to the remaining provisions of this Section 4.1, be used solely for the Permitted Use. Without limiting the foregoing, during the Term hereof Tenant shall comply with all laws, statutes, ordinances, orders, permits and regulations affecting Tenant's use and occupancy of the Premises, including, without limitation, Tenant shall be obligated to see that the Premises, and the operation of Tenant's business therein, comply with all existing requirements of and regulations issued under the Disability Acts. Furthermore, Tenant will not permit the maintenance of any public or private nuisance; or do or permit any other thing which may disturb the quiet enjoyment of any other tenant of the Property. Finally, Tenant shall not permit the occupancy of regular employees on the Premises to exceed a ratio of more than one (1) person per 192 square feet of Premises Rentable Area; the foregoing shall not prohibit (i) larger occupancies for occasional parties or other entertainment gatherings of clients and/or guests or (ii) temporary increases due to short-term hiring cycles (so long as such increases do not result in a load greater than one person per 175 square feet of Premises Usable Area). Notwithstanding the foregoing or anything else to the contrary contained in this Lease, in no event shall Landlord have the right to restrict and/or prevent the use of equipment or other personal property commonly used in an office within the Premises as long as the same does not exceed the load bearing capacity of the floor of the Premises on which it is located and, if applicable, the integration of the same with Office Project systems is done in accordance with the other provisions of this Lease.

4.102 Landlord's Compliance Obligation. Landlord represents that Landlord is in compliance with all laws, statutes, ordinances, orders and regulations (i) relating to the Property (exclusive, however, of those with which Tenant is obligated to comply by reason of subsection 4.101) and (ii) non-compliance with which would adversely affect Tenant's use or occupancy of the Premises or Tenant's rights under this Lease; provided, however, Landlord, and not Tenant, shall be responsible for compliance with the Disability Acts in the Common Areas (as defined in Section 15.5); provided, further, that Landlord warrants that on the date Landlord delivers possession of the Premises, the Building and the Premises shall comply with the Disability Acts and the Texas Energy Code (under Texas Senate Bill 5 and IECC 2000). Notwithstanding anything contained in this Lease to the contrary, Landlord agrees to indemnify, protect, defend and hold harmless Tenant from all claims, costs and/or expenses, including but not limited to attorney fees, judgments and court costs, arising from or attributable to Landlord's failure or refusal to comply with or any violation by Landlord of the provisions of the Disability Acts.

4.103 Hazardous and Toxic Materials.

(a) For purposes of this Lease, hazardous or toxic materials means asbestos containing materials and all other materials, substances, wastes and chemicals classified as hazardous or toxic substances, materials, wastes or chemicals under then-current applicable governmental laws, rules or regulations or that are subject to any right-to-know laws or requirements.

(b) Tenant shall not knowingly incorporate into, or use or otherwise place or dispose of, at the Premises or any other portion of the Property any hazardous or toxic materials, except for use and storage of cleaning and office supplies used in the ordinary course of Tenant's business and then only if (i) such materials are in small quantities, properly labeled and contained, and (ii) such materials are used, transported, stored, handled and disposed of in accordance with all applicable governmental laws, rules and regulations. Landlord shall have the right to periodically inspect, take samples for testing and otherwise investigate the Premises for the presence of hazardous or toxic materials.

(c) Landlord warrants and represents that (a) the Building is and will be on the Commencement Date free from any asbestos or asbestos containing materials and any hazardous, toxic or dangerous substances or materials (collectively "Hazardous Materials")

defined as such (or meeting criteria so as to be defined as such) in any Environmental Laws; (b) neither Landlord nor any of its predecessors in interest has ever received any notice of violation of any Environmental Law affecting the Land, the Building or any part thereof; and (c) neither Landlord nor any of its predecessors in interest has ever caused or permitted any Hazardous Materials to be placed, stored, located or disposed of on, under or at the Land, the Building or any part thereof. Landlord shall pay (or shall reimburse Tenant upon demand) for any additional cost or expense incurred by or for the account of Tenant arising out of or relating to any breach of any of Landlord's representations and warranties made in the previous sentence. Landlord, its employees, agents and contractors shall not knowingly dispose of at the Premises or any other portion of the Property any hazardous or toxic materials that would materially and adversely affect Tenant's access, use or occupancy of the Premises or otherwise pose any material risk or material threat to the health, safety or welfare of Tenant or any of its employees or guests.

(d) If Tenant or its employees, agents or contractors shall ever violate the provisions of paragraph (b) of this subsection 4.103 or otherwise contaminate the Premises or the Property, then Tenant shall clean, remove and dispose of the material causing the violation, in compliance with all applicable governmental standards, laws, rules and regulations and then prevalent industry practice and standards and shall repair any damage to the Premises or the Property within such period of time as may be reasonable under the circumstances after written notice by Landlord (collectively, "Tenant's Environmental Corrective Work"). Tenant shall notify Landlord of its method, time and procedure for any clean-up or removal and Landlord shall have the right to require reasonable changes in such method, time or procedure so as to comply with applicable laws, rules or regulations, or to require the same to be done after Normal Business Hours. Tenant's obligations under this subsection 4.103(d) shall survive the termination of this Lease for a period of one (1) year.

(e) If any Tenant's Environmental Corrective Work (i) is to occur outside of the Premises or (ii) will affect any portion of the Office Project other than the Premises, then Landlord shall have the right to undertake the Tenant's Environmental Corrective Work, and such work shall be performed in accordance with the same standards and provisions as are applicable to performance of Tenant's Environmental Corrective Work. Tenant shall allow Landlord, its agents, employees and contractors such access to the Premises as Landlord may reasonably request in order to perform such Tenant's Environmental Corrective Work. Within thirty (30) days after receiving an invoice, Tenant shall reimburse Landlord for the reasonable and actual out-of-pocket costs incurred by Landlord to perform such Tenant's Environmental Corrective Work.

SECTION 4.2 RULES AND REGULATIONS. Tenant will comply with such rules and regulations (the "Rules and Regulations") generally applying to tenants in the Office Project as may be adopted from time to time by Landlord for the management, safety, care and cleanliness of, and the preservation of good order and protection of property in, the Premises and the Office Project and at the Property. All such Rules and Regulations are hereby made a part hereof. The Rules and Regulations in effect on the date hereof are attached hereto as Exhibit E. All changes and amendments to the Rules and Regulations sent by Landlord to Tenant in writing and conforming to the foregoing standards shall be carried out and observed by Tenant; provided, however, that no changes or amendments to the Rules and Regulations adopted after the Date of Lease shall (i) cause or have the effect of passing through new costs to Tenant, or (ii) unreasonably and materially interfere with Tenant's conduct of its business, or Tenant's use and enjoyment of the Premises. Landlord hereby reserves all rights necessary to implement and enforce the Rules and Regulations. For example, and without limiting the generality of Landlord's ability to establish rules and regulations governing all aspects of the Common Area, Tenant agrees as follows:

(a) Tenant acknowledges Landlord's desire to provide retail customers of the Project with sufficient parking space with reasonable proximity to the retail stores. Accordingly, Tenant and Tenant's employees may park only in the parking areas designated by Landlord as employee parking areas in the Project (whether structured, surface, or underground). Tenant must furnish Landlord with a complete list of the license numbers of all automobiles operated by Tenant, its employees, its subtenants, its licensees and its concessionaires, and their employees within ten (10) business days after the Commencement Date of this Lease, and Tenant must notify Landlord

of any changes to such list within ten (10) business days after such changes occur. Tenant agrees that if any automobile or other vehicle owned by Tenant or any of its employees, its subtenants, its licensees or its concessionaires, or their employees, at any time is parked in any part of the Project other than the parking areas specified above as being permitted parking areas for Tenant and its employees, Tenant will immediately notify and request that the vehicle owner to relocate to parking areas specified above as being permitted parking areas for Tenant and its employees. If vehicle owner fails to respond immediately, Landlord has the right to take action solely against the employee;

(b) Tenant is not permitted to solicit business, or distribute leaflets or other material in the Common Areas nor take any action which in the sole and exclusive judgment of Landlord would constitute a nuisance or would disturb, endanger, or interfere with the rights of other persons to use the Common Areas or would tend to injure the reputation of the Office Project or Master Project.

(c) Landlord may, with forty-eight (48) hours advance notice to Tenant, temporarily close any part of the Common Areas (including, without limitation, streets, sidewalks, alleys, and other such areas) for such periods of time (i) as may be reasonably necessary to make repairs or alterations or to prevent the public from obtaining prescriptive rights or (ii) as Landlord may reasonably elect for purposes of promotional events, seasonal events, festivals, parades, or other events that Landlord deems appropriate for the Project, in whole or in part.

(d) With regard to the roof(s) of the building(s) in the Office Project, use of the roof(s) is reserved to Landlord or, with regard to any tenant demonstrating to Landlord's satisfaction a need to use same, to such tenant after receiving prior written consent from Landlord. Tenant may not conduct any work or repairs of any kind on the roof without Landlord's prior approval (including, without limitation, approval as to the identity of the contractor and the type and make of any equipment being used or installed. Landlord approves the use of the roof by Tenant at no charge for the installation and operation of a satellite dish, at Tenant's sole cost, subject to Landlord's prior written approval as to size, location, design and method of installation, which approval shall not be unreasonably withheld, conditioned or delayed. Tenant shall pay the costs of removal of same and repair of any damage relating thereto.

(e) Landlord may seasonally place kiosks or allow the placement of vending carts in and around the Common Areas outside of the Building in accordance with applicable governmental laws, rules and regulations.

SECTION 4.3 ACCESS. Without being deemed guilty of an eviction of Tenant and without abatement of Rent, Landlord and its authorized agents shall have the right to enter the Premises to inspect the Premises, to show the Premises to prospective lenders or purchasers, and within the last six (6) months of the Lease Term, to show the Premises to prospective tenants, and to fulfill Landlord's obligations or exercise its rights (including without limitation the Reserved Right of Landlord as defined in subsection 6.302) under this Lease. Any entry by Landlord during Normal Business Hours shall be upon reasonable notice to Tenant, and acknowledgment by Tenant, which notice may be oral. Tenant hereby waives any claim for damages for any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises and any other loss occasioned thereby, provided that Tenant is able to continue the normal operation of its business during any such visits. For each of the aforesaid purposes, Landlord shall at all times have and retain a key with which to unlock the doors to and within the Premises, excluding Tenant's vaults and safes. Landlord shall have the right to use any and all means which Landlord may deem proper to enter the Premises in an emergency without liability therefor.

SECTION 4.4 QUIET POSSESSION. Provided Tenant timely pays Rent and observes and performs all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant shall have the quiet possession of the Premises and Common Areas for the entire Term hereof on a "24/7" basis, subject to all of the provisions of this Lease and all laws and restrictive covenants to which the Property is subject.

SECTION 4.5 PERMITS. Tenant shall, at Tenant's sole cost and expense obtain the certificate of occupancy, if any, required for occupancy of the Premises following construction of Tenant's Improvements and shall provide a copy of same to Landlord no later than thirty (30) days following the Commencement Date. If any additional governmental license or permit shall be

required for the proper and lawful conduct of Tenant's business in the Premises or any part thereof, Tenant, at its expense, shall procure and thereafter maintain such license or permit. Additionally, if Tenant's Improvements or any subsequent alteration or improvement made to the Premises by Tenant or Tenant's use of the Premises require any modification or amendment of any certificate of occupancy for the Office Project or the issuance of any other permit of any nature whatsoever, Tenant shall, at its expense, take all actions to procure any such modification or amendment or additional permit.

ARTICLE 5
UTILITIES AND SERVICES

SECTION 5.1 SERVICES TO BE PROVIDED.

Landlord agrees to furnish to the Premises the utilities and services described in subsections 5.101 through 5.107 below.

5.101 Elevator Service. Landlord shall provide automatic elevator facilities in the Building during Normal Business Hours, except during emergencies, and shall have at least one (1) elevator available in the Building for use at all other times. Any repairs to elevator within Tenants space must be completed in a timely manner. As used in this Lease, "Normal Business Hours" means 7:00 A.M. to 6:00 P.M. Monday through Friday, and 8:00 A.M. to 12:00 P.M. Saturday, except for holidays generally recognized by businesses (New Years Day, Independence Day, Thanksgiving Day, Day after Thanksgiving, Memorial Day, Labor Day, Christmas Day).

5.102 Heat and Air Conditioning. The base building systems shall ventilate the Premises and furnish heat or air conditioning (collectively, "HVAC"). Tenant is solely responsible for the cost of all electricity consumed at the Premises, including all costs of HVAC serving the Premises, therefore, Tenant has the right to determine appropriate settings for heat and air conditioning.

5.103 Electricity.

(a) Tenant shall obtain for the Premises, at Tenant's sole cost, electric power for Tenant's lighting and for electrical outlets to operate Tenant's office equipment. Tenant, shall be solely responsible for the cost of all electricity consumed at the Premises, including all costs of HVAC serving the Premises.

(b) Landlord has heretofore installed a separate meter to measure the electrical consumption within the Premises and the cost of same (the "Premises Electrical Expenses"). Tenant shall pay the Premises Electrical Expenses reflected by such separate meters directly to the utility provider.

(c) Without the prior, written consent of Landlord, Tenant shall not install or use or permit the installation or use of any lighting fixtures or any electrical plugs, connections or outlets in the Premises beyond those installed by Landlord as part of Tenant's Improvements. In no event shall Tenant (i) install any lighting device in any fixture or connect any equipment or other electrical device to any electrical outlet which requires a voltage greater than that supplied by the fixture or outlet in question, or (ii) attempt to use electric power in excess of six (6) watts per square foot of Premises Usable Area.

5.104 Water. Landlord shall furnish hot and cold water, for drinking, cleaning and lavatory purposes only, at the points of supply generally provided in the Office Project.

5.105 Janitorial Services. Landlord shall provide janitorial services to the Premises, comparable to that provided in other Class A office buildings of similar size and quality to, and in the general vicinity of, the Office Project, not less than five (5) business days per week. Such services shall be comparable to those set forth on Exhibit J attached hereto.

5.106 Common Areas. Landlord shall perform routine maintenance in the Common Areas.

5.107 Fluorescent Lamps. Landlord shall provide, at Landlord's cost, replacement of fluorescent lamps in all building standard ceiling-mounted fixtures in the Premises and incandescent bulbs and fluorescent lamps in Common Areas; in addition, Landlord shall replace all non-building standard lamps and bulbs in the Premises so long as Tenant provides such lamps and bulbs at Tenant's expense.

SECTION 5.2 [INTENTIONALLY DELETED]

SECTION 5.3 SERVICE INTERRUPTION.

5.301 Service Interruption/Waiver of Landlord Liability. Landlord shall not be liable for and, except as provided in subsection 5.302 below, Tenant shall not be entitled to any abatement or reduction of Rent by reason of, Landlord's failure to maintain temperature or electrical constancy levels or to furnish any of the foregoing services when such failure is caused by accident, breakage, repairs, strikes, lockouts or other labor disturbance or labor dispute of any character, governmental regulation, moratorium or other governmental action, inability by exercise of reasonable diligence to obtain electricity, water or fuel, or by any other cause beyond Landlord's reasonable control (collectively, "Uncontrollable Events"), nor shall any such Uncontrollable Event or results or effects thereof be construed as an eviction (constructive or actual) of Tenant or as a breach of the implied warranty of suitability, or relieve Tenant from the obligation to perform any covenant or agreement herein and in no event shall Landlord be liable for damage to persons or property (including, without limitation, business interruption), or be in default hereunder, as a result of any such Uncontrollable Event or results or effects thereof.

5.302 Limited Right to Abatement of Rent. If any portion of the Premises becomes untenantable for occupancy because Landlord fails to deliver any service as required under subsections 5.101, 5.102 (unless related to a failure of Tenant under Subsection 5.103) or 5.104 above and provided such failure is not caused by Tenant, Tenant's Contractors or any of their respective agents or employees, then Tenant shall have the following rights. The Premises shall be considered untenantable if Tenant cannot use the Premises or portion thereof affected in the conduct of its normal business operations at the Premises as a result of said interruption of service to the Premises:

(a) If all or any portion of the Premises remain untenantable for occupancy because of such failure for any period (other than a reconstruction period conducted pursuant to Section 7.1 or Article 8 below) exceeding 24 Hours upon written notice by Tenant to Landlord, Tenant shall be entitled to a proportionate abatement of Basic Annual Rent and Additional Rent for any such portion of the Premises from the beginning of such 24 Hour period until such portion is again fit for occupancy; and

(b) If all or a substantial portion of the Premises remain untenantable for occupancy (to an extent that Tenant cannot reasonably conduct its business) because of such failure for any period (other than a reconstruction period conducted pursuant to Section 7.1 or Article 8 below) exceeding thirty (30) consecutive days after written notice by Tenant to Landlord, Tenant may terminate this Lease by written notice delivered to Landlord at any time prior to restoration to the Premises of the service(s) in question.

5.303 Landlord Responsibilities. Landlord agrees to use its reasonable efforts to restore such services as soon as possible. Tenant agrees to cooperate at no cost to Tenant with Landlord in remedying any such interruption of Landlord-provided services to the extent such cooperation is reasonably necessary in connection therewith. The terms and conditions of this paragraph shall not apply to situations contemplated under provisions of the Lease pertaining to condemnation, eminent domain, damage or destruction elsewhere described in this Lease.

5.304 Tenant Self-Help. Subject to the provisions contained herein relating to force majeure, condemnation, and casualty, and provided further that no Event of Default has occurred and is then continuing, Tenant shall have the following self help rights to perform Landlord's duties under this Lease:

(a) Emergency. If there is an emergency that threatens person or property and requires immediate intervention to prevent material loss, damage and/or injury, then

Tenant may only take such measures as are reasonably necessary to prevent such potential loss, damage and/or injury. Tenant shall inform Landlord as soon as reasonably practicable by using all available means (including cell calls and other emergency contact means as Landlord has advised) of such emergency. If so directed by Landlord during the emergency situation, Tenant shall cease its self help activities, provided that Landlord (i) promptly commences curative action to prevent or mitigate potential loss, damage and/or injury, and (ii) thereafter diligently prosecutes such curative action to completion. Landlord shall reimburse Tenant for all actual costs and expenses incurred by Tenant in good faith in connection with actions taken by Tenant pursuant to this subsection within thirty (30) days following the date of Landlord's receipt of evidence of the actual amount of the same.

(b) Non-Emergency. In the event that Landlord fails to perform or observe any term, covenant, agreement or condition to be performed or kept by Landlord under the terms, conditions, or provisions of this Lease, Tenant shall have the right to provide written notice thereof to Landlord. Landlord shall cure such default within fifteen (15) business days after receipt of such notice (provided that if such failure cannot be cured within fifteen (15) business days, then such longer period as may reasonably be required provided that Landlord begins curative action within such 15-business day time period and thereafter diligently prosecutes such curative action to completion) unless such default is a monetary default, in which case Landlord shall cure such default within ten (10) business days after receipt of written notice thereof. In the event that Landlord fails to cure the applicable default within the time period required by the immediately preceding sentence (each a "Landlord Default"), Tenant may seek all remedies available at law.

SECTION 5.4 TELECOMMUNICATION EQUIPMENT. In the event that Tenant wishes at any time to utilize the services of a telephone or telecommunications provider whose equipment is not then servicing the Office Project, no such provider shall be permitted to install its lines or other equipment within the Office Project without first securing the prior written approval of the Landlord, which approval shall not be unreasonably withheld, conditioned or delayed, and which approval shall include, without limitation, approval of the plans and specifications for the installation of the lines and/or other equipment within the Office Project. Landlord's approval shall not be deemed any kind of warranty or representation by Landlord, including, without limitation, any warranty or representation as to the suitability, competence, or financial strength of the provider. Without limitation of the foregoing standard, unless all of the following conditions are satisfied to Landlord's satisfaction, it shall be reasonable for Landlord to refuse to give its approval: (i) Landlord shall incur no expense with respect to any aspect of the provider's provision of its services, including without limitation, the costs of installation, materials and services; (ii) [intentionally deleted] (iii) the provider agrees to abide by Landlord's reasonable rules and regulations, as well as applicable building and other codes, job site rules and such other requirements as are reasonably determined by Landlord ; (iv) Landlord reasonably determines that there is sufficient space in the Office Project for the placement of all of the provider's equipment and materials; (v) the provider agrees to and is able to abide by Landlord's reasonable requirements, if any, that the provider use existing Building conduits and pipes or use Building contractors (or other contractors reasonably approved by Landlord); (vi) Landlord receives from the provider such compensation as is reasonably determined by Landlord to compensate it for space used in the Office Project for the storage and maintenance of the provider's equipment, and the costs which may reasonably be expected to be incurred by Landlord; (vii) the provider agrees to deliver to Landlord detailed "as built" plans immediately after the installation of the provider's equipment is complete; and (viii) all of the foregoing matters are documented in a written license agreement between Landlord and the provider, the form and content of which is reasonably satisfactory to Landlord.

ARTICLE 6
MAINTENANCE, REPAIRS, ALTERATIONS AND IMPROVEMENTS

SECTION 6.1 LANDLORD'S OBLIGATION TO MAINTAIN AND REPAIR . Landlord shall (subject to Section 7.1, Section 7.4 and Article 8 below and Landlord's rights under Section 2.2 above and except for ordinary wear and tear) at all times during the Term, and any extended Term, maintain, repair and replace the structural portions of the Building, including but not limited to the foundation, floor/ceiling slabs, columns, beams, shafts (including elevator shafts) stairs, stairwells, parking areas, pavement sidewalks, curbs, entrances, landscaping, the exterior

walls (but not including interior surfaces thereof, unless damage is a direct result of structural issue) and roof and load bearing elements of the Office Project including Common Areas thereof (collectively, "Building Structure"). Except for the Building Structure and the mechanical, electrical, life safety, plumbing, sprinkler systems and HVAC systems (collectively the "Building Systems") of the Office Project located within the Premises, Landlord shall not be required to maintain or repair any portion of the Premises. All repairs and replacements performed by or on behalf of Landlord shall be performed diligently, timely, in a good and workmanlike manner and in accordance with applicable governmental laws, rules and regulations.

SECTION 6.2 TENANT'S OBLIGATION TO MAINTAIN AND REPAIR.

6.201 Tenant's Obligation.

(a) Subject to Sections 6.1, 7.1 and 7.4 and Article 8 of this Lease, Tenant shall, at Tenant's sole cost and expense, (i) maintain and keep the interior of the Premises (including, but not limited to, all fixtures, walls, ceilings, floors, doors, windows [except replacement of exterior plate glass], appliances and equipment which are a part of the Premises) in good repair and condition, ordinary wear and tear excepted, and (ii) repair or replace any damage or injury done to the Office Project or any other part of the Property caused by Tenant, Tenant's agents, employees, licensees, invitees or visitors (except Landlord or its agents, employees, licensees, invitees or visitors) or resulting from a breach of its obligations under this Section 6.2. All repairs and replacements performed by or on behalf of Tenant shall be performed diligently, in a good and workmanlike manner and in accordance with applicable governmental laws, rules and regulations.

(b) Subject to Sections 7.1 and 7.4 and Article 8 of this Lease, Tenant shall maintain and repair all supplemental HVAC units, data and phone cabling, and any and all other installations and equipment installed in the Premises, above the acoustical ceiling tiles of the Premises or elsewhere in the Office Project (such equipment and installations collectively referred to as the "Tenant Service Equipment") installed by or on behalf of Tenant and which services only the Premises. Any repair, maintenance or replacement of the Tenant Service Equipment shall be performed in accordance with the standards and conditions applicable to maintenance, repairs and replacements performed by Tenant pursuant to subsection 6.201(a) above.

6.202 Rights of Landlord. In the event Tenant fails, in the reasonable judgment of Landlord, to maintain the Premises in good order, condition and repair, or otherwise satisfy its repair and replacement obligations under subsection 6.201 above, Landlord shall have the right to perform such maintenance, repairs and replacements, and Tenant shall pay Landlord on demand, as Additional Rent, the cost thereof, provided however, Landlord shall have given Tenant written notice of the maintenance obligation and a thirty (30) day right to cure.

SECTION 6.3 IMPROVEMENTS AND ALTERATIONS.

6.301 Landlord's Construction Obligations. Landlord's sole construction obligations under this Lease are as set forth in the Work Letter.

6.302 Alteration of Office Project. Landlord shall have the right to repair, change, redecorate, alter, improve, modify, renovate, enclose or make additions to any part of the Property (including, without limitation, structural elements and load bearing elements within the Premises and to enclose and/or change the arrangement and/or location of driveways or parking areas or landscaping or other Common Areas of the Property), all without being held guilty of an actual or constructive eviction of Tenant or breach of the implied warranty of suitability and without an abatement of Rent (the "Reserved Right") so long as the Reserved Right is exercised in accordance with this subsection. Without limiting the generality of the foregoing, Landlord's Reserved Right shall include the right to do any of the following: (i) erect and construct scaffolding, pipe, conduit and other structures on and within and outside of the Premises where reasonably required by the nature of the changes, alterations, improvements, modifications, renovations and/or additions being performed, (ii) perform within and outside of the Premises all work and

other activities associated with such changes, alterations, improvements, modifications, renovations and/or additions being performed, (iii) repair, change, renovate, remodel, alter, improve, modify or make additions to the arrangement, appearance, location and/or size of entrances or passageways, doors and doorways, corridors, elevators, elevator lobbies, stairs, toilets or other Common Areas, Service Corridors (defined in Section 15.5) or Service Areas (defined in Section 15.5), (iv) temporarily close any Common Areas and/or temporarily suspend Office Project services and facilities in connection with any repairs, changes, alterations, modifications, renovations or additions to any part of the Office Project, (v) repair, change, alter or improve plumbing, pipes and conduits located in the Office Project, including without limitation, those located within the Premises, the Common Areas, the Service Corridors or the Service Areas of the Office Project and (vi) repair, change, modify, alter, improve, renovate or make additions to the Office Project central heating, ventilation, air conditioning, electrical, mechanical or plumbing systems. When exercising the Reserved Right, Landlord will interfere with Tenant's use and occupancy of the Premises as little as is reasonably practicable, complete work in a timely manner and give Tenant reasonable advance notice of such alterations.

6.303 Alterations, Additions, Improvements and Installations by Tenant. Tenant shall not, without the prior, written consent of Landlord (such consent not to be unreasonably withheld, conditioned or delayed), make any changes, modifications, alterations, additions or improvements (other than Tenant's Improvements under the Work Letter) to, or install any equipment or machinery (other than office equipment, machinery, and all other personal property which can be removed by Tenant without damaging the Building Structure upon vacating the Premises at the expiration of the Lease) on, the Premises (all such changes, modifications, alterations, additions, improvements (other than Tenant's Improvements under the Work Letter) and installations are herein collectively referred to as "Installations") if any such Installations would (i) affect any structural or load bearing portions of the Office Project, (ii) result in a material increase of electrical usage above the normal type and amount of electrical current to be provided by Landlord, (iii) result in a material increase in Tenant's usage of heating or air conditioning, (iv) materially impact mechanical, electrical or plumbing systems in the Premises or the Office Project, (v) materially affect areas of the Premises which can be viewed from Common Areas, (vi) adversely affect Landlord's ability to deliver Office Project services to other tenants of the Office Project or (vii) violate any provision in Article 4 above. Landlord will furnish and install window coverings on all exterior windows of the Premises to maintain a uniform exterior appearance. Tenant shall not remove or replace these window coverings or install any other window covering which would affect the exterior appearance of the Office Project. Any Installations not covered by the above provisions shall also require Landlord's prior, written consent, but such consent shall not be unreasonably withheld, conditioned or delayed. All work performed by Tenant or its contractor relating to the Installations shall be performed diligently and in a good and workmanlike manner, and shall conform to applicable governmental laws, rules and regulations, including, without limitation, the Disability Acts and all rules for performing work in the Office Project promulgated by Landlord, a copy of which is available from the Property Manager. Upon completion of the Installations, Tenant shall deliver to Landlord "as built" plans. If Landlord performs such Installations, Tenant shall pay Landlord, as Additional Rent, the cost thereof plus a construction management fee of five percent (5 %) of such cost; if Landlord permits Tenant to perform the Installations, Landlord may oversee the work but shall not charge Tenant a supervisory fee. Each payment shall be made to Landlord within thirty (30) days after receipt of an invoice from Landlord. All Installations that constitute improvements constructed within the Premises shall be surrendered with the Premises at the expiration or earlier termination of this Lease, unless Landlord requires, at the time that Landlord approves of such Installations, that same be removed upon the termination or expiration of this Lease. **TENANT SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS LANDLORD FROM AND AGAINST ANY AND ALL REASONABLE COSTS, EXPENSES (INCLUDING REASONABLE ATTORNEYS' FEES), DEMANDS, CLAIMS, CAUSES OF ACTION AND LIENS ARISING FROM OR IN CONNECTION WITH ANY INSTALLATIONS PERFORMED BY OR ON BEHALF OF TENANT (OTHER THAN TENANT'S IMPROVEMENTS UNDER THE WORK LETTER AND OTHER THAN BY LANDLORD OR LANDLORD'S EMPLOYEES OR AGENTS)**. Landlord will have the right, but not the obligation, to

inspect periodically the work on the Premises and may require changes in the method or quality of the work if necessary to cause the work to comply with the requirements of this Lease. Notwithstanding the foregoing Tenant shall have the right to make non-structural installations costing less than $20,000 per installation without the prior consent of the Landlord so long as Tenant gives at least ten (10) days advance notice of same prior to construction, together with a complete set of plans, specifications, and construction contract for such work.

6.304 Approvals.

(a) Landlord shall provide written consent, or withhold its consent stating the reasons for such withholding of consent, for any approval required under Section 6.03 within ten (10) business days of receipt of such request from Tenant. Additionally, Landlord agrees to cooperate with Tenant in order for Tenant to obtain any permits required in connection with any approved installation.

(b) Any approval by Landlord (or Landlord's architect and/or engineers) of any of Tenant's contractors or Tenant's drawings, plans or specifications which are prepared in connection with any construction of improvements (including without limitation, Tenant's Improvements) in the Premises shall not be construed as a representation or warranty of Landlord as to the abilities of the contractor or the adequacy of such drawings, plans or specifications or the improvements to which they relate, for any use, purpose or condition.

ARTICLE 7
INSURANCE AND CASUALTY

SECTION 7.1 TOTAL OR PARTIAL DESTRUCTION OF THE OFFICE PROJECT OR THE PREMISES.

(a) If the Office Project or the Building should be totally destroyed by fire or other casualty or if either the Office Project (or any portion thereof) or the Premises or the Building should be so damaged that rebuilding or repairs cannot be completed, in Landlord's reasonable opinion, within one hundred eighty (180) days after commencement of repairs to the Office Project or Premises or the Building, as applicable, either, Landlord or Tenant may, at its option, terminate this Lease, in which event Basic Annual Rent and Additional Rent shall be abated during the unexpired portion of this Lease effective with the date of such damage. Landlord shall exercise the termination right pursuant to the preceding sentence, if at all, by delivering written notice of termination to Tenant within ten (10) days after determining that the repairs cannot be completed within one hundred eighty (180) days. Tenant shall exercise its termination right pursuant to this Section 7.1(a), if at all, by delivering written notice of termination to Landlord within twenty (20) days after being advised by Landlord that the repairs cannot be completed within one hundred eighty (180) days or that the Premises will be unfit for occupancy or inaccessible by reasonable means for at least one hundred eighty (180) days after commencement of repairs to the Office Project. If neither Landlord nor Tenant elects to terminate this Lease pursuant to this Section 7.1(a), then Landlord shall promptly commence (and thereafter pursue with reasonable diligence) the plans and specifications for the repair of the Office Project and the Premises (including Tenant's Improvements except as set forth in the next sentence) and thereafter diligently pursue repairing the Office Project and the Premises to substantially the same condition which existed immediately prior to the happening of the casualty. To the extent Tenant's Improvements include any items required to be insured by Tenant under subsection 7.201(b) below, Landlord shall have the obligation to repair such items only to the extent the proceeds of such insurance are disbursed to Landlord for such repair.

(b) If the Office Project or the Premises or the Building should be damaged by fire or other casualty and, in Landlord's reasonable opinion, the rebuilding or repairs can be completed (and the Premises can be made fit for occupancy and accessible by reasonable means) within one hundred eighty (180) days after the commencement of repairs to the Office Project or Premises, as applicable, Landlord shall, within thirty (30) days after the date of such damage, commence (and thereafter pursue with reasonable diligence) the

plans and specifications for the repair of the Office Project, the Building, and the Premises (including Tenant's Improvements except as set forth in the next sentence) and thereafter diligently pursue repairing the Office Project, the Building, and the Premises to substantially the same condition which existed immediately prior to the happening of the casualty. To the extent Tenant's Improvements include any items required to be insured by Tenant under subsection 7.201(b) below, Landlord shall have the obligation to repair such items to their original condition, but only to the extent the proceeds of such insurance are disbursed to Landlord for such repair.

(c) In no event shall Landlord be required to rebuild, repair or replace any part of the furniture, equipment, fixtures, inventory, supplies or any other personalty or any other improvements (except Tenant's Improvements to the extent set forth in subparagraphs (a) and (b) above), which may have been placed by Tenant within the Office Project or at the Premises. Landlord shall allow Tenant an equitable abatement of Basic Annual Rent and Additional Rent during the time the Premises are unfit for occupancy.

(d) Notwithstanding Landlord's restoration obligation, in the event any mortgagee under a deed of trust or mortgage on the Office Project should require that the insurance proceeds be used to retire or reduce the mortgage debt or if the insurance company issuing Landlord's fire and casualty insurance policy fails or refuses to pay Landlord the proceeds under such policy, Landlord shall have no obligation to rebuild and this Lease shall terminate upon the date of said casualty.

(e) Any insurance which may be carried by Landlord or Tenant against loss or damage to the Office Project or to the Premises shall be for the sole benefit of the party carrying such insurance and under its sole control.

SECTION 7.2 TENANT'S INSURANCE.

7.201 Types of Coverage. From and after the Commencement Date (or, if earlier, such date that Tenant or its agents, contractors or employees enter the Premises as contemplated in Section 1.203), Tenant will carry, at its expense, the insurance set forth in paragraphs (a), (b), and (c) of this subsection.

(a) Commercial General Liability Insurance. Commercial General Liability Insurance covering the Premises and Tenant's use thereof against claims for personal or bodily injury or death or property damage occurring upon, in or about the Premises (including contractual indemnity and liability coverage), such insurance to provide coverages of not less than $1,000,000.00 per occurrence and $2,000,000.00 annual aggregate, with a deductible not to exceed $500,000.00. All insurance coverage required under this subparagraph (a) shall extend to any liability of Tenant arising out of the indemnities provided for in this Lease. Additionally, each policy evidencing the insurance required under this subparagraph shall expressly insure both Tenant and, as additional insureds, Landlord and the Property Manager.

(b) Fire and Extended Coverage Insurance. Property insurance on an all-risk extended coverage basis (including coverage against fire, wind, tornado, vandalism, malicious mischief, water damage and sprinkler leakage) covering all fixtures, equipment and personalty located in the Premises and endorsed to provide one hundred percent (100%) replacement cost coverage. Such policy will be written in the name of Tenant. The property insurance may provide for a deductible not to exceed $500,000.00.

(c) Workers Compensation and Employer's Liability Insurance. Worker's compensation insurance together with employer's liability insurance in an amount at least equal to the greater of (i) the minimum worker's compensation and employer's liability insurance required under Texas law or (ii) $1,000,000.00.

7.202 Other Requirements of Insurance. (a) The insurance company and Tenant will endeavor to give Landlord and Property Manager at least thirty (30) days prior written notice of such cancellation of the insurance referenced in this section, (b) Tenant will be solely responsible for payment of premiums, (c) in the event of payment of any loss covered by such policy, Landlord or Landlord's designees will be paid first by the insurance company for Landlord's loss and (d) Tenant's insurance is primary in the event of overlapping coverage which may be carried by Landlord.

7.203 Proof of Insurance. Simultaneously with the Commencement Date (or, if earlier, such date that Tenant or its agents, contractors or employees enter the Premises as contemplated in Section 1.203), Tenant shall deliver to Landlord duly executed, original certificates of such insurance evidencing in-force coverage. Further, Tenant shall deliver to Landlord duly executed, original certificate of insurance evidencing the renewal of each insurance policy required to be maintained by Tenant hereunder within fifteen (15) days of the expiration of the policy in question. Within fifteen (15) days after written request for same, Tenant shall provide excerpts from such policies or other written evidence of their contents or provide responses to coverage inquiries.

SECTION 7.3 LANDLORD'S INSURANCE.

7.301 Fire and Extended Coverage Insurance. From and after the date of this Lease, Landlord shall carry, at its expense: 1) a policy or policies of all risk extended coverage insurance covering the Office Project (excluding property required to be insured by Tenant) endorsed to provide full replacement cost coverage without deduction for depreciation of the covered items and providing protection against perils included within the "Special Form" of fire and extended coverage insurance policy, together with insurance against sprinkler damage, vandalism, malicious mischief and such other risks as Landlord may from time to time determine in such amounts that meet any co-insurance clauses of the policies of insurance and with any such deductibles as Landlord may from time to time determine; and 2) a standard liability insurance policy, e.g., Commercial General Liability Insurance, including coverage for contractual liability, personal injury, death and damage to property of others, with respect to Landlord's obligations under the Lease , in an amount not less than $5,000,000.00 combined single limit per occurrence.

7.302 Blanket Insurance. Any insurance provided for in subsection 7.301 may be effected by a policy or policies of blanket insurance covering additional items or locations or assureds, provided that the requirements of this Section 7.3 are otherwise satisfied. Tenant shall have no rights in any policy or policies maintained by Landlord.

SECTION 7.4 WAIVER OF SUBROGATION. ALL FIRE, EXTENDED COVERAGE AND/OR PROPERTY OR DAMAGE INSURANCE WHICH MUST BE CARRIED BY TENANT OR LANDLORD SHALL BE ENDORSED WITH A SUBROGATION CLAUSE SUBSTANTIALLY AS FOLLOWS: "THIS INSURANCE SHALL NOT BE INVALIDATED SHOULD THE INSURED WAIVE IN WRITING, PRIOR TO A LOSS, ANY OR ALL RIGHT OF RECOVERY AGAINST ANY PARTY FOR LOSS OCCURRING TO THE PROPERTY DESCRIBED HEREIN." NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, LANDLORD AND TENANT EACH HEREBY RELEASES THE OTHER PARTY FROM, AND WAIVES (AND SHALL CAUSE ITS INSURANCE CARRIER(S) AND ANY OTHER PARTY CLAIMING THROUGH OR UNDER SUCH CARRIER(S), BY WAY OF SUBROGATION OR OTHERWISE, TO WAIVE), ANY AND ALL CLAIMS (AS DEFINED BELOW) AND/OR RIGHTS IT MAY HAVE AGAINST THE OTHER (INCLUDING, WITHOUT LIMITATION, A DIRECT ACTION FOR DAMAGES, ALL RIGHTS OF RECOVERY AND ALL RIGHTS OF THEIR RESPECTIVE INSURANCE CARRIER(S) BASED UPON AN ASSIGNMENT FROM ITS INSURED) ON ACCOUNT OF ANY LOSS OR DAMAGE OCCASIONED TO LANDLORD OR TENANT, AS THE CASE MAY BE (INCLUDING, WITHOUT LIMITATION, ALL RIGHTS [BY WAY OF SUBROGATION OR OTHERWISE] OF RECOVERY, CLAIMS, ACTIONS OR CAUSES OF ACTION ARISING OUT OF, OR CAUSED BY, THE FAULT, NEGLIGENCE OR OTHER TORTIOUS CONDUCT, ACTS OR OMISSIONS OF LANDLORD OR TENANT), TO THEIR RESPECTIVE PROPERTY, THE PREMISES, ITS CONTENTS OR TO ANY OTHER PORTION OF THE PROPERTY ARISING FROM ANY RISK COVERED BY THE CURRENT TEXAS STATE BOARD OF INSURANCE PROMULGATED FORM OF PROPERTY INSURANCE AND THE CUSTOMARY COMMERCIALLY OBTAINABLE ENDORSEMENTS THERETO, OR COVERED BY ANY OTHER INSURANCE ACTUALLY CARRIED BY TENANT OR LANDLORD OR REQUIRED TO BE CARRIED BY TENANT AND LANDLORD,

RESPECTIVELY, PURSUANT TO THIS LEASE. IF A PARTY WAIVING RIGHTS UNDER THIS SUBSECTION IS CARRYING A PROPERTY INSURANCE POLICY IN THE PROMULGATED FORM USED IN THE STATE OF TEXAS AND AN AMENDMENT TO SUCH PROMULGATED FORM IS PASSED, SUCH AMENDMENT SHALL BE DEEMED NOT A PART OF SUCH PROMULGATED FORM UNTIL IT APPLIES TO THE POLICY BEING CARRIED BY THE WAIVING PARTY. IF NECESSARY TO PREVENT THE INVALIDATION OF THE FOREGOING INSURANCE COVERAGE, EACH PARTY TO THIS LEASE AGREES IMMEDIATELY TO GIVE TO EACH SUCH INSURANCE COMPANY WRITTEN NOTIFICATION OF THE TERMS OF THE MUTUAL WAIVERS CONTAINED IN THIS SUBSECTION AND TO HAVE SUCH INSURANCE POLICIES PROPERLY ENDORSED TO PREVENT SUCH INVALIDATION. THE FOREGOING WAIVERS SHALL BE EFFECTIVE WHETHER OR NOT THE PARTIES MAINTAIN THE REQUIRED INSURANCE. THE TERM "CLAIMS" WILL MEAN CLAIMS, DAMAGES, JUDGMENTS, SUITS, CAUSES OF ACTION, LOSSES, LIABILITIES, PENALTIES, FINES, EXPENSES AND COSTS (INCLUDING, WITHOUT LIMITATION, SUMS PAID IN SETTLEMENT OF CLAIMS, ATTORNEYS' FEES, CONSULTANT FEES, EXPERT FEES AND COURT COSTS).

SECTION 7.5 TENANT'S GENERAL INDEMNITY. Tenant will defend, indemnify and hold harmless Landlord and its officers, directors, employees and agents from and against all claims, demands, actions, damages, loss, liabilities, judgments, costs and expenses, including without limitation, reasonable attorneys' fees and court costs (each a "Claim") which are suffered by, recovered from or asserted against Landlord and arise from or in connection with (i) the use or occupancy of the Premises, (ii) any accident, injury or damage occurring in or at the Premises, however, such indemnification shall not include any Claim waived by Landlord under Section 7.4 above, or any Claim to the extent caused by the negligence, gross negligence or willful misconduct of Landlord, its beneficiaries, mortgagees, stockholders, agents (including, without limitation, management agents), partners, officers, servants, contractors, employees or invitees, and any of their respective agents, partners, officers, servants and employees or the breach by Landlord of any of its obligations under this Lease.

SECTION 7.6 LANDLORD'S GENERAL INDEMNITY. Landlord will defend, indemnify and hold harmless Tenant and its officers, directors, employees and agents from and against any Claim which is suffered by, recovered from or asserted against Tenant and arises from or in connection with (i) any accident, injury or damage occurring in or at the Property to the extent caused by the negligence or willful misconduct of Landlord or its employees, agents (including, without limitation, management agents), partners, officers, servants, beneficiaries, mortgagees, stockholders or contractors, or (ii) any breach by Landlord of any representation or covenant in this Lease; provided, however, such indemnification shall not include any Claim waived by Tenant under Section 7.4 above, or any Claim to the extent caused by the negligence, gross negligence or willful misconduct of Tenant or the breach by Tenant of any of its obligations under this Lease.

ARTICLE 8
CONDEMNATION

SECTION 8.1 CONDEMNATION RESULTING IN CONTINUED USE NOT FEASIBLE. If Landlord receives an offer to purchase in lieu of condemnation, or otherwise becomes aware of a proposed condemnation of the Property, or a portion of the Property, Landlord shall notify Tenant immediately, and will keep Tenant apprised of the status of any condemnation proceedings or purchase. If the Property or the Master Project or any portion thereof that, in Landlord's reasonable opinion, is necessary to the continued efficient and/or economically feasible use of the Property shall be taken or condemned for public purposes, or sold to a condemning authority in lieu of taking, then Landlord may, at its option, terminate this Lease by delivering written notice thereof to Tenant within ten (10) days after the taking, condemnation or sale in lieu thereof.

SECTION 8.2 CONDEMNATION OF PREMISES. If all or a substantial portion of the Premises is taken or condemned or sold in lieu thereof or Tenant will be unable to use a substantial portion of the Premises for a period of one hundred twenty (120) consecutive days by reason of a temporary taking of the Premises or by reason of a taking of all or a portion of the

Property through condemnation or sale in lieu thereof, then either Landlord or Tenant may terminate this Lease by delivering written notice thereof to the other within ten (10) business days after Landlord's notice of the taking, condemnation or sale in lieu thereof or Tenant's receipt of written notice from Landlord regarding same.

SECTION 8.3 CONDEMNATION WITHOUT TERMINATION. If upon a taking or condemnation or sale in lieu of the taking of all or less than all of the Property which gives either Landlord or Tenant the right to terminate this Lease pursuant to Section 8.1 or 8.2 above shall occur and neither Landlord nor Tenant elects to exercise such termination right, then this Lease shall continue in full force and effect, provided that if the taking, condemnation or sale includes any portion of the Premises, the Basic Annual Rent and Additional Rent shall be redetermined on the basis of the remaining square feet of Premises Rentable Area. Landlord, at Landlord's sole option and expense, shall restore and reconstruct the Office Project to substantially its former condition to the extent that the same may be reasonably feasible, but such work shall not be required to exceed the scope of the work done by Landlord in originally constructing the Office Project, nor shall Landlord in any event be required to spend for such work an amount in excess of the amount received by Landlord as compensation or damages (over and above amounts going to the mortgagee of the property taken) for the part of the Office Project or the Premises so taken.

SECTION 8.4 CONDEMNATION PROCEEDS. Landlord shall receive the entire award (which shall include sales proceeds) payable as a result of a condemnation, taking or sale in lieu thereof. Tenant hereby assigns to Landlord any and all right, title and interest of Tenant now or hereafter arising in and to any such award. Tenant shall, however, have the right to recover from such authority through a separate award, any compensation as may be awarded to Tenant on account of moving and relocation expenses and depreciation to and removal of Tenant's physical property.

ARTICLE 9
LIENS

Tenant shall keep the Premises and the Property free from all liens arising out of any work performed, materials furnished or obligations incurred by or for Tenant, and Tenant shall defend, indemnify and hold harmless Landlord from and against any and all claims, causes of action, damages and expenses (including reasonable attorneys' fees) arising from or in connection with any such liens; provided, however, that Tenant shall not indemnify Landlord for any liens which may be placed upon the Premises or the Property arising out of any work performed, materials furnished or obligations incurred by Landlord, including but not limited to any work performed pursuant to the Work Letter. If Tenant shall not, within ten (10) business days following notification to Tenant of the imposition of any such lien, cause the same to be released of record by payment or the posting of a bond in amount, form and substance acceptable to Landlord, Landlord shall have, in addition to all other remedies provided herein and by law, the right but not the obligation, to cause the same to be released by such means as it shall deem proper, including payment of or defense against the claim giving rise to such lien. All amounts paid or incurred by Landlord in connection therewith shall be paid by Tenant to Landlord on demand and shall bear interest from the date of demand until paid at the rate set forth in Section 2.4 above.

ARTICLE 10
TAXES ON TENANT'S PROPERTY

Tenant shall be liable for and shall pay, prior to their becoming delinquent, any and all taxes and assessments levied against, and any increases in Taxes as a result of, any personal property or trade or other fixtures placed by Tenant in or about the Premises and any improvements (other than Tenant's Improvements which by their nature, have become a permanent part of the Office Project) constructed in the Premises by or on behalf of Tenant. If Landlord pays any such additional taxes or increases, Tenant will, within thirty (30) business days after notice , reimburse Landlord for the amount thereof.

ARTICLE 11
SUBLETTING AND ASSIGNING

SECTION 11.1 SUBLEASE AND ASSIGNMENT. Except as otherwise permitted by Sections 11.2 and 11.3 below, Tenant shall not assign this Lease, or allow it to be assigned, in whole or in part, by operation of law or otherwise (it being agreed that for purposes of this Lease, assignment shall include, without limitation, the transfer of a majority interest of stock, partnership or other forms of ownership interests, merger or dissolution, but specifically excluding a transfer of Tenant's shares over a nationally recognized stock exchange) or mortgage or pledge the same, or sublet the Premises or any part thereof or permit the Premises to be occupied by any firm, person, partnership or corporation or any combination thereof, other than Tenant, without the prior written consent of Landlord, which consent will not be unreasonably withheld. Notwithstanding the foregoing, Tenant shall be entitled to assign this Lease and/or sublet the Premises without Landlord's prior written consent to (1) any parent, subsidiary, affiliate, group or division of Tenant, or (2) any corporation or partnership that controls, is controlled by, or is under common control with Tenant, or (3) any corporation resulting from the merger or consolidation with Tenant, or (4) any entity that acquires all of Tenant's assets as a going concern of the business that is being conducted on the Premises. Notwithstanding any subletting or assignment by Tenant hereunder or any provision herein to the contrary, Tenant shall remain fully liable for the performance of all the covenants, agreements, terms, provisions and conditions contained in this Lease on the part of Tenant to be performed, including without limitation, Tenant's obligation to pay Basic Rent and Additional Rent during the entire Term (excluding, however, any assignment to an entity contemplated above in (1), (2), (3), or (4), in which case Tenant shall, notwithstanding anything to the contrary contained in this Lease, be relieved of all obligations and liabilities of the tenant under this Lease arising after the effective date of such assignment provided that the applicable transferee meets Landlord's reasonable credit requirements and assumes such obligations and liabilities by written instrument satisfactory to Landlord).Tenant shall deliver to Landlord a copy of each assignment or sublease entered into by Tenant promptly after the execution thereof, whether or not Landlord's consent is required in connection therewith. No assignee or subtenant of the Premises or any portion thereof may assign or sublet the Premises or any portion thereof. Consent by Landlord to one or more assignments or sublettings shall not operate as a waiver of Landlord's rights as to any subsequent assignments and/or sublettings. Any assignment made by Tenant shall contain a covenant of assumption by the assignee running to Landlord.

SECTION 11.2 LANDLORD'S RIGHTS. If Tenant desires to sublease any portion of the Premises or assign this Lease, and Landlord's consent is required under Section 11.1 above, Tenant shall submit to Landlord (a) in writing the name of the proposed subtenant or assignee, the nature of the proposed subtenant's or assignee's business and, in the event of a sublease, the portion of the Premises which Tenant desires to sublease, (b) a copy of the proposed form of sublease or assignment, and (c) such other information as Landlord may reasonably request (collectively, the "Required Information"). Landlord shall, within seven (7) business days after Landlord's receipt of the Required Information, deliver to Tenant a written notice (each such notice, a "Landlord Response") in which Landlord either (i) consents to the proposed sublease or assignment, or (ii) withholds its consent to the proposed sublease or assignment, which consent shall not be unreasonably withheld, conditioned or delayed so long as Landlord has received all Required Information. Landlord shall be deemed to have reasonably withheld its consent to any sublease or assignment if the refusal is based on (i) Landlord's determination (in its reasonable discretion) that such subtenant or assignee is not of the character or quality of a tenant to whom Landlord would generally lease space of the Office Project, (ii) such sublease or assignment conflicts in any manner with this Lease, including, but not limited to, the Permitted Use or Section 4.1 hereof, (iii) the proposed subtenant or assignee is a governmental entity or a medical office, (iv) the proposed subtenant's or assignee's primary business is prohibited by any non-compete clause then affecting the Office Project, or (v) the proposed subtenant or assignee is a tenant of the Office Project.

SECTION 11.3 LANDLORD'S RIGHTS RELATING TO ASSIGNEE OR SUBTENANT. Without limiting Landlord's consent rights and as a condition to obtaining Landlord's consent, (i) each assignee must assume all obligations under this Lease, and (ii) each subtenant must confirm that its sublease is subject and subordinate to this Lease. Without limiting the foregoing, each assignee and subtenant shall cause the Premises to comply at all times with all requirements of the Disability Acts (as amended), including, but not limited to, obligations arising out of or associated with such assignee's or subtenant's use of or activities or business operations conducted within the Premises. To the extent the net rentals and income derived from any sublease or assignment exceed the rentals due hereunder, such excess rentals and income shall be split equally between Landlord and Tenant. The term "net rentals and income" means an amount

equal to all sums and other consideration paid to Tenant by the assignee or subtenant for or by reason of an assignment or sublease, including but not limited to, sums paid for the sale or rental of Tenant's fixtures, leasehold improvements, equipment, furniture, furnishings or other personal property, less, in the case of a sale thereof, the then net unamortized or undepreciated portion (determined on the basis of Tenant's federal income tax returns) of the original cost thereof, less the reasonable out-of-pocket costs and expenses of Tenant paid to unaffiliated third parties incurred in connection with any such assignment or sublease, including , without limitation, tenant improvements, brokerage commissions, legal fees and advertising expenses. If this Lease or any part hereof is assigned or the Premises or any part thereof are sublet, Landlord may at its option collect directly from such assignee or subtenant all rents becoming due to Tenant under such assignment or sublease and apply such rent against any sums due to Landlord by Tenant hereunder. Tenant hereby authorizes and directs any such assignee or subtenant to make such payments of rent directly to Landlord upon receipt of notice from Landlord, and Tenant agrees that any such payments made by an assignee or subtenant to Landlord shall, to the extent of the payments so made, be a full and complete release and discharge of rent owed to Tenant by such assignee or subtenant. No direct collection by Landlord from any such assignee or subtenant shall be construed to constitute a novation or a release of Tenant or any guarantor of Tenant from the further performance of its obligations hereunder. Receipt by Landlord of rent from any assignee, subtenant or occupant of the Premises or any part thereof shall not be deemed a waiver of the above covenant in this Lease against assignment and subletting or a release of Tenant under this Lease. In the event that, following an assignment or subletting, this Lease or the rights and obligations of Tenant hereunder are terminated for any reason, including without limitation in connection with default by or bankruptcy of Tenant (which, for the purposes of this Section 11.3, shall include all persons or entities claiming by or through Tenant), Landlord may, at its option, consider this Lease to be thereafter a direct lease to the assignee or subtenant of Tenant upon the terms and conditions contained in this Lease.

ARTICLE 12
TRANSFERS BY LANDLORD, SUBORDINATION AND TENANT'S ESTOPPEL CERTIFICATE

SECTION 12.1 SALE OF THE PROPERTY. In the event of any transfer of title to the Property, the transferor shall automatically be relieved and freed of all obligations of Landlord under this Lease accruing after such transfer, provided that the transferee expressly assumes in writing all obligations of Landlord hereunder accruing after the date of such transfer and further provided that if a Security Deposit has been made by Tenant, Landlord shall not be released from liability with respect thereto unless Landlord transfers the Security Deposit to the transferee.

SECTION 12.2 SUBORDINATION, ATTORNMENT AND NOTICE. This Lease is subject and subordinate (i) to the lien of each mortgage and deed of trust encumbering all or any portion of the Property, regardless of whether such mortgage or deed of trust now exists or may hereafter be created, (ii) to any and all advances (including interest thereon) to be made under each such mortgage or deed of trust and (iii) to all modifications, consolidations, renewals, replacements and extensions of each such mortgage or deed of trust; provided that the foregoing subordination to any mortgage or deed of trust placed on the Property after the date hereof shall not become effective until and unless the holder of such mortgage or deed of trust delivers to Tenant a non-disturbance agreement (which may include Tenant's agreement to attorn as set forth below) permitting Tenant, if Tenant is not then in default under, or in breach of any provision of, this Lease, to remain in occupancy of the Premises in the event of a foreclosure of any such mortgage or deed of trust. Tenant also agrees that any mortgagee (whether under a mortgage or deed of trust) or trustee may elect (which election shall be revocable) to have this Lease superior to the lien of its mortgage or deed of trust and, in the event of such election and upon notification by such mortgagee or trustee to that effect, this Lease shall be deemed superior to such mortgage or deed of trust, whether this Lease is dated prior to or subsequent to the date of such mortgage or deed of trust. Tenant shall, in the event of the sale or assignment of Landlord's interest in the Premises (except in a sale-leaseback financing transaction), or in the event of the termination of any lease in a sale-leaseback financing transaction wherein Landlord is the lessee, attorn to and recognize such purchaser, assignee or lessor as Landlord under this Lease. Tenant shall, in the event of any proceedings brought for the foreclosure of, or in the event of the exercise of the power of sale under, any mortgage or deed of trust covering the Premises, attorn to and recognize the purchaser at foreclosure as Landlord under this Lease. The above subordination and attornment clauses shall be self-operative and no further instruments of

subordination or attornment need be required by any mortgagee, trustee, lessor, purchaser or assignee, provided however, a non-disturbance agreement has been executed and delivered to Tenant as set forth above. In confirmation thereof, Tenant agrees that, upon the request of Landlord, or any such mortgagee, trustee, lessor, purchaser or assignee, Tenant shall execute and deliver whatever reasonable instruments may be required for such purposes and to carry out the intent of this Section 12.2, including without limitation a Subordination, Non-Disturbance and Attornment Agreement in the form attached hereto as Exhibit H.

SECTION 12.3 TENANT'S ESTOPPEL CERTIFICATE. Tenant shall, upon the request of Landlord or any mortgagee of Landlord (whether under a mortgage or deed of trust), without additional consideration, deliver an estoppel certificate (in the form attached hereto as Exhibit I or such other form as Landlord may reasonably request), consisting of reasonable statements required by Landlord, any mortgagee or purchaser of any interest in the Property, which statements may include but shall not be limited to the following: this Lease is in full force and effect, with Rent paid through the date specified in the certificate; this Lease has not been modified or amended; Tenant is not aware that Landlord is in default or that Landlord has failed to fully perform all of Landlord's obligations hereunder; and such other statements as may reasonably be required by the requesting party. If Tenant is unable to make any statements contained in the estoppel certificate because the same is untrue, Tenant shall with specificity state the reason why such statement is untrue. However, Tenant shall not be required to execute more than two (2) such certificates per calendar year.

ARTICLE 13
DEFAULT

SECTION 13.1 DEFAULTS BY TENANT. The occurrence of any of the events described in subsections 13.108 through 13.109 shall constitute a default by Tenant under this Lease.

13.101 Failure to Pay Rent. With respect to the first two (2) payments of Rent not made by Tenant when due in any twelve (12) month period commencing on the Commencement Date, the failure by Tenant to make such payment to Landlord within five (5) business days after Tenant's receipt of Landlord's written notice specifying that the payment was not made when due; with respect to any other payment of Rent during such twelve (12) month period, the failure by Tenant to make such payment of Rent to Landlord when due shall constitute a default by Tenant, with no notice of any such failure from Landlord to Tenant being required.

13.102 Failure to Maintain Insurance. The failure by Tenant to maintain the insurance or deliver to Landlord the evidence thereof required by this Lease, and the continuance of such failure for ten (10) business days after Tenant's receipt of Landlord's written notice thereof.

13.103 Failure to Perform Generally. Except for a failure covered by subsection 13.101, 13.102 or 13.104, any failure by Tenant to observe and perform any provision of this Lease to be observed or performed by Tenant where such failure continues for thirty (30) days after Tenant's receipt of Landlord's written notice of such failure, provided that if such failure by its nature cannot be cured within such thirty (30) day period, Tenant shall not be in default hereunder so long as Tenant commences curative action within such thirty (30) day period, diligently and continuously pursues the curative action and fully cures the failure within one hundred twenty (120) days after Landlord gives such written notice to Tenant.

13.104 Continual Failure to Perform. The third failure by Tenant in any twelve (12) month period to perform and observe a particular provision of this Lease to be observed or performed by Tenant (other than the failure to pay Rent, which in all instances will be covered by subsection 13.101 above), no notice being required for any such third failure.

13.105 Bankruptcy, Insolvency, Etc. Tenant (i) becomes or is declared insolvent according to any law, (ii) makes a transfer in fraud of creditors according to any applicable law, (iii) assigns or conveys all or a substantial portion of its property for the benefit or creditors or (iv) files a petition for relief, or is the subject of an order for relief, under the Federal Bankruptcy Code or any other present or future federal or state insolvency, bankruptcy or similar law (collectively, "Applicable Bankruptcy Law") and such action is not dismissed within ninety (90) days after filing thereof.

13.106 Receivership, Levy, Etc. A receiver or trustee is appointed for Tenant or its property; the interest of Tenant under this Lease is levied on under execution or under other legal process; any involuntary petition is filed against Tenant under applicable bankruptcy law; or any action is taken to reorganize or modify Tenant's capital structure if Tenant is a corporation or other entity; provided, however, no action described in this subsection 13.106 shall constitute a default by Tenant if Tenant shall vigorously contest the action by appropriate proceedings and shall remove, vacate or terminate the action within ninety (90) days after the date of its inception.

13.107 [**INTENTIONALLY DELETED**]

13.108 Dissolution or Liquidation. If Tenant is a corporation, partnership or limited liability company, Tenant dissolves or liquidates or otherwise fails to maintain its corporate, partnership or limited liability company structure, as applicable.

With respect to the defaults described in subsections 13.105 and 13.108, Landlord shall not be obligated to give Tenant notices of default and Tenant shall have no right to cure such defaults.

SECTION 13.2 REMEDIES OF LANDLORD.

13.201 Termination of the Lease. Upon the occurrence of a default by Tenant hereunder and following the expiration of any applicable cure period, Landlord may, without judicial process, terminate this Lease by giving written notice thereof to Tenant (whereupon all obligations and liabilities of Landlord hereunder shall terminate) and, without further notice and without liability, repossess the Premises. Landlord shall be entitled to recover all loss and damage Landlord may suffer by reason of such termination, whether through inability to relet the Premises on satisfactory terms or otherwise, including without limitation, accrued Rent to the date of termination and Late Charges, plus interest thereon at the rate established under Section 2.4 from the date due through the date paid or date of any judgment or award by any court of competent jurisdiction, the unamortized cost of Tenant's Improvements, brokers' fees and commissions, reasonable attorneys' fees, moving allowances, equipment allowances and any other reasonable costs incurred by Landlord in connection with making or executing this Lease, the cost of recovering the Premises and the reasonable costs of reletting the Premises (including, without limitation, advertising costs, brokerage fees, leasing commissions, reasonable attorneys' fees and refurbishing costs and other reasonable costs in readying the Premises for a new tenant).

13.202 Repossession and Re-Entry. Upon the occurrence of a default by Tenant hereunder and following the expiration of any applicable cure period, Landlord may, without judicial process, immediately terminate Tenant's right of possession of the Premises (whereupon all obligations and liability of Landlord hereunder shall terminate), but not terminate this Lease, and, without notice, demand or liability, enter upon the Premises or any part thereof, take absolute possession of the same, expel, or remove Tenant and any other person or entity who may be occupying the Premises and change the locks. If Landlord terminates Tenant's possession of the Premises under this subsection 13.202, (i) Tenant shall have no further right to possession of the Premises, and (ii) Landlord will have the right to relet the Premises or any part thereof on such terms as Landlord deems advisable, taking into account the factors described in subsection 13.206. Any rent received by Landlord from reletting the Premises or a part thereof shall be applied first, to the payment of any indebtedness other than Rent due hereunder from Tenant to Landlord (in such order as Landlord shall designate), second, to the payment of any cost of such reletting, including, without limitation, refurbishing costs, reasonable attorneys' fees, advertising costs, brokerage fees and leasing commissions and third, to the payment of Rent due and unpaid hereunder (in such order as Landlord shall designate), and Tenant shall satisfy and pay to Landlord any deficiency upon demand therefor from time to time. No such re-entry or taking of possession of the Premises by Landlord shall be construed as an election on Landlord's part to terminate this Lease unless a written notice of such termination is given to Tenant pursuant to subsection 13.201 above. If Landlord relets the Premises, either before or after the termination of this Lease, all such rentals received from such lease shall be and remain the exclusive property of Landlord and Tenant shall not be, at any time, entitled to recover any such rental. Landlord may at any time after a reletting elect to terminate this Lease.

13.203 Cure of Default. Upon the occurrence of a default hereunder by Tenant, beyond any applicable cure period, Landlord may, without judicial process and without having any liability therefor, enter upon the Premises and do whatever Tenant is obligated to do under the terms of this Lease and Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may reasonably incur in effecting compliance with Tenant's obligations under this Lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to Tenant from such action, WHETHER OR NOT CAUSED BY THE NEGLIGENCE OF LANDLORD, but same shall not cover the gross negligence or willful misconduct of Landlord, its agents, servants, employees, contractors or invitees.

13.204 Continuing Obligations. No repossession of or re-entering upon the Premises or any part thereof pursuant to subsection 13.202 or 13.203 above or otherwise and no reletting of the Premises or any part thereof pursuant to subsection 13.202 above shall relieve Tenant of its liabilities and obligations hereunder, all of which shall survive such repossession or re-entering. In the event of any such repossession of or re-entering upon the Premises or any part thereof by reason of the occurrence of a default, Tenant will continue to pay to Landlord Rent required to be paid by Tenant, subject to the offset, if any, for rent received by the Landlord from occupancy of the Premises by any third party.

13.205 Cumulative Remedies. No right or remedy herein conferred upon or reserved to Landlord is intended to be exclusive of any other right or remedy set forth herein or otherwise available to Landlord at law or in equity and each and every right and remedy shall be cumulative and in addition to any other right or remedy given hereunder or now or hereafter existing at law or in equity. In addition to the other remedies provided in this Lease and without limiting the preceding sentence, Landlord shall be entitled, to the extent permitted by applicable law, to injunctive relief in case of the violation, or attempted or threatened violation, of any of the covenants, agreements, conditions or provisions of this Lease, or to a decree compelling performance of any of the covenants, agreements, conditions or provisions of this Lease.

13.206 Mitigation of Damages. For purposes of determining any recovery of rent or damages by Landlord that depends upon what Landlord could collect by using reasonable efforts to relet the Premises, whether the determination is required under subsections 13.201 or 13.202 or otherwise, it is understood and agreed that:

(a) Landlord may reasonably elect to lease other comparable, available space in the Office Project, if any, before reletting the Premises.

(b) Landlord may reasonably decline to incur out-of-pocket costs to relet the Premises, other than customary leasing commissions and reasonable attorneys' fees for the negotiation of a lease with a new tenant.

(c) Landlord may reasonably decline to relet the Premises at rental rates below then prevailing market rental rates, because of the negative impact lower rental rates would have on the value of the Office Project and because of the uncertainty of actually receiving from Tenant the greater damages that Landlord would suffer from and after reletting at the lower rates.

(d) Before reletting the Premises to a prospective tenant, Landlord may reasonably require the prospective tenant to demonstrate the same financial wherewithal that Landlord would require as a condition to leasing other space in the Office Project to the prospective tenant.

(e) Identifying a prospective tenant to relet the Premises, negotiating a new lease with such tenant and making the Premises ready for such tenant will take time, depending upon market conditions when the Premises first become available for reletting, and during such time no one can reasonably expect Landlord to collect anything from reletting.

(f) Listing the Premises with a broker constitutes reasonable efforts on the part of Landlord to relet the Premises.

SECTION 13.3 DEFAULTS BY LANDLORD. Landlord shall be in default under this Lease if Landlord fails to perform any of its obligations hereunder and such failure continues for a period of thirty (30) days after Tenant gives written notice stating that Landlord is in breach of this Lease and stating the breach with specificity to Landlord and each mortgagee who has a lien against any portion of the Property and whose name and address has been provided to Tenant, provided that if such failure cannot reasonably be cured within such thirty (30) day period, Landlord shall not be in default hereunder if the curative action is commenced within such thirty (30) day period and is thereafter diligently pursued until cured and such cure is completed within not more than one hundred twenty (120) days thereafter. In the event of a Landlord default hereunder, beyond any applicable cure period, Tenant may (i) terminate this Lease at any time prior to Landlord's cure of such default by providing twenty (20) business days' written notice to Landlord during which period such default is still not cured, in which event Landlord's liability for damages will survive such termination, or (ii) remedy such default, whereupon Landlord shall reimburse Tenant for the reasonable third party costs (including third party attorneys' fees) incurred by Tenant to remedy such default within 30 days after receipt of Tenant's written notice, together with copies of the paid invoices evidencing the costs so incurred plus interest on such costs at the rate of 12% per annum from that date which is 30 days after Tenant's delivery of said reimbursement notice, until paid. Landlord shall be liable to Tenant for all Claims related thereto, including without limitation, holdover rent, costs to locate new office space, business interruption, etc., and Tenant may pursue its remedies at law or in equity.

SECTION 13.4 LANDLORD'S LIABILITY.

13.401 Tenant's Rights in Respect of Landlord Default . Tenant is granted no contractual right of termination by this Lease, except to the extent and only to the extent expressly set forth in other Sections of this Lease. If Tenant shall recover a money judgment against Landlord, such judgment shall be satisfied only out of the right, title and interest of Landlord's Dallas/Fort Worth properties as the same may then be encumbered and Landlord shall not be liable for any deficiency. In no event shall Landlord be liable to Tenant for consequential or special damages by reason of a failure to perform (or a default) by Landlord hereunder or otherwise. In no event shall Tenant have the right to levy execution against any property of Landlord other than its interest in the Property as above provided. Provided, however, if Tenant obtains a final judgment against Landlord based upon breach by Landlord of its covenants, warranties, undertakings or agreements contained in this Lease, and if Landlord does not satisfy such judgment within thirty (30) days after entry thereof, Tenant may, successively if necessary (and in addition to all other rights and remedies provided at law or in equity or elsewhere herein), set off the amount of such judgment against the Rent or any other amounts payable to Landlord by Tenant hereunder next due under the provisions of this Lease.

13.402 Certain Limitations on Landlord's Liability . Landlord shall not be liable to Tenant for any claims, actions, demands, costs, expenses, damage or liability of any kind which (i) are caused by tenants or any persons either in the Premises or elsewhere in the Office Project (unless caused by Landlord's negligence in the Common Areas) or by occupants of property adjacent to the Office Project or Common Areas or by the public or by the construction of any private, public or quasi-public work, or (ii) are caused by any theft or burglary at the Premises or the Property.

SECTION 13.5 INTENTIONALLY OMITTED

ARTICLE 14
NOTICES

Any notice or communication required or permitted in this Lease shall be given in writing, sent by (a) personal delivery, with proof of delivery, (b) overnight delivery service, with proof of delivery, or (c) United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed as set forth in the Basic Lease Information, or to such other address or to the attention of such other person as shall be designated from time to time in writing by the applicable party and sent in accordance herewith. Notice also may be given by fax, provided each such transmission is confirmed (and such confirmation is supported by documented evidence) as received and the original is provided by overnight delivery service. Any such notice or communication shall be deemed to have been received either at the time of personal delivery or, in the case of overnight delivery service on the next business day or mail, three (3) business days after deposit in the U.S. Mail or in the case of fax, on the date of transmission. Reference is made to Section 13.3 of this Lease for other provisions governing notices.

ARTICLE 15
MISCELLANEOUS PROVISIONS

SECTION 15.1 OFFICE PROJECT NAME AND ADDRESS. Tenant shall not, without the written consent of Landlord, use the name of the Office Project for any purpose other than as the address of the business to be conducted by Tenant in the Premises and in no event shall Tenant acquire any rights in or to such names. Landlord shall have the right at any time to change the name, number or designation by which the Office Project is known.

SECTION 15.2 SIGNAGE. Landlord shall maintain a tenant directory in the main Office Project lobby (i.e. first floor elevator lobby for the Premises) (or, alternatively, on the exterior glass of such lobby comparable to the signage on the other lobbies in the Office Project), and shall provide Tenant, at Tenant's option, one identification strip in such directory, setting forth Tenant's name and location and, subject to applicable ordinances or regulations, Tenant's logo ("First Floor Lobby Signage") at Tenant's sole cost. Additionally, in the event that Landlord maintains an electronic directory for the Building or Office Project, Landlord shall include Tenant's name, location and, to the extent practicable, Tenant's logo in such electronic directory ("Electronic Directory Signage"). In addition, Tenant, at Tenant's option, shall have the right to place one (1) lite sign on the exterior of the west second floor façade of the Building above the top of the window line (facing the Tollway) ("Exterior Signage") at Tenant's sole cost. All of the foregoing signage shall be subject to Landlord's sole approval of the size, type, location, appearance and means of attachment of same identified on the attached Rider 3 Exterior Sign Specifications, together with such approvals as may be required from the City of Plano and the Design Review Board of the Legacy Association. Tenant shall not otherwise inscribe, paint, affix or display any signs, advertisements or notices on or in the Office Project or the Premises, except for such tenant identification information adjacent to the access door or doors to the Premises which Landlord approves in advance. Without limiting Landlord's approval rights, Landlord may withhold approval of any Tenant sign as Landlord considers necessary to preserve Landlord's aesthetic standards for the Office Project. All signs permitted hereunder shall constitute Installations and shall be subject to the provisions of subsection 6.303, including without limitation Landlord's rights under such subsection to perform and charge for the work necessary to complete Installations. In summary, Landlord and Tenant acknowledge and agree that Tenant's signage shall be paid for as follows:

- First Floor Lobby Signage — To be paid by Tenant
- Electronic Directory Signage (if applicable) — To be paid by Landlord
- Exterior Signage — To be paid by Tenant

SECTION 15.3 NO WAIVER. No waiver by Landlord or by Tenant of any provision of this Lease shall be deemed to be a waiver by either party of any other provision of this Lease. No waiver by Landlord or Tenant of any breach by the other party shall be deemed a waiver of any subsequent breach of the same or any other provision. The failure of Landlord or Tenant to insist at any time upon the strict performance of any covenant or agreement or to exercise any option, right, power or remedy contained in this Lease shall not be construed as a waiver or a relinquishment thereof for the future. Landlord's consent to or approval of any act by Tenant requiring Landlord's consent or approval shall not be deemed to render unnecessary the obtaining of Landlord's consent to or approval of any subsequent act of Tenant. Tenant's consent to or approval of any act by Landlord requiring Tenant's consent or approval shall not be deemed to render unnecessary the

obtaining of Tenant's consent to or approval of any subsequent act of Landlord. No act or thing done by Landlord or Landlord's agents during the term of this Lease shall be deemed an acceptance of a surrender of the Premises, unless done in writing signed by Landlord. The acceptance of any Rent by Landlord following a breach of this Lease by Tenant shall not constitute a waiver by Landlord of such breach or any other breach. No waiver by Landlord or Tenant of any provision of this Lease shall be deemed to have been made unless such waiver is expressly stated in writing signed by the waiving party. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly installment of Rent due under this Lease shall be deemed to be other than on account of the earliest Rent due hereunder, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as Rent be deemed an accord and satisfaction and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or pursue any other remedy which may be available to Landlord.

SECTION 15.4 APPLICABLE LAW. This Lease shall be governed by and construed in accordance with the laws of the State of Texas.

SECTION 15.5 COMMON AREAS. "Common Areas" means all areas, spaces, facilities and equipment (whether or not located within the Office Project) made available by Landlord for the common and joint use of Landlord, Tenant and others designated by Landlord using or occupying space in the Office Project, including but not limited to, tunnels, walkways, sidewalks and driveways necessary for access to the Office Project, Office Project lobbies, the Garage, the Other Garages, landscaped areas, public corridors, public rest rooms, Office Project stairs, elevators open to the public, service elevators (provided that such service elevators shall be available only for tenants of the Office Project and others designated by Landlord), drinking fountains and any such other areas and facilities as are designated by Landlord from time to time as Common Areas. "Service Corridors" means all loading docks, loading areas and all corridors that are not open to the public but which are available for use by Tenant and others designated by Landlord. "Service Areas" will refer to areas, spaces, facilities and equipment serving the Office Project (whether or not located within the Office Project) but to which Tenant and other occupants of the Office Project will not have access, including, but not limited to, mechanical, telephone, electrical and similar rooms and air and water refrigeration equipment. Tenant is hereby granted a nonexclusive right to use the Common Areas and Service Corridors during the term of this Lease for their intended purposes, in common with others designated by Landlord, subject to the terms and conditions of this Lease, including, without limitation, the Rules and Regulations and the Garage Parking Agreement attached hereto as Exhibit F. The Office Project, Common Areas, Service Corridors and Service Areas will be at all times under the exclusive control, management and operation of the Landlord; Landlord is responsible for the operation, management and maintenance of the Common Areas, the manner of maintenance and the expenditures therefor to be in the sole discretion of Landlord, but to be reasonably comparable to similar projects within the same geographical area as the Project. Landlord reserves the right at any time to change the Project name without liability to or consent of Tenant. Tenant agrees and acknowledges that the Premises (whether consisting of less than one floor or consisting of one or more full floors within the Office Project) do not include, and Landlord hereby expressly reserves for its sole and exclusive use, any and all mechanical, electrical, telephone and similar rooms, janitor closets, elevator, pipe and other vertical shafts and ducts, flues, stairwells, any area above the acoustical ceiling and any other areas not specifically shown on Exhibit B as being part of the Premises. Landlord reserves the right to change from time to time the dimensions and location of the Common Areas, as well as the dimensions, identities, locations and types of any buildings, signs or other improvements in the Project. Landlord may from time to time temporarily substitute for any parking area other areas reasonably accessible to the tenants of the Project, which areas may be structured, surface or underground, in case of repairs maintenance or emergency. Landlord will be responsible for causing the Common Areas to comply at all times in all material respects with the provisions of (A) Tex. Rev. Civ. Stat. Ann. art. 9102, as amended, (B) the Americans With Disabilities Act of 1990, 42 U.S.C. §§12101-12213, as amended, and (C) any other similar public accommodation Laws (collectively, "Disability Laws"). Landlord will also be responsible for causing the Building and the operations therein (other than the Premises) to comply with all applicable health, safety, security and environmental Laws throughout the term of this Lease.

SECTION 15.6 SUCCESSORS AND ASSIGNS. Subject to Article 11 hereof, all of the covenants, conditions and provisions of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

SECTION 15.7 BROKERS. Tenant warrants that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Lease other than Cushman & Wakefield of Texas, Inc. ("Tenant's Broker"), and that it knows of no other real estate brokers or agents who are or claim to be entitled to a commission in connection with this Lease. Tenant agrees to defend, indemnify and hold harmless Landlord from and against any liability or claim, whether meritorious or not, arising with respect to any such broker and/or agent known to Tenant and not so named. Landlord has agreed to pay the fees of Tenant's Broker strictly in accordance with and subject to the terms and conditions of a separate written commission agreement between Landlord and Tenant's Broker.

SECTION 15.8 SEVERABILITY. If any provision of this Lease or the application thereof to any person or circumstances shall be invalid or unenforceable to any extent, the application of such provisions to other persons or circumstances and the remainder of this Lease shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

SECTION 15.9 EXAMINATION OF LEASE. Submission by Landlord of this instrument to Tenant for examination or signature does not constitute a reservation of or option for lease. This Lease will be effective as a lease only upon execution by and delivery to both Landlord and Tenant.

SECTION 15.10 TIME. Time is of the essence in this Lease and in each and all of the provisions hereof. Whenever a period of days is specified in this Lease, such period shall refer to calendar days unless otherwise expressly stated in this Lease. If any date provided under this Lease for performance of an obligation or expiration of a time period is a Saturday, Sunday or a federal or state holiday, the obligation shall be performed or the time period shall expire, as the case may be, on the next succeeding business day. The "date of this Lease" means the date of execution hereof, as set forth on the signature page hereof.

SECTION 15.11 DEFINED TERMS AND MARGINAL HEADINGS. The words "Landlord" and "Tenant" as used herein shall include the plural as well as singular. If more than one person is named as Tenant, the obligations of such persons are joint and several. The headings and titles to the articles, sections and subsections of this Lease are not a part of this Lease and shall have no effect upon the construction or interpretation of any part of this Lease.

SECTION 15.12 AUTHORITY OF TENANT. Tenant and each person signing this Lease on behalf of Tenant represent to Landlord as follows: Tenant, if a corporation, is duly incorporated and legally existing under the laws of the state of its incorporation and is duly qualified to do business in the State of Texas. Tenant, if a limited liability company, is duly organized and legally existing under the laws of the state of its organization and is duly qualified to do business in the State of Texas. Tenant, if a partnership or joint venture, is duly organized under the Texas Business Organization Code if a limited or, if organized under the laws of a state other than Texas, is qualified to do business in the State of Texas. Tenant has all requisite power and all governmental certificates of authority, licenses, permits, qualifications and other documentation to lease the Premises and to carry on its business as now conducted and as contemplated to be conducted. Each person signing on behalf of Tenant is authorized to do so. The foregoing representations in this Section 15.12 shall also apply to any corporation, partnership, joint venture or limited partnership which is a general partner or joint venturer of Tenant.

SECTION 15.13 FORCE MAJEURE. Whenever a period of time is herein prescribed for action to be taken by Landlord or Tenant, the party taking the action shall not be liable or responsible for, and there shall be excluded from the computation for any such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, governmental laws, regulations or restrictions or any other causes which are beyond the reasonable control of such party; provided, however, in no event shall the foregoing apply to the financial obligations of either Landlord or Tenant to the other under this Lease, including Tenant's obligation to pay Basic Annual Rent, Additional Rent or any other amount payable to Landlord hereunder.

SECTION 15.14 RECORDING. This Lease shall not be recorded. However, Landlord shall have the right to record a short form or memorandum hereof, at Landlord's expense, at any time during the term hereof and, if requested, Tenant agrees (without charge to Landlord) to join in the execution thereof.

SECTION 15.15 PARKING. Exhibit F attached hereto sets forth agreements between Landlord and Tenant relating to parking.

SECTION 15.16 ATTORNEYS' FEES. In the event of any legal action or proceeding brought by either party against the other arising out of this Lease, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs incurred in such action (including, without limitation, all costs of appeal) and such amount shall be included in any judgment rendered in such proceeding.

SECTION 15.17 NO LIGHT, AIR OR VIEW EASEMENT. Any diminution or shutting off of light, air or view by any structure which may be erected on the Property or lands adjacent to the Property shall in no way affect this Lease or impose any liability on Landlord (even if Landlord is the adjacent land owner).

SECTION 15.18 SURVIVAL OF INDEMNITIES. Each indemnity agreement and hold harmless agreement contained herein shall survive the expiration or termination of this Lease for a period of two (2) years.

SECTION 15.19 REASONABLENESS AND DISCRETION. Regardless of any reference in the Lease to sole and absolute discretion or words to that effect, but except for matters which (1) could have an adverse effect on the structural integrity of the Building Structure, (2) could have an adverse effect on the Building Systems, or (3) could have an effect on the exterior appearance of the Building, whereupon in each such case Landlord's duty is to act in good faith and in compliance with the Lease, any time the consent of Landlord of Tenant is required, such consent shall not be unreasonably withheld, conditioned or delayed. Whenever the Lease grants Landlord or Tenant the right to take action, exercise discretion, establish rules and regulations or make allocations or other determinations (other than to exercise expansion, contraction, cancellation, termination or renewal options), Landlord and Tenant shall act reasonably and in good faith and take no action which might result in the frustration of the reasonable expectations of a sophisticated Tenant or Landlord concerning the benefits to be enjoyed under the Lease

SECTION 15.20 PROHIBITED PERSONS AND TRANSACTIONS. Tenant represents and warrants that neither Tenant nor any of its affiliates, nor any of their respective partners, members, shareholders or other equity owners, and none of their respective employees, officers, directors, representatives or agents is, nor will they become, a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and will not Transfer this Lease to, contract with or otherwise engage in any dealings or transactions or be otherwise associated with such persons or entities. Landlord represents and warrants that neither Landlord nor, to Landlord's knowledge, any of its affiliates, nor any of their respective partners, members, shareholders or other equity owners, and none of their respective employees, officers, directors, representatives or agents is, nor will they become, a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of OFAC (including those named on OFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and is not and will not Transfer this Lease to, contract with or otherwise engage in any dealings or transactions or be otherwise associated with such persons or entities.

SECTION 15.21 ENTIRE AGREEMENT. This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease and no prior agreement, understanding or representation pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest.

SECTION 15.22 REPRESENTATIONS AND WARRANTIES. Landlord represents and warrants that, as of the date of this Lease, (i) Landlord is the sole owner of the Office Project and the Office Project is not subject to any liens securing indebtedness payable by Landlord other than those held by Bank of America, N.A., (ii) the Premises is not presently leased to another party and no party or parties has/have any rights to lease all or any portion of the Premises, whether pursuant to an expansion option, right of first offer, right of first refusal, or otherwise, (iii) Landlord has no current actual knowledge, nor has Landlord received written notice from any governmental authority since Landlord acquired the Office Project, of any existing or threatened material violation of any Laws applicable to the ownership, operation, use, maintenance or condition of the Building or any part thereof, (iv) to Landlord's current actual knowledge, there are no leases, covenants, conditions, restrictions, easements, or zoning or other laws applicable to the Premises in effect as of the date of this Lease that prohibit or would prevent the use of the Premises for the Permitted Use, (v) Landlord has no current actual knowledge of any defects existing with respect to the Premises and/or existing leasehold improvements located therein as of the date of this Lease (including, without limitation, all Building systems exclusively servicing the same), (vi) live loads for the floor of each of the floors of the Premises are fifty (50) pounds per square foot and the live load for the roof of the Building is twenty (20) pounds per square foot, and (vii) the square footage of the Premises has been measured in accordance with the most recently published BOMA standard "ANSI Z65.1-1996" as interpreted by written guidance published by BOMA entitled "Answers to 26 Key Questions About the ANSI/BOMA Standard for Measuring Floor Area in Office Buildings".

SECTION 15.23 LIMITATION OF LIABILITY. Notwithstanding anything to the contrary contained in this Lease, Tenant shall in no event be liable for consequential, special, punitive or exemplary damages or loss of business or profits by reason of a failure to perform (or a default) by Tenant hereunder or otherwise and Landlord hereby waives any and all claims for such damages.

[Remainder of Page Intentionally Left Blank. Signature Page to Follow]

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Lease effective as of the Date of Lease set forth in the Basic Lease Information.

LANDLORD:

THE SHOPS AT LEGACY (NORTH) L L C,
a Texas limited liability company

By: K/S Legacy (North) L.L.C.,
a Texas limited liability company,
Manager

By: /s/ Fehmi Karahan
Fehmi Karahan,
Manager

Date of Signature: 6/10/2013

Taxpayer I. D. No.:

TENANT:

ADS ALLIANCE DATA SYSTEMS, INC.

a Delaware corporation

By: /s/ Charles L. Horn
Printed Name: Charles L. Horn
Title: CFO

Date of Signature: 6/7/2013

Taxpayer I.D. No.:

Exhibit 10.19

EDGEWATER OFFICE PARK
701 Edgewater Drive
Wakefield, MA 01880

OFFICE LEASE

EPSILON DATA MANAGEMENT, LLC, as Tenant

EDGEWATER OFFICE PARK
701 Edgewater Drive
Wakefield, MA 01880

LEASE dated August 16, 2011

ARTICLE I

REFERENCE DATA

1.1 SUBJECTS REFERRED TO

Each reference in this Lease to any of the following subjects shall be construed to incorporate the data stated for that subject in this Article I.

LANDLORD:	601 Edgewater LLC, a Delaware limited liability company
LANDLORD'S ADDRESS:	c/o 225 Wyman Street Waltham, Massachusetts 02451-1209 Attention: Real Estate Manage
TENANT:	EPSILON DATA MANAGEMENT, LLC, a Delaware limited liability company
TENANT'S NOTICE ADDRESS:	601 Edgewater Drive, Mailstop 5/M06 Wakefield, MA 01880 Attention: Sr. Director, Real Estate and Facilities With copies to: ADS Alliance Data Systems, Inc. 7500 Dallas Parkway, Suite 700 Plano, TX 75024 Attn: General Counsel, Epsilon
PREMISES ADDRESS:	701 Edgewater Drive Wakefield, Massachusetts 01880
601 LEASE	The certain Lease between Landlord and Tenant, dated as of July 30, 2002, as amended, for the lease of space at 601 Edgewater Drive, Wakefield, Massachusetts 01880 (the "601 Building")
ESTIMATED TERM COMMENCEMENT DATE:	September 1, 2011

TERM COMMENCEMENT DATE: As defined in Section 2.4.

TERM EXPIRATION DATE: December 31, 2020, subject to extension as set forth in Section 2.4.1

ANNUAL FIXED RENT:

Period	Annual Fixed Rent	Monthly Fixed Rent	Rent Per Square Foot of Premises Rentable Floor Area
Term Commencement Date - 12/31/2014			
1/1/2015 - 12/31/2018			
1/1/2019 - 12/31/2020			

*These amounts assume that the Term Commencement Date is the same for all portions of the Premises, but the actual amounts of Annual Fixed Rent and Monthly Fixed Rent at the beginning of the Term may be less if the Term Commencement Date has not yet occurred for the Second Floor Premises pursuant to the provisions of this Lease.

If the Second Floor Premises Commencement Date (hereinafter defined) occurs after the Term Commencement Date, installments of Annual Fixed Rent for the Second Floor Premises will be at the rate then in effect for the rest of the Premises. Notwithstanding anything to the contrary contained in this Lease, provided that no uncured monetary default under this Lease beyond any applicable notice and cure period exists at the time of the abatement, Tenant shall be entitled to an abatement of monthly installments of Annual Fixed Rent and Additional Rent with respect to the (i) First Floor Premises for the period ending on the later of (A) December 1, 2011, or (B)the date which is three (3) months after the delivery of the First Floor Premises to Tenant for Tenant's Initial Construction in accordance with this Lease (the "F.F.P. Construction Period Rent Abatement"), and (ii) Second Floor Premises for the three (3) month period beginning on the Second Floor Premises Commencement Date (the "S.F.P. Construction Period Rent Abatement"). Notwithstanding anything to the contrary contained in this Lease, provided that no uncured monetary default under this Lease beyond any applicable notice and cure period exists at the time of the abatement, Tenant shall be entitled to an abatement of monthly installments of Annual Fixed Rent with respect to the (i) First Floor Premises for the three (3) month period beginning immediately following the end of the F.F.P. Construction Period Rent Abatement, and (ii) Second Floor Premises for the three (3) month period immediately following the S.F.P. Construction Period Rent Abatement.

BASE OPERATING EXPENSES PER SQUARE FOOT OF RENTABLE FLOOR AREA:	Annual Operating Expenses per square foot of Rentable Floor Area for the calendar year 2012, adjusted to reflect occupancy
BASE TAXES PER SQUARE FOOT OF RENTABLE FLOOR AREA:	Landlord's Taxes per square foot of Rentable Floor Area for the fiscal year 2012 (July 1, 2011 — June 30, 2012.
IMPROVEMENT ALLOWANCE:	per square foot of Rentable Floor Area of the First Floor Premises ( ). per square foot of Rentable Floor Area of the Second Floor Premises ( ).
LAND:	The land upon which the Building is situated including parking areas, garages, drives, walks, landscaped areas and other common areas serving the Building.
PROPERTY:	The Land, Building and all other improvements on the Land.
COMPLEX:	A two-building project comprised of the Building and the 601 Building and all other buildings owned by Landlord or its affiliates from time to time on the Edgewater Office Park, including without limitation the buildings known as 301 and 401 Edgewater Place.
BUILDING:	The entire building known and numbered as 701 Edgewater Drive, Wakefield, Massachusetts 01880 and all other improvements on the Land.
RENTABLE FLOOR AREA OF BUILDING:	Conclusively agreed to be 157,837 square feet.
FIRST FLOOR PREMISES:	The space delineated on Exhibit A-1.
SECOND FLOOR PREMISES:	The space delineated on Exhibit A-2.
PREMISES:	The total space delineated on Exhibit A-1 and A-2
RENTABLE FLOOR AREA OF FIRST FLOOR PREMISES, SECOND FLOOR PREMISES, AND PREMISES:	The First Floor Premises is conclusively agreed to be 15,120 square feet located on the First Floor of the Building. The Second Floor Premises is conclusively agreed to be 16,582 square feet located on the second floor of the Building. The Premises is conclusively agreed to be 31,702 square feet and is comprised of the First Floor Premises and the Second Floor Premises

PERMITTED USES:	General Office Uses
COMMERCIAL GENERAL LIABILITY INSURANCE:	
BROKER:	FHO Partners, LLC and Wyman Street Advisors
TENANT'S AUTHORIZED REPRESENTATIVE:	Richard J. Corrigan

1.2 EXHIBITS

The following is a list of Exhibits attached to this Lease.

Exhibit A-1: Plan of First Floor Premises
Exhibit A-2: Plan of Second Floor Premises
Exhibit B: Tenant's Initial Construction
Exhibit C-1 Landlord's Cleaning Specifications
Exhibit C-2 Heat and Air Conditioning Specifications
Exhibit D: Confirmation of Lease Commencement

ARTICLE II

PREMISES; TERM; RENT

2.1 PREMISES AND EXCLUSIONS

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises. The Premises exclude parking areas, common areas and facilities of the Building, including without limitation exterior faces of exterior walls, the common stairways and stairwells, entranceways and any lobby and courtyard areas, elevators and elevator wells, fan rooms, electric and telephone closets, janitor closets, freight elevator vestibules, and pipes, ducts, conduits, wires and appurtenant fixtures serving other parts of the Building (exclusively or in common) and other common areas and facilities. If the Premises include less than the entire

rentable area of any floor, then the Premises also exclude the common corridors, elevator lobby and toilets located on such floor.

This Lease is subject to all easements, restrictions, agreements, and encumbrances of record to the extent in force and applicable. Landlord represents that such title matters do not and will not materially affect Tenant's use of the Premises as permitted under this Lease.

2.1.1

2.2 APPURTENANT RIGHTS

Tenant shall have, as appurtenant to the Premises, rights to use in common (subject to reasonable rules of general applicability to tenants and other users of the Building from time to time made by Landlord of which Tenant is given written notice): (a) the common lobbies, corridors, stairways, elevators and loading platform, and the pipes, ducts, conduits, wires and appurtenant meters and equipment serving the Premises in common with others; (b) common driveways and walkways necessary for access to the Building; (c) if the Premises include less than the entire rentable floor area of any floor, the common toilets, corridors and elevator lobby

on such floor and serving the Premises; (d) the roof of the Building for telecommunications antennae and Tenant's Supplemental AC System (hereinafter defined); and (e) the parking areas, which shall at all times permit unreserved parking for Tenant at a ratio of 3.6 spaces per 1,000 square feet of Rentable Floor Area of the Premises, and facilities serving the Building from time to time intended for general use by Tenant, other Building tenants, and visitors, subject to reasonable non-discriminatory rules from time to time made by Landlord of which Tenant is given notice. Tenant shall have the right, in common with all other tenants of the Building, to use the parking areas serving the Building without charge, on a first come, first served basis. Nothing contained in the Lease shall prohibit or otherwise restrict Landlord from changing, from time to time, without notice to Tenant, the location, layout or type of the forgoing common areas and facilities, provided that Landlord shall not substantially reduce the number of parking spaces available for use of tenants of the Building.

2.3 RESERVATIONS

Landlord reserves the right from time to time, with telephonic notice and without unreasonable (except in emergency) interruption of Tenant's use: (a) to install, use, maintain, repair, replace and relocate for service to the Premises and other parts of the Building, or either, pipes, ducts, conduits, wires and appurtenant fixtures, wherever located in the Premises or the Building and (b) to alter or relocate any other common facility, including without limitation any lobby and courtyard areas. Installations, replacements and relocations referred to in clause (a) above shall be located as far as practicable in the central core area of the Building, above ceiling surfaces, below floor surfaces or within perimeter walls of the Premises. Landlord shall provide Tenant with reasonable prior notice of any such installation, replacement or relocation and shall use reasonable efforts to schedule the making thereof so as to minimize, to the extent practicable, the interference with Tenant's business operations.

2.4 TERM

(a) If the Term Commencement Date is a date certain agreed upon by the parties at the time of execution of this Lease, the Term Commencement Date shall be as set forth in Section 1.1 and the Term shall begin at 12:01 a.m. on such date and shall end at 12:00 midnight on the Term Expiration Date set forth in Section 1.1 or on such earlier date pursuant to the provisions of this Lease; otherwise, the following provisions shall govern.

(b) If the Term Commencement Date is not a date certain, the Term shall begin at 12:01 a.m. on the date which is the earlier of (i) the date which is three (3) months after the Premises are delivered to Tenant free of all tenancies and occupants for Tenant's Initial Construction under Exhibit B, or (ii) the date on which Tenant first commences beneficial use of the Premises for the conduct of its business (the "Term Commencement Date"), and shall end at 12:00 midnight on the Term Expiration Date set forth in Section 1.1,or earlier terminated pursuant to the provisions of this Lease.

(c) If Landlord does not deliver the Second Floor Premises to Tenant on or before September 1, 2011 free of all tenancies and occupants, then the Term Commencement Date for the Second Floor Premises, only, shall be the date which is the earlier of (i) the date which is three (3) months after the Second Floor Premises are delivered to Tenant free of all

tenancies and occupants for Tenant's Initial Construction under Exhibit B, or (ii) the date on which Tenant first commences beneficial use of the Premises for the conduct of its business (the "Second Floor Premises Commencement Date") and shall end at 12:00 midnight on the Term Expiration Date set forth in Section 1.1 or on such earlier date pursuant to the provisions of this Lease.

Upon request by Landlord, Tenant shall execute documentation setting forth the Term Commencement Date (and Second Floor Premises Commencement Date, if applicable) and other matters in the form attached as Exhibit D, which shall be binding upon Landlord and Tenant when executed by both parties.

(d) Subject to delay caused by Force Majeure, as such term in defined in Section 4.2, or caused by action or inaction of Tenant, Landlord shall endeavor, in good faith, to have the Premises ready for Tenant's Initial Construction on the Estimated Term Commencement Date. Landlord's failure to have the Premises ready for Tenant's Initial Construction on the Estimated Term Commencement Date, for any reason, shall not give rise to any liability of Landlord hereunder, shall not constitute Landlord's default, shall not affect the validity of this Lease, and shall have no effect on the beginning or end of the Term as otherwise determined hereunder or on Tenant's obligations associated therewith.

(e) Notwithstanding the foregoing, in the event that for any reason Landlord does not deliver the Second Floor Premises on or before Nov ember 1, 2011, Tenant shall have the right, by written notice given to Landlord before November 15, 2011 and subject to the provisions of this paragraph, to terminate this Lease with respect to (i) the Second Floor Premises only, or (ii) the entire Premises, effective as of December 1, 2011 (the "Outside Termination Date"), and neither Tenant nor Landlord shall have any further obligations hereunder except as specifically set forth in this Lease.

2.4.1

2.5 ANNUAL FIXED RENT

Tenant covenants and agrees to pay the Annual Fixed Rent in Section 1.1 to Landlord in advance in equal monthly installments (subject to the application of the abatement set forth in Section 1.1) commencing on the Term Commencement Date or the Second Floor Premises Commencement Date, as applicable, (if not the first day of a month) and thereafter on the first day of each calendar month during the Term. All payments shall be due without billing or demand and without deduction, setoff or counterclaim, except as otherwise provided in this Lease. Tenant shall make payment for any portion of a month at the beginning or end of the Term. All payments shall be payable to Landlord at Landlord's address, as specified in Section 1.1, or to such other entities at such other places as Landlord may from time to time designate.

Without limiting the foregoing, except as expressly set forth in this Lease, Tenant's obligation so to pay Rent (as hereinafter defined) shall not be discharged or otherwise affected by any law or regulation now or hereafter applicable to the Premises, or any other restriction on Tenant's use, or any casualty or taking, or any failure by Landlord to perform any covenant contained herein, or any other occurrence except as otherwise provided expressly in this Lease; and, except as expressly set forth in this Lease, Tenant waives all rights now or hereafter existing to terminate or cancel this Lease or quit or surrender the Premises or any part thereof, or to assert any defense in the nature of constructive eviction to any action seeking to recover Rent.

2.6 ADDITIONAL RENT - OPERATING EXPENSES AND TAXES

2.6.1 ADDITIONAL RENT - GENERAL COVENANT. Tenant covenants and agrees to pay to Landlord, as "Additional Rent",(i) an amount equal to the product of (a) the Rentable Floor Area of the Premises and (b) the excess (if any) of Landlord's Operating Expenses per square foot of Rentable Floor Area of the Building over Base Operating Expenses per square foot of Rentable Floor Area of the Building, (ii) an amount equal to the product of (a) the Rentable Floor Area of the Premises and (b) the excess (if any) of Landlord's Taxes per square foot of Rentable Floor Area of the Building over Base Taxes Per Square Foot of Rentable

Floor Area of the Building provided that if less than the Total Rentable Floor Area of the Building is occupied at any time during such period, Landlord may extrapolate those variable components of Landlord's Operating Expenses (i.e., those components that vary based on the level of occupancy of the Building) and Landlord's Taxes as though the Total Rentable Floor Area of the Building had been occupied at all times during such period, and (iii) any other charges payable by Tenant to Landlord under this Lease. The term "Rent" as used in this Lease shall mean Annual Fixed Rent and Additional Rent as set forth in this Lease. Appropriate adjustments shall be made for any portion of a year at the beginning or end of the Term.

2.6.2 PAYMENT. Additional Rent for Operating Expenses and Taxes under this Section 2.6 shall be paid for any portion of a month following the Term Commencement Date and thereafter in monthly installments on the first day of each calendar month in amounts reasonably estimated by Landlord for the then current calendar year. Landlord may from time to time revise such estimates based on available information relating to Landlord's Operating Expenses and Taxes or otherwise affecting the calculation hereunder. Within ninety (90) days after the end of each calendar year, Landlord will provide Tenant with an accounting of Landlord's Operating Expenses and Taxes and other data necessary to calculate Additional Rent hereunder for such calendar year prepared in reasonable "line item" detail, and consistently maintained from year to year in accordance with generally accepted accounting principles. Upon issuance thereof, there shall be an adjustment between Landlord and Tenant for the calendar year covered by such accounting to the end that Landlord shall have received the exact amount of Additional Rent due hereunder. Any overpayments by Tenant hereunder shall be (a) credited against the next payments of Annual Fixed Rent and Additional Rent due under this Section 2.6 or (b) refunded in cash to Tenant if the overpayment relates to the calendar year in which the Term ends, provided there are no outstanding amounts due Landlord under this Lease at such time. Any underpayments by Tenant shall be due and payable within thirty (30) days of delivery of Landlord's statement. With respect to the calendar year in which the Term ends, the adjustment shall be pro rated for the portion of the year included in the Term, but shall take place nevertheless at the times provided in the preceding sentences. Landlord may revise its accounting of Landlord's Operating Expenses and Taxes until, but not after, the last day of the next calendar year after the calendar year covered by the accounting and in such event there shall be a further credit or payment as set forth above. In the event of any such revision after Tenant's audit rights under Section 2.6.6 have expired, Tenant shall have the right, for thirty (30) days, following receipt of the revised accounting, to review Landlord's books and records relevant to the revision and dispute the revision in accordance with Section 2.6.6.

2.6.3"LANDLORD'S OPERATING EXPENSES" - DEFINITION. "Landlord's Operating Expenses" means all customary costs of Landlord in owning, servicing, operating, managing, maintaining, and repairing the Building, Land, and all improvements thereon and providing services to tenants including, without limitation, the costs of the following: (i) supplies, materials and equipment purchased or rented that are not considered capital items, total wage and salary costs paid to, and all contract payments made on account of, all persons (excluding executives and senior management above the level of facilities general manager) engaged in the operation, maintenance, security, cleaning and repair of the Building and Land, including Social Security, old age and unemployment taxes and reasonable so-called "fringe benefits"; (ii) building services furnished to tenants of the Building at Landlord's

expense (including the types of services provided to Tenant pursuant to Section 4.1 hereof) and maintenance and repair of and services provided to or on behalf of the Building performed by Landlord's employees or by other persons under contract with Landlord; (iii) utilities consumed and expenses incurred in the operation, maintenance and repair of the Building including, without limitation, oil, gas, electricity to the extent not directly reimbursed by Tenant or other tenants (and excluding all electricity to tenants in their premises if Tenant is directly responsible for payment under this Lease on account of electricity consumed by Tenant), water, sewer and snow removal; (iv) casualty, liability and other insurance of types customarily carried by institutional owners of comparable properties or required by any mortgagee, and unreimbursed costs incurred by Landlord without fault by Landlord or any tenant which are subject to a reasonable insurance deductible; (v) costs of operating any cafeteria, other food service facility, or physical fitness facility for use of tenants generally (net of all income derived therefrom); and (vi) management fees not to exceed of gross rental income. If Landlord, acting reasonably, installs a new or replacement capital item for the purpose of complying with any building code or other law, regulation, or legal requirement (but only to the extent not in effect or generally enforced as of the date of this Lease), complying with requirements of any insurer, to meet any government mandated energy efficiency standards, or otherwise reducing costs for the operation of the Building, the cost of such item amortized on a straight line basis over such item's useful life with interest at the rate equal to the "Prime Rate" (as published in the Wall Street Journal or comparable financial publication reasonably selected by Landlord) shall be included in Landlord's Operating Expenses (but if the item is for the purpose of reducing costs of operations, no more than the estimated savings).

Landlord's Operating Expenses shall not include (i) any costs or expenses incurred by Landlord in the construction and development of the Building or other buildings in the Complex including construction for tenants; (ii) payments of principal, interest or other charges on mortgages; (iii) salaries of executil es or principals of Landlord (except as the same may be reflected in the management fee for the Building or attributable to actual Building operations); (iv) costs incurred in connection with the making of repairs or replacements which are the obligation of another tenant or occupant of the Building or relate to the maintenance or repair of unoccupied tenant space; (v) advertising, marketing, promotional, public relations or brokerage fees, commissions or expenditures; (vi) interest or penalties for any failed payments by Landlord under any contract or agreement; (vii) costs (including, within limitation, attorneys' fees and disbursements) incurred in connection with any judgment, settlement or arbitration award resulting from any negligence or willful misconduct of Landlord or its agents; (viii) costs of electricity or utilities furnished directly to any premises of other tenants of the Building where such utility is separately metered to the Premises or Tenant pays a separate charge therefor; (ix) costs incurred in connection with Landlord's preparation, negotiation, dispute resolution and/or enforcement of leases, including court costs and attorneys' fees and disbursements in connection with any summary proceeding to dispossess any other tenant, or incurred in connection with disputes with prospective tenants, leasing agents, purchasers or mortgagees; (x) costs of repairs, restoration or replacements occasioned by fire or other casualty in excess of reasonable insurance deductible amounts (but such deductible amounts shall be excluded also if the fire or casualty is the fault of Landlord or any tenant), or caused by the exercise of the right of eminent domain; legal and other professional fees relating to matters which are excluded from Operating Expenses for the Building; (xii) the cost to make improvements, alterations and additions to the Building which are required in order to render the same in compliance with laws, rules, orders, regulations

and/or directives as in effect and generally enforced as of the date of this Lease; (xiii) the cost of environmental monitoring, compliance, testing and remediation performed in, on, about and around the Building or the Land except as provided in Section 5.2 hereof; (xiv) depreciation; (xv) amounts other than the management fee specified above paid to subsidiaries or affiliates of Landlord for services rendered to the Building to the extent such amounts exceed the competitive costs for delivery of such services were they not provided by such related parties; (xvi) management, administrative or similar costs of any association of which the Building or the Complex is a part other than reasonable costs for actual services provided by third parties not affiliated with Landlord for office park common expenses such as landscaping and maintenance and repair of roadways and signage; and (xvii) expenditures for new or replacement capital items other than those which are permitted above. Also, in no event shall the total amount of all "Controllable Operating Expenses" for any calendar year after 2011 (adjusted to occupancy) exceed of the total amount of Controllable Operating Expenses for the prior calendar year, adjusted to occupancy, and further no new cost items shall be included in Operating Expenses subsequent to December 31, 2012 unless (i) the cost item is approved by Tenant, (ii) Base Operating Expenses are adjusted to include a reasonable estimate of the cost of the item as if it was provided during calendar year 2012, or (iii) the item is required to comply with any building code, or other law, regulation or legal requirement to the extent not in effect or generally enforced on the date of this Lease. Landlord shall have no obligation to provide any new service or facility not provided in calendar year 2012 under this Lease unless the cost thereof is approved by Tenant under (i) or is described in (iii) above. "Controllable Operating Expenses" shall mean all costs included in Operating Expenses other than utilities, taxes, insurance, snow removal, union wages, and costs approved by Tenant (such approval not to be unreasonably withheld, conditioned or delayed) to comply with any building code or other law, regulation, or legal requirement to the extent not in effect or generally enforced on the date of this Lease.

2.6.4"LANDLORD'S TAXES" - DEFINITION. "Landlord's Taxes" means all taxes, assessments and similar charges assessed or imposed on the Land for the then current fiscal year by any governmental authority attributable to the Building and the parking garage (including personal property associated therewith). The amount of any special taxes, special assessments and agreed or governmentally imposed "in lieu of tax" or similar charges shall be included in Landlord's Taxes for any year but shall be limited to the amount of the installment of such special tax, special assessment or such charge required to be paid during or with respect to the year in question. Landlord's Taxes include expenses, including fees of attorneys, appraisers and other consultants, incurred in connection with any efforts to obtain abatements or reduction or to avoid increases in Landlord's Taxes for any year wholly or partially included in the Term, whether or not successful and whether or not such efforts involved filing of actual abatement applications or initiation of formal proceedings. Landlord's Taxes exclude income taxes of general application and all estate, succession, inheritance and transfer taxes. If at any time during the Term there shall be assessed on Landlord, in addition to or lieu of the whole or any part of the ad valorem tax on real or personal property, a capital levy or other tax on the gross rents or other measures of building operations, or a governmental income, franchise, excise or similar tax, assessment, levy, charge or fee measured by or based, in whole or in part, upon building valuation, gross rents or other measures of building operations or benefits of governmental services furnished to the Building, then any and all of such taxes, assessments, levies, charges and fees, to the extent so measured or based, shall be included within the term

Landlord's Taxes, but only to the extent that the same would be payable if the Building and Land were the only property of Landlord.

2.6.5 COMPLEX OPERATING EXPENSES.If and to the extent Landlord incurs Landlord's Operating Expenses and Taxes with respect to the entire complex ("Landlord's Complex Operating Expenses"), Landlord may, but shall not be obligated to, calculate Landlord's Complex Operating Expenses separately from other Landlord's Operating Expenses and, in any case, Tenant shall pay as Additional Rent in the manner prescribed below, Tenant's pro rata share of any increase in Landlord's Complex Operating Expenses over the "Base Complex Operating Expenses", which are defined as Landlord's actual Operating Expenses for the Complex for the first full calendar year in which the Complex is fully constructed."Tenant's Pro Rata Share of Landlord's Complex Operating Expenses" is calculated by dividing the Rentable Floor Area of the Premises by the rentable square foot area of the Complex. The separate calculation of Landlord's Complex Operating Expenses and Tenant's Pro Rata Share thereof shall not cause those expenses to be excluded from the determination of Tenant's maximum liability for increases in Controllable Operating Expenses pursuant to Section 2.6.3 nor prevent adjustment of the base year figure for new cost items after December 31, 2012 to the extent provided above in Section 2.6.3.

If at any time during the Term, Landlord provides special services (i.e., services not made available to tenants generally) only with respect to portions of the Building or portions of the Complex or incurs other Operating Expenses allocable to portions of the Building or Complex alone, then such Operating Expenses (to the extent in excess of a base year amount reasonably applicable to those expenses) shall be charged entirely to those tenants, including Tenant, of such portions, notwithstanding the provisions hereof referring to Tenant's Pro Rata Share. If, during any period for which Landlord's Operating Expenses are being computed, less than all of the Building or the Complex is occupied by tenants, or if Landlord is not supplying all tenants with the services being supplied hereunder, Operating Expenses (as well as the applicable base year amounts) shall be reasonably estimated and extrapolated by Landlord to determine the Operating Expenses that would have been incurred if the Building (or the Complex, with respect to Landlord's Complex Operating Expenses) were occupied for such year and such services were being supplied to all tenants, and such estimated and extrapolated amount shall be deemed to be Landlord's Operating Expenses for such period. This paragraph shall not be construed to obligate Tenant for increases in Controllable Operating Expenses above the maximum established in Section 2.6.3.

2.6.6 AUDIT RIGHTS. At the request of Tenant at any time within three (3) years after Landlord delivers Landlord's accounting statement of Landlord's Operating Expenses and Taxes to Tenant, Tenant (at Tenant's expense) shall have the right to have (i) an independent certified public accountant or (ii) a firm mutually acceptable to Landlord and Tenant (provided that such firm is not engaged on a contingency fee basis) (in either case, an "examiner") examine Landlord's books and records applicable to Landlord's Operating Expenses and Taxes and that may include an examination of the books and records applicable to Base Operating Expenses for the calendar year 2012. Such right to examine the records shall be exercisable: (a) upon reasonable advance notice to Landlord and at reasonable times during Landlord's business hours; (b) only during the three (3) year period following Tenant's receipt of Landlord's statement of the actual amount of Landlord's Operating Expenses and Taxes for the applicable calendar year;

(c) not more than once each calendar year; (d) as concerns the Base Operating Expenses, not more than once during the Term, and only until December 31, 2015; and (e) at Tenant's option, such examination may be conducted concurrently with respect to this Lease and the 601 Lease. Notwithstanding anything herein to the contrary, Tenant shall have no right to examine Landlord's books and records and audit Landlord's Operating Expenses and Taxes in any calendar year if Tenant shall have withheld or otherwise failed to pay any Additional Rent when due in such year and Landlord's statement of Landlord's Operating Expenses and Taxes shall be deemed to be conclusive. Landlord's statement of Operating Expenses and Taxes shall be deemed conclusive except as to items specifically disputed in writing by notice from Landlord to Tenant given with three (3) years after Landlord delivers the statement to Tenant. Tenant shall pay all costs of the audit unless Tenant is found to have overpaid Additional Rent for Operating Expenses and Taxes by more than for the year in question. In no event shall Tenant propose, nor shall Landlord ever be required to approve, any examiner of Tenant who is being paid on a contingent fee basis.

As a condition precedent to performing any such examination of Landlord's books and records, Tenant and its examiners shall be required to execute and deliver to Landlord an agreement in form acceptable to Landlord agreeing to keep confidential any information that they discover about Landlord or the Building in connection with such examination. Without limiting the foregoing, such examiners shall also be required to agree that they will not represent any other tenant in the Building in connection with examinations of Landlord's books and records for the Building unless said tenant(s) have retained said examiners prior to the date of the first examination of Landlord's books and records conducted by Tenant pursuant to this Section 2.6.6 and have been continuously represented by such examiners since that time. Notwithstanding any prior approval of any examiners by Landlord, Landlord shall have the right to rescind such approval at any time if in Landlord's reasonable judgment the examiners have breached any confidentiality undertaking to Landlord or any other landlord or cannot provide acceptable assurances and procedures to maintain confidentiality.

2.7 ELECTRICITY

Landlord shall furnish to Tenant throughout the Term electricity for the operation of lighting fixtures, and 120 volt current for the operation of normal office fixtures and equipment, to an average design load of seven (7) watts per square foot of the Premises, but excluding any high energy consumption equipment. Tenant covenants and agrees to pay as Additional Rent the cost of such electricity, which shall be separately metered and billed to Tenant monthly. The Premises are, or shall be at Landlord's sole cost and expense, sub-metered, and the cost of such sub-metered electricity which is billed to Tenant shall not exceed the amount owing to the utility provider for such electricity. The "powering" of the Building HVAC system shall be included as part of Landlord's Operating Expenses.

Tenant covenants and agrees that Landlord shall in no event be liable or responsible to Tenant for any loss, damage or expense which Tenant may sustain or incur if either the quality or character of electrical service is changed by the utility provider or is no longer suitable for Tenant's requirements. Tenant covenants and agrees that at all times its use of electric current shall never exceed the capacity of existing feeders to the Building or the risers or wiring or installation of the Building.

ARTICLE III

CONSTRUCTION

3.1 LANDLORD WORK

3.1.1 GENERAL. The Premises are being leased in their broom-clean, "as-is" condition without representation or warranty by Landlord except as expressly set forth in this Lease, and Landlord shall not be required to perform any work in connection with Tenant's occupancy of the Premises.

3.2 TENANT WORK

3.2.1 GENERAL. All work, including demolition, additions, alterations, installations or improvements to be made by Tenant("Tenant Work") in, to or about the Premises shall be made only in accordance with Landlord's then current polices and procedures.

3.2.2 PAYMENT FOR TENANT WORK. Subject to the payment of the Improvement Allowance by Landlord, Tenant shall pay, within ten (10) days after request, the entire cost of all Tenant Work so that the Premises shall always be free of liens for labor or materials. If any mechanic's lien (which term shall include all similar liens relating to the furnishing of labor and materials and professional services by design professionals) is filed against the Premises or the Building or any part thereof which is claimed to be attributable to Tenant, its agents, employees or contractors, Tenant shall promptly discharge the same by payment or filing any necessary bond within ten (10) days after Tenant has notice (from any source) of such mechanic's lien.

3.3 TENANT'S INITIAL CONSTRUCTION. Tenant at Tenant's expense subject to payment of the Improvement Allowance by Landlord shall perform all Tenant Work considered necessary or desirable by Tenant to make the Premises ready for Tenant's occupancy ("Tenant's Initial Construction") in accordance with the provisions of Exhibit B.

ARTICLE IV

LANDLORD'S COVENANTS

4.1 LANDLORD'S COVENANTS

4.1.1 BUILDING SERVICES. Landlord shall furnish services, utilities, facilities and supplies set forth in this Section 4.1.1 and in Exhibits C-1 and C-2. Exhibits C-1 and C-2 are intended to add detail to the provisions of the main body of the Lease, and in case of conflict, the provisions of the main body of the Lease shall control. Landlord's obligations include without limitation, the maintenance, repair and replacement of the base building HVAC, sprinkler, smoke detection and fire alarm systems and other equipment and facilities necessary to supply the services contemplated in this Section 4.1.1 and Exhibits C-1 and C-2. Tenant may obtain additional services, utilities, facilities and supplies from time to time upon reasonable advance request or Landlord may furnish the same without request if Landlord reasonably determines and notifies the Tenant that Tenant's use or occupancy of the Premises necessitates

the same (for example where the condition of the Premises necessitates additional cleaning services), and, in either case, the cost of the same at reasonable rates from time to time established by Landlord shall constitute Additional Rent, payable upon demand. For all purposes in this Lease, the phrase "Hours of Operation" shall mean Mondays through Fridays excepting legal holidays in the state in which the Building is located from 7:00 a.m. to 6:00 p.m. and on Saturdays from 8:00 a.m. to 1:00 p.m.

(a) WATER CHARGES. Landlord shall furnish hot and cold water for ordinary office cleaning, toilet, lavatory and drinking purposes. If Tenant requires, uses or consumes water for any other purpose, Landlord may assess Tenant reasonable charges for additional water.

(b) ACCESS AND ELEVATOR SERVICE. Tenant shall have access to its Premises 24 hours per day, 7 days per week, subject to Landlord's reasonable security requirements. Landlord shall provide necessary non-exclusive elevator facilities during the Hours of Operation and have at least one (1) elevator serving the Premises in operation available for Tenant's non-exclusive use at all other times.

(c) CLEANING. Landlord shall cause the common areas and the office areas of the Premises to be kept reasonably clean provided the same are maintained and kept in good order by Tenant. Landlord shall provide trash removal services in accordance with the initial Rules and Regulations set forth at www.hobbsbrook.com. Cleaning standards shall be in accordance with Exhibit C-1.

(d) HEAT AND AIR-CONDITIONING. Landlord shall, through the Building heating and air-conditioning system, furnish to and distribute in the Premises reasonable levels of heat during the Hours of Operation of the normal heating season and reasonable levels of air conditioning during the Hours of Operation of the normal cooling season when air conditioning may reasonably be required for the comfortable occupancy of the Premises by Tenant. Notwithstanding the foregoing, Landlord shall not be required to furnish heat and air-conditioning in the Premises in excess of the capacity of the equipment installed in the Building, provided that such equipment shall be sufficient to meet the Heat and Air Conditioning Specifications attached hereto as Exhibit C-2. If Tenant requests Landlord to provide heat or air conditioning beyond the Hours of Operation, Tenant shall pay Landlord therefor at rates reasonably established by Landlord from time to time, to reflect Landlord's actual cost. If Tenant requires additional air-conditioning for business machines, meeting rooms or other purposes, or because of occupancy or unusual electrical loads, any additional air-conditioning units, chillers, condensers, compressors, ducts, piping and other equipment and facilities will be installed and maintained by Landlord at Tenant's sole cost, but only to the extent that the same are compatible with the Building and its mechanical systems. Notwithstanding the foregoing, Tenant may construct or install a supplemental air conditioning system on the roof of the Building, subject to Landlord's approval pursuant to the provisions of Article XII, that will provide additional air conditioning to portions of the Premises ("Tenant's Supplemental AC System"). The construction or installation of Tenant's Supplemental AC System shall be governed by the provisions of Article XII. Tenant shall, at its sole cost, be responsible for the maintenance, repair, replacement, and insurance of Tenant's Supplemental AC System during the Term of this Lease, as the same may be extended.

(e) ENERGY CONSERVATION. Tenant agrees to cooperate with Landlord and to abide by all Building regulations which Landlord may, from time to time, prescribe for the proper functioning and protection of the heating and air-conditioning systems and in order to maximize the effect thereof and to conserve heat and air-conditioning. Notwithstanding anything to the contrary in this Section 4.1.1 or otherwise in this Lease, Landlord may institute such policies, programs and measures as may be in Landlord's reasonable judgment necessary, required or expedient for the conservation or preservation of energy or energy services, or as may be necessary to comply with applicable codes, rules, regulations or standards.

(f) IDENTIFICATION CARDS; SECURITY SYSTEMS. Landlord may, in its sole discretion, require that identification cards be utilized and/or displayed at such times as Landlord determines necessary for the security of the Building and tenants and occupants thereof and may establish or change the form of such cards at any time and from time to time, including requiring photographic or other identification of all parties utilizing the Building. Landlord shall provide Tenant any such identification cards. Tenant shall take reasonable steps to safeguard the security of said cards and shall, if the loss or theft of any such card shall be brought to its attention, promptly notify Landlord thereof. Card replacements or any additional cards requested by Tenant shall be furnished to Tenant at the Tenant's cost. Landlord reserves the right, in its sole discretion acting in good faith, to deny access to all or any portion of the Building to any person who fails to produce proper identification or otherwise presents a safety hazard to the Building or any tenant or occupant thereof and Landlord shall have no liability to Tenant or any other party as a result thereof so long as Landlord acted in good faith. Tenant may, at its sole cost and expense, subject to Landlord's prior approval not to be unreasonably withheld, install in accordance with the terms and provisions of this Lease (including, without limitation, Section 5.10) a security system on the exterior doors of the Building and the Premises, provided such system shall not in any way interfere with any of the Building's systems including, without limitation, the Building's fire alarm system.

(g) CAFETERIA. Landlord shall provide a cafeteria in the Complex serving breakfast and lunch for employees and visitors of Tenant and other occupants. Notwithstanding the foregoing, the employees (including, without limitation, those working in the 601 Building) and visitors of Tenant may use the cafeteria located in the Building, provided that such cafeteria exists.

4.1.2 REPAIRS. Except as otherwise provided in this Lease, and except for repairs to items referred to below necessitated by Tenant's act or neglect (which shall be Tenant's repair obligation under Section 5.1),Landlord shall make such repairs to the roofs, exterior walls, exterior windows (except if such damage or repair is necessitated by the Tenant's negligence or willful misconduct), floor slabs, core walls, and common areas and facilities in the Building as may be necessary to keep them in good condition comparable to office buildings of similar type in the area. All repairs to the roof, foundation and structure of the Building shall be performed at Landlord's sole expense (and shall not be considered Landlord's Operating Expenses). Landlord shall also maintain the parking areas, grounds, landscaping, drives, sidewalks and other exterior elements of the Land, Building and Complex in good condition, comparable to other office complexes of similar type in the area.

4.1.3 QUIET ENJOYMENT. Landlord covenants that Tenant, on paying the Rent and performing the tenant obligations in this Lease, shall peacefully and quietly have, hold and enjoy the Premises, free from any claim by Landlord or persons claiming under Landlord, but subject to all of the terms and provisions hereof, provisions of law and rights of record to which this Lease is or may become subordinate. This covenant is in lieu of any other so-called quiet enjoyment covenant, either express or implied.

4.2 INTERRUPTION

Landlord shall not be liable to Tenant for any compensation or reduction of Rent by reason of inconvenience or annoyance or for loss of business arising from the necessity of Landlord or its agents entering the Premises for any of the purposes authorized in this Lease or for repairing the Premises or from repairs by Landlord of any portion of the Building however the necessity may occur. In case Landlord is prevented or delayed from diligent construction of improvements, making any repairs, alterations or improvements, or furnishing any services or performing any other covenant or duty to be performed on Landlord's part, by reason of strike or other labor trouble, fire or other casualty, governmental preemption of priorities or other controls in connection with a national or other public emergency, or inability to obtain fuel, supplies, or labor despite reasonable efforts, or unusually adverse weather conditions, or unforeseen subsurface conditions, or acts of God, war, or terrorism, or delays in the making of repairs which are due to government regulation or delays in obtaining insurance, or any other cause whether similar or dissimilar beyond Landlord's reasonable control collectively and individually ("Force Majeure" which term shall have the same meaning in relation to the performance of Tenant Work by Tenant, except that "Tenant" shall be substituted for "Landlord"), Landlord shall not be liable to Tenant therefor, nor, except as otherwise provided in Section 6.1, shall Tenant be entitled to any abatement or reduction of Rent by reason thereof, nor shall the same give rise to a claim in Tenant's favor that such failure constitutes actual or constructive, total or partial, eviction from the Premises. In no event shall Landlord be liable for indirect or consequential damages arising out of any default by Landlord. Notwithstanding the foregoing, Landlord shall use reasonable efforts to prevent or minimize the effect of any interruption of Tenant's business caused by any of the foregoing.

Landlord reserves the right to stop any service or utility system, when necessary by reason of accident or emergency, or until necessary repairs have been completed; provided, however, that in each instance of stoppage, Landlord shall exercise reasonable diligence to eliminate the cause thereof. Except in case of emergency repairs, Landlord will give Tenant reasonable advance notice of any contemplated stoppage and will use reasonable efforts to avoid unnecessary interruption of Tenant's use of the Premises by reason thereof.

The foregoing notwithstanding, if Landlord fails for any reason within Landlord's control to provide any service to be supplied by (or perform any obligation to be performed by) Landlord under the Lease which is necessary for Tenant's reasonable use of the Premises (such as HVAC, elevator service, electricity, water, or structural repairs, including repairs of leaks from outside the Premises)("Landlord Failure"), and Tenant is unable to use the Premises on account of such failure, Tenant shall be entitled to a proportional abatement of Annual Fixed Rent and Additional Rent based on the portion of the Premises which cannot be used by Tenant. This abatement shall begin on the fifth (5th) consecutive Business Day from Tenant's written notice to Landlord

of Landlord Failure. The abatement shall end when the services are restored sufficiently to permit use of the Premises. Furthermore, if due to Landlord Failure Tenant is unable to use more than of the Premises and such Landlord Failure continues thirty (30) days from Tenant's written notice to Landlord of Landlord Failure, Tenant may elect to terminate this Lease by written notice to Landlord. Notwithstanding the foregoing, if Tenant elects to terminate the 601 Lease in accordance with the provisions of Section 4.2 of the 601 Lease, then Tenant may elect to terminate this Lease by providing written notice to Landlord at the same time as the notice of Tenant's election to terminate the 601 Lease.

4.3 INSURANCE AND INDEMNIFICATION

4.3.1 PROPERTY INSURANCE. Landlord agrees to maintain throughout the Term, with companies licensed and approved to write insurance in the state in which the Building is located, property insurance against direct physical loss or damage to the Building on an "all risks," agreed amount basis in an amount equal to the physical replacement cost of the Building. Landlord shall not be required to carry insurance with respect to any property that Tenant is required to insure pursuant to Section 5.6.

4.3.2 LIABILITY INSURANCE. Throughout the Term, Landlord agrees to maintain in a responsible company or companies liability insurance against claims, demands or actions for injury, death, and property damage in amounts not less than in the aggregate. Certificates of insurance under this Section 4.3.2 shall be provided upon Tenant's reasonable request.

4.3.3 INDEMNIFICATION. Landlord shall save Tenant, its mortgagees, managers, directors, officers, members, trustees, agents, employees, property management companies, attorneys, independent contractors, invitees, and any other parties designated by Tenant from time to time (collectively, the "Tenant Indemnitees") harmless and indemnified (and shall defend the Tenant Indemnitees with counsel reasonably approved by the Tenant Indemnitees) against any claim, loss or cost, whether in law or equity, and/or arising in whole or in part out of any injury, loss, theft or damage to any person or property (x) while on, in or about the parking areas and facilities of the Building available for use by Tenant and other tenants ("Common Areas"), or out of any condition within the Common Areas, except to the extent due to the negligence or willful misconduct of the Tenant Indemnitees or (y) anywhere if occasioned by any negligence or willful misconduct of Landlord or of employees, agents, managers, officers, directors, members, trustees or independent contractors of Landlord.

4.4 HAZARDOUS SUBSTANCES

4.4.1 To the best knowledge of Landlord, (i) no Hazardous Substances (as defined in Section 5.2) requiring remediation or investigation under applicable environmental laws are present on the Property or the soil, surface water or groundwater thereof, (ii) no underground storage tanks are present on the Property, and (iii) no action, proceeding or claim is pending or threatened regarding the Property concerning any Hazardous Substances or pursuant to any environmental law. Landlord shall, as and to the extent required by applicable law,

following notice by Tenant remove or remediate (or cause the responsible party to remove or remediate) any Hazardous Substances located in the Premises or Building that affect Tenant's use of the Premises or portions of the Building as to which Tenant has appurtenant rights hereunder. The foregoing covenant shall not apply to any Hazardous Substances that exist in the Premises or the Building as a result of any act or omission of Tenant, its employees, agents, or guests, Tenant's architect, Tenant's contractors, or any persons acting under or through Tenant. Landlord shall indemnify Tenant in the manner elsewhere provided in this Lease from any breach of the representation in the first sentence of this Section 4.4 and from any failure to remove or remediate as provided above. The provisions of this Section 4.4 shall survive the expiration or earlier termination of this Lease.

ARTICLE V

TENANT'S ADDITIONAL COVENANTS

5.1 MAINTENANCE AND REPAIR

Except for damage by fire or casualty and reasonable wear and tear, Tenant shall at all times keep the Premises clean, neat and in as good repair, order and condition as the same are at the beginning of the Term or may be put in thereafter. The foregoing shall include without limitation Tenant's obligation to maintain floors and floor coverings, to paint and repair walls and doors, to replace and repair ceiling tiles, interior glass (and exterior glass if such damage or repair is necessitated by the Tenant's negligence or willful misconduct), lights and light fixtures, drains and the like, and clean the Premises to the extent such cleaning is not to be performed by Landlord pursuant to Exhibit C-1.

5.2 USE, WASTE AND NUISANCE

Throughout the Term, Tenant shall use the Premises for the Permitted Uses only, and shall not use the Premises for any other purpose. Tenant shall not injure, overload, deface or commit waste in the Premises or any part of the improvement on the Land, nor permit the emission therefrom of any objectionable noise, light or odor, nor use or permit any use of the Premises which is improper, offensive, contrary to law or ordinance or which is liable to invalidate or increase the premium for any insurance on the Building or its contents or which is liable to render necessary any alterations or additions in the Building, nor obstruct in any manner any portion of the Building. If Tenant's use of the Premises results in an increase in the premium for any insurance on the Building or the contents thereof (or would result in such an increase if the Landlord were not self-insuring), Landlord shall notify Tenant of such increase and Tenant shall pay same as Additional Rent. Tenant may not without Landlord's consent install in the Premises any pay telephones, vending machines, water fountains, refrigerators, sinks or cooking equipment provided that Landlord's consent will not be unreasonably withheld with respect to items designed for the convenience of Tenant's employees which are customary for office employees if Landlord determines that special venting or other material renovations are not required in connection therewith.

Tenant shall not without Landlord's prior written consent keep, cause or permit the escape, disposal or release of any substances or materials designated as, or containing

components now or hereafter designated as, hazardous, dangerous, toxic or harmful and/or subject to regulation under any federal, state or local law, regulation or ordinance ("Hazardous Substances") on or about the Premises or Building or Complex except for ordinary cleaning and office supplies used and stored in accordance with applicable law. With respect to any Hazardous Substance stored with Landlord's consent, Tenant shall: (i) promptly, timely and completely comply with all federal, state or local governmental requirements for reporting and record keeping, (ii) within five (5) Business Days of Landlord's request, provide evidence satisfactory to Landlord of Tenant's compliance with all applicable federal, state or local laws, regulations or ordinances and comply with all federal, state and local laws, regulations or ordinances regarding the proper and lawful use, sale, transportation, generation, treatment and disposal of Hazardous Substances. Without limitation, Hazardous Substances shall include those described in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. §9601 et seq., the Resource Conservation and Recovery Act, as amended, 42 U.S.C. §6901 et seq., the Massachusetts Hazardous Waste Management Act, as amended, M.G.L. Chapter 21C, and the Massachusetts Oil and Hazardous Material Release Prevention Act, as amended, M.G.L. Chapter 21E, any other applicable state or local laws governing the use, storage, transportation or disposal of hazardous materials and the regulations adopted under these acts. In addition, Tenant shall execute affidavits, representations and the like from time to time at Landlord's request concerning Tenant's best knowledge and belief regarding the presence of Hazardous Substances on the Premises.

If any lender or governmental agency shall ever require testing to ascertain whether or not there has been any release of Hazardous Substances, then the reasonable costs thereof shall be reimbursed by Tenant to Landlord upon demand as Additional Rent if such requirement is imposed because of Tenant's particular use or activities in the Premises. Any and all reasonable costs incurred by Landlord and associated with Landlord's inspections of the Premises and Landlord's monitoring of Tenant's compliance with this Section 5.2, including Landlord's attorneys' fees and costs, shall be Additional Rent and shall be due and payable to Landlord within ten (10) days of Landlord's demand. Tenant shall be fully and completely liable to Landlord (either with or without negligence) for any and all cleanup costs and expenses and any and all other charges, expenses, fees, fines, penalties (both civil and criminal) and costs imposed with respect to Tenant's use, disposal, transportation, generation and/or sale of, or Tenant's causing or permitting the escape, disposal or release, of any biologically or chemically active or other Hazardous Substance. In all events, Tenant shall indemnify Landlord as provided in Section 5.6 from any release of hazardous materials on the Premises occurring while Tenant is in possession, or elsewhere if caused by Tenant or persons acting under Tenant. The provisions of this Section 5.2 shall survive the expiration or earlier termination of this Lease. In the event of a release of Hazardous Substances or a requirement for testing to ascertain whether or not there has been a release of Hazardous Substances that is caused by Landlord, and for which Tenant is not responsible as provided above, then Landlord shall hold Tenant harmless from any cost, loss or liability relating thereto, including without limitation attorneys' fees and costs of defense, and the costs so incurred by Landlord shall not be considered Landlord's Operating Expenses.

5.3 COMPLIANCE WITH LAW

Tenant shall use the Premises only as permitted under federal, state, and local laws, regulations and orders applicable from time to time, including without limitation municipal by-

laws, land use and zoning laws, environmental laws and regulations (as set forth in Section 5.2 above) and occupational health and safety laws, and shall procure all approvals, licenses and permits necessary therefor, in each case giving Landlord true and complete copies of the same and all applications therefor. Tenant shall promptly comply with all present and future laws applicable to Tenant's particular use of the Premises (as opposed to office uses generally) or Tenant's signs thereon, foreseen or unforeseen, and whether or not the same necessitate structural or other changes or improvements to the Premises or interfere with its particular use and enjoyment of the Premises, and shall comply with all requirements reasonable in light of the use Tenant is making of the Premises of insurance inspection or rating bureaus having jurisdiction. Notwithstanding the foregoing, the responsibility for compliance with any present law or laws pertaining to office uses and/or the Building generally that require structural or other changes or improvements to the Premises or the Building shall be borne solely by Landlord, and shall not be considered Landlord's Operating Expenses. If Tenant's use of the Premises results in any increase in the premium for any insurance carried by Landlord, then upon Landlord's notice to Tenant of such increase Tenant shall pay the same to Landlord within sixty (60) days after demand as Additional Rent. Tenant shall, in any event, indemnify, save Landlord harmless, and defend from all loss, claim, damage, cost or expense (including reasonable attorneys' fees of counsel of Landlord's choice against whom Tenant makes no reasonable objection) on account of Tenant's failure so to comply with the obligations of this Section 5.3 (paying the same to Landlord upon demand as Additional Rent). Tenant shall bear the sole risk of all present or future laws affecting its particular use of the Premises or appurtenances thereto (as opposed to office uses generally), and Landlord shall not be liable for (nor suffer any reduction in any rent on account of) any interruption, impairment or prohibition affecting the Premises or Tenant's use thereof resulting from the enforcement of such laws.

To Landlord's actual knowledge, as of the Term Commencement Date the Land and the portions of the Building other than Tenant's Initial Construction, if used for general office purposes, will comply in all material respects with applicable zoning, fire codes, and other federal, state, and local rules, regulations, law statutes, and ordinances, including, but not limited to, the Americans with Disabilities Act, and in the event Landlord is notified of any violation, Landlord will take all measures necessary to comply or cause the compliance. The foregoing shall exclude Tenant's Initial Construction, which shall be Tenant's responsibility to design and construct.

5.4 RULES AND REGULATIONS

Tenant shall conform to all reasonable non-discriminatory rules and regulations now or hereafter promulgated from time to time by Landlord for the care and use of the Premises and the Building, including but not limited to the initial Rules and Regulations set forth at www.hobbsbrook.com. In the event of any conflict between this Lease and the Rules and Regulations, the Lease shall govern.

5.5 SAFETY APPLIANCES

Tenant shall keep the Premises equipped with all safety appliances and permits which, as a result of Tenant's particular activities, are required by law or ordinance or any order or regulation of any public authority, shall keep the Premises equipped at all times with adequate

fire extinguishers and other such equipment reasonably required by Landlord, and, subject to Section 5.10, shall make all repairs, alterations, replacements, or additions so required as a result of Tenant's particular activities. Notwithstanding the foregoing, Landlord shall provide and be responsible for the maintenance and repair of the base building, sprinkler, smoke detection, and fire alarm systems.

5.6 INDEMNIFICATION AND INSURANCE

5.6.1 INDEMNIFICATION. Tenant shall save Landlord, its mortgagees and its direct and indirect owners, and the managers, directors, officers, members, trustees, agents, employees, property management companies, attorneys, independent contractors, invitees, and any other parties designated by Landlord from time to time (collectively, the "Indemnitees") harmless and indemnified (and shall defend the Indemnitees with counsel reasonably approved by the Indemnitees) against any claim, loss or cost, whether in law or equity, and/or arising in whole or in part out of any injury, loss, theft or damage to any person or property while on, in or about the Premises, or out of any condition within the Premises, except to the extent due to the negligence or willful misconduct of the Indemnitees, and to any person or property anywhere occasioned by any negligence or willful misconduct of Tenant or of employees, agents, managers, officers, directors, members, trustees or independent contractors of Tenant or any person acting under Tenant. In addition to the foregoing, if any person not a party to this Lease shall institute any other types of action against Tenant in which any of the Indemnitees shall involuntarily and/or without cause, shall be made a party defendant(s), then Tenant shall indemnify, hold harmless and defend such Indemnitees (with counsel reasonably approved by Indemnitees) from all liabilities by reason thereof. This indemnity shall not require payment as a condition precedent to recovery. Tenant shall pay all costs and expenses including reasonable attorneys' fees associated with enforcement of the provisions of this Section 5.6.1. Landlord may make all repairs and replacements to the improvements on the Land resulting from acts or omissions of Tenant's employees, agents, managers, officers, directors, members, trustees, or independent contractors or any other persons acting under Tenant (including damage and breakage occurring as a result of work performed by or for Tenant and when Tenant's property is being moved into or out of the Building) and subject to Section 8.11 Landlord may recover all costs and expenses thereof from Tenant as Additional Rent. The provisions of this Section 5.6.1 shall survive the expiration or earlier termination of this Lease.

5.6.2 INSURANCE. Throughout the Term (and such further time as Tenant or any person claiming through Tenant occupies any part of the Premises) Tenant shall maintain in a responsible company or companies licensed in the state in which the Building is located and approved by Landlord, liability insurance in form reasonably satisfactory to Landlord, written on an occurrence basis, insuring Tenant and naming as additional insureds the Indemnitees and other parties as designated by Landlord or as may be so designated from time to time as their respective interests may appear, against all claims, demands or actions for injury, death, and property damage in amounts not less than those specified in Section 1.1 (as such amounts may, from time to time, be reasonably increased by Landlord). All insurance to be maintained by Tenant under this Section 5.6.2 shall provide that it will not be subject to cancellation, termination, or change except after at least thirty (30) days' prior written notice to the Indemnitees and other parties designated by Landlord. The policy or policies or a duly executed Evidence of Insurance (ACORD Form 27) for the same (together with satisfactory evidence of

the payment of the premium thereon if requested by Landlord) shall be deposited with Landlord and other parties designated by Landlord at the beginning of the Term and, upon renewals of such policies, not less than thirty (30) days prior to the expiration of the term of such coverage. If Tenant fails to comply with any of the foregoing requirements, Landlord may obtain such insurance on behalf of Tenant and may keep the same in effect, and Tenant shall pay Landlord, as Additional Rent, the premium cost thereof upon demand. The provisions of this Section 5.6.2 shall survive the expiration of the Term or earlier termination of this Lease.

5.7 TENANT'S PROPERTY

All furnishings, fixtures, equipment, effects and property of Tenant and of all persons claiming through Tenant which from time to time may be on the Premises or elsewhere in the Building or in transit thereto or therefrom shall be at the sole risk of Tenant and shall be kept insured by Tenant throughout the term at Tenant's expense and in prudent amounts, and if the whole or any part thereof shall be destroyed or damaged by fire, explosion, falling plaster, water or rain which may leak from any part of the Building or otherwise, or by the leakage, rupture or bursting of water pipes, steam pipes, or other pipes, appliances, or plumbing works therein or from the roof, street or sub-surface, or from any other place, or resulting from dampness, or by theft or from any other cause whatsoever in the Building, no part of said loss or damage is to be charged to or be borne by Landlord. The parties acknowledge that damage or destruction may result from acts of cleaning personnel and employees of other independent contractors of Landlord working in and around the Premises and that Tenant shall bear the risk and cost thereof unless Landlord or any of the Indemnitees has been grossly negligent.

5.8 ENTRY FOR REPAIRS AND INSPECTIONS

Tenant shall permit Landlord and its agents to enter and examine the Premises at reasonable times and, if Landlord shall so elect, to make any repairs or replacements Landlord may deem necessary or desirable, to remove at Tenant's expense any alterations, additions, signs, curtains, blinds, shades, awnings, aerials, flagpoles, or the like not consented to in writing, and following advance notice to Tenant, to show the Premises to prospective tenants during the nine (9) months preceding expiration of the Term or second Extension Term if in effect and to prospective purchasers and mortgagees at all times. In case of an emergency in the Premises or in the Building, Landlord or its representative may enter the Premises (forcibly, if necessary) at any time to take such measures as may be needed to deal with such emergency.

5.9 ASSIGNMENT, SUBLETTING

Tenant, voluntarily or involuntarily, shall not assign this Lease, or sublet, license, or convey the Premises or any portion thereof, or permit the occupancy of all or any portion of the Premises other than by the Tenant (all or any of the foregoing actions are referred to as "Transfers", and all or any of assignees, transferees, licensees, and other such parties are referred to as "Transferees") without obtaining, on each occasion, the prior written consent of the Landlord, which consent shall not be unreasonably withheld conditioned or delayed. Tenant also shall not voluntarily or involuntarily mortgage or encumber the Premises or Tenant's leasehold interest therein (an "Encumbrance") without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed so long as the Encumbrance

is being made in connection with a bona fide institution as financing for Tenant's business. Any Transfer or Encumbrance without such consent shall be null and void and of no effect whatsoever. Notwithstanding the provisions of this Section 5.9, this Lease may be assigned, or the Premises may be sublet, in whole or in part, after prior notice to Landlord but without consent of the Landlord and without any termination right of the Landlord being applicable thereto, (a) to any corporation or other entity into or with which Tenant may be merged or consolidated or to any corporation or entity to which all or substantially all of the Tenant's assets will be transferred, or (b) to any corporation which is an affiliate, subsidiary, parent or successor of Tenant, provided in all such cases the surviving corporation or entity shall provide reasonable evidence that it, along with any guarantor or other party remaining liable under this Lease, has a creditworthiness at least equal to the net worth of Tenant and the guarantor or any other liable party as of the date of such corporate transaction, and (ii) as of the date of this Lease and shall agree in writing with the Landlord to be bound by all of the terms and conditions of this Lease (all of the foregoing being referred to as a "Permitted Transfer"). Unless Landlord's consent specifically provides otherwise with respect to a particular proposed Transferee, Tenant shall not offer to make or enter into negotiations with respect to a Transfer to any of the following: (x) a tenant in the Building or any other building in the Complex which is owned or controlled by Landlord (unless, after the request of Tenant, Landlord has informed Tenant that reasonably comparable space in the Building or the Complex is not available and will not become available within the three (3) months after such request); (y) any party with whom Landlord or any affiliate of Landlord is then negotiating with respect to space in the Building or any other building in the Complex which is owned or controlled by Landlord or an affiliate of Landlord (unless, after the request of Tenant, Landlord has informed Tenant that reasonably comparable space in the Building or the Complex is not available and will not become available within the three (3) months after such request); or (z) any party which would be of such type, character or condition as to be inappropriate, in Landlord's reasonable judgment, as a tenant for a first class office building. Tenant shall notify Landlord prior to marketing the Premises or any part thereof for a Transfer. Tenant's request for consent to a Transfer shall include a copy of the proposed Transfer instrument together with a statement of the proposed Transfer in detail satisfactory to Landlord, together with reasonably detailed financial, business and other information about the proposed Transferee. Except in the case of a Permitted Transfer pursuant to clause (a) or (b) above, Landlord shall have the option (but not the obligation) to terminate the Lease as to the affected portions of the Premises at no cost to Tenant, with respect to a Transfer of at least of the Rentable Area of the Premises which Tenant proposes effective upon the date of the proposed Transfer and continuing for the proposed term thereof by giving Tenant notice of such termination within thirty (30) days after Landlord's receipt of Tenant's request. Tenant, however, shall have the right to withdraw such request if Landlord gives Tenant notice of its right to recapture the Premises. Upon the effective date of Landlord's recapture, Tenant shall be released from all subsequently accruing obligations under this Lease with respect to the portion of the Premises recaptured by Landlord. If Tenant does make a Transfer (other than a Permitted Transfer under clause (a) or (b) above) hereunder, and if the aggregate rent and other charges payable to Tenant under and in connection with such Transfer (including without limitation any amounts paid for leasehold improvements or on account of Tenant's costs associated with such Transfer) exceed the sum of the Rent and other charges payable hereunder with respect to the space in question and all third party costs of the Transfer (such as brokerage, legal, and leasehold improvement costs), Tenant shall pay to Landlord, as Additional Rent, of the

amount of such excess. Such excess shall be paid on a monthly basis, and all non-recurring costs and payments incurred or collected by Tenant shall be amortized on a straight line basis over the term of the Transfer in calculating the amount of each monthly payment. If the amount of rent and other charges payable under a Transfer is not readily ascertainable, such amount may, at Landlord's option, be deemed to equal the fair market rent then obtainable for the space in question.

Tenant shall pay to Landlord, as Additional Rent, Landlord's reasonable legal fees (not to exceed without the approval of Tenant, provided such figure shall be reasonably adjusted for inflation and for unusually complex transactions) and other third-party expenses incurred in connection with any proposed Transfer or Encumbrance, including fees for review of documents and investigations of proposed Transferees. Notwithstanding any such Transfer, the original Tenant named herein shall remain directly and primarily obligated under this Lease.

If Tenant enters into any Transfer including a Permitted Transfer with respect to the Premises (or any part thereof), such Transferee shall be liable, jointly and severally, with Tenant, to the extent of the obligation undertaken by or attributable to such Transferee, for the performance of Tenant's agreements under this Lease (including payment of Rent under the Transfer), and every Transfer shall so provide, without relieving or modifying Tenant's liability hereunder. The foregoing provision shall be self-operative, but in confirmation thereof, such Transferee shall execute and deliver such instruments as may be reasonably required by Landlord to acknowledge such liability and if such Transferee shall fail to do so within ten (10) days after demand, Tenant shall be in default hereunder. Landlord may collect Rent from the Transferee and apply the net amount collected to the Rent and other charges hereunder, but no such assignment or collection shall be deemed a waiver of the provisions of this Section 5.9, or the acceptance of the Transferee as a tenant, or a release of Tenant from direct and primary liability for the further performance of Tenant's covenants hereunder. The consent by Landlord to a particular Transfer shall not relieve Tenant from the requirement of obtaining the consent of Landlord to any further Transfer. Notwithstanding anything to the contrary contained herein, Tenant shall have the right, without prior approval of Landlord, to utilize such portions of the Premises as it shall determine in its sole, reasonable judgment to customers ("Collocation") at no additional rent to Tenant for the purpose of installing, operating and maintaining computer servers and related equipment. The Collocation will not be considered a sublease for purposes hereunder. Subject to the terms and conditions of Section 5.4, designated employees or such customers may have access to the Premises twenty-four (24) hours per day, seven (7) days per week.

5.10 ALTERATIONS

Tenant shall make no alterations, additions or improvements to the Premises without the prior written consent of Landlord and only in accordance with Landlord's then current policies and procedures. Notwithstanding the foregoing, after notice to Landlord but without any requirement for Landlord's consent, Tenant may perform cosmetic alterations in the Premises which do not affect the Building's structure or base building systems and cost no more than in the aggregate for a single project, provided such alterations are made in accordance with Landlord's Construction Manual. Tenant shall obtain all state, local and other necessary permits before undertaking any such alterations, additions or

improvements. Tenant shall carry such insurance as Landlord shall reasonably require. Any alterations, additions and improvements to the Premises, except movable furniture and trade fixtures, shall belong to Landlord. All alterations, additions and improvements to the Premises shall be at Tenant's sole cost. If any mechanic's lien (which term shall include all similar liens relating to the furnishing of labor and materials and professional services by design professionals) is filed against the Building which is claimed to be attributable to Tenant, its agents, employees, contractors, or persons working under Tenant's direction or control, then Tenant shall give Landlord immediate notice of such lien and shall discharge the same by payment or filing any necessary bond within ten (10) days after Tenant has notice (from any source) of such lien. Landlord's approval of the construction documents shall signify Landlord's consent to the work shown thereon only and Tenant shall be solely responsible for any errors or omissions contained therein. Landlord's approvals under this Section 5.10 shall not be unreasonably withheld, conditioned or delayed.

5.11 SURRENDER

At the expiration of the Term or earlier termination of this Lease, without the requirement of any notice, Tenant shall peaceably surrender the Premises including all alterations and additions thereto and all replacements thereof, including carpeting, any water or electricity meters, and all fixtures and partitions, in any way bolted or otherwise attached to the Premises (which shall become the property of Landlord) except such alterations and additions as Landlord shall direct Tenant to remove including cabling (provided, , however, that Tenant shall not be directed to remove Tenant's Initial Construction or any subsequent Tenant Work installed with Landlord's approval unless, at the time of Landlord's approval of such Tenant Work, Landlord specifically notified Tenant that Tenant would be directed to remove that Tenant Work from the Premises at the expiration of the Term), and Tenant shall leave the Premises and improvements in the condition in which the same are required to be maintained under Section 5.1. Tenant shall, at the time of termination, remove the goods, effects and fixtures which Tenant is directed or permitted to remove in accordance with the provisions of this Section 5.11, making any repairs to the Premises and other areas necessitated by such removal and leaving the Premises clean and tenantable. Should Tenant fail to remove any of such goods, effects, and fixtures, Landlord may, after notice, have them removed forcibly, if necessary, and store any of Tenant's property in a public warehouse at the risk of Tenant. If such items are not removed from storage within thirty (30) days, such items may be sold by any customary methods in order to pay storage costs and other expenses of Landlord. The expense of such removal, storage and reasonable repairs necessitated by such removal shall be borne solely by Tenant or at Landlord's election reimbursed by Tenant to Landlord.

5.12 PERSONAL PROPERTY TAXES

Tenant shall pay promptly when due all taxes (and charges in lieu thereof) imposed upon Tenant's personal property in the Premises, (including, without limitation, fixtures and equipment), no matter to whom assessed.

5.13 SIGNS

No sign, name, placard, advertisement or notice visible from the exterior of the Premises shall be inscribed, painted or affixed by Tenant on any part of the Building without the prior written approval of Landlord. All signs or letterings on doors, or otherwise, approved by Landlord, shall be inscribed, painted or affixed by a person reasonably approved by Landlord and at the sole cost and expense of Tenant. Landlord at Landlord's expense shall provide and install Building standard signage at the entry doors to the Premises and in the Building lobby to identify Tenant's official name and Building address, all such letters and numerals to be in the Building standard graphics.

ARTICLE VI

CASUALTY AND TAKING

6.1 DAMAGE BY FIRE OR CASUALTY

If the Premises or any part thereof shall be damaged by fire or other casualty required to be insured by Landlord under this Lease, then, subject to the last paragraph of this Section 6.1, Landlord shall proceed with diligence, subject to then applicable statutes, building codes, zoning ordinances and regulations of any governmental authority, and at the expense of Landlord to repair or cause to be repaired such damage. All such repairs made necessary by any act or omission of Tenant shall be made at the Tenant's expense to the extent that the cost of such repairs does not exceed the deductible amount in Landlord's insurance policy (such deductible not to exceed the deductible amount generally carried at the time by comparable buildings). All repairs to and replacements of property which Tenant is entitled to remove shall be made by and at the expense of Tenant. If the Premises or any part thereof shall have been rendered unfit for use and occupation hereunder by reason of such damage the Rent or a just and proportionate part thereof, according to the nature and extent to which the Premises shall have been so rendered unfit, shall be abated until the Premises (except as to the property which is to be repaired by or at the expense of Tenant) shall have been restored as nearly as practicable to the condition in which they were immediately prior to such fire or other casualty. Landlord shall not be liable for delays in the making of any such repairs which are due to Force Majeure, nor shall Landlord be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting from delays in repairing such damage.

Between thirty (30) and sixty (60) days after any casualty, Tenant may inquire of Landlord as to Landlord's estimate of the time period necessary to complete repair of the Premises. Within thirty (30) days after such inquiry, Landlord shall provide Tenant with Landlord's architect's good faith estimate of the time to complete such repairs and if such estimate (which shall be non-binding) shall be more than one year from the date of the casualty, then Tenant may terminate this Lease by notice given to Landlord within thirty (30) days after Tenant's delivery of Landlord's architect's estimate.

If Landlord fails to commence repairs as soon as is reasonably practicable after such damage, and such failure is not due to Force Majeure, and in any event if Landlord does not commence repairs within ninety (90) days of the casualty, Tenant may elect to terminate this Lease by notice to Landlord. If Landlord, having commenced such repair, has not completed the repair of such damage by the later of (i) one year from the occurrence of such damage, or (ii) the

date given in any Landlord's architect's repair period estimate under the prior paragraph (the later of such dates is referred to below as the "Outside Restoration Date"), Tenant may elect to terminate this Lease by notice to Landlord within twenty (20) days of the Outside Restoration Date, the termination to be effective not less than thirty (30) days after the date on which such termination notice is received by Landlord. The Outside Restoration Date shall be extended for up to ninety (90) days on account of delays caused by Force Majeure. Landlord shall not be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting from delays in repairing the damage, however if the delays continue more than ninety (90) days beyond the initial Outside Restoration Date, Tenant may elect to terminate this Lease in the manner provided above.

If (i) the Premises are so damaged by fire or other casualty (whether or not insured) at any time during the last thirty (30) months of the Term that the cost to repair such damage is reasonably estimated to exceed one-third of the total Annual Fixed Rent payable hereunder for the period from the estimated completion date of repair until the end of the Term, or (ii) at any time the Building (or any portion thereof, whether or not including any portion of the Premises) is so damaged by fire or other casualty (whether or not insured) that substantial alteration or reconstruction or demolition of the Building (or a portion thereof) shall in Landlord's judgment be required ("substantial" damage meaning damage to the extent that the cost of repair will exceed of the value of the Building prior to the occurrence of the fire or other casualty), then and in any of such events, this Lease and the Term hereof may be terminated at the election of Landlord by a notice from Landlord to Tenant within sixty (60) days, or such longer period as is required to complete arrangements with any mortgagee regarding such situation, following such fire or other casualty; provided, however, that in the event Landlord elects to terminate the Lease pursuant to clause (i) above, such election shall be null and void if within thirty (30) days after receipt of Landlord's notification, Tenant exercises the right (if available) to extend the Term for an Extension Term, in which case the time periods under this Section 6.1 for Landlord to commence and complete repairs shall be continued by thirty (30) days. The effective termination date pursuant to such notice shall be not less than thirty (30) days after the day on which such termination notice is delivered to Tenant. In the event of any termination, the Term shall expire as though such effective termination date were the date originally stipulated in Section 1.1 for the end of the Term and the Annual Fixed Rent and Additional Rent for Operating Expenses and Taxes shall be apportioned as of such date.

6.2 CONDEMNATION - EMINENT DOMAIN

In case during the Term all or any substantial part of the Premises or the Building are taken by eminent domain or Landlord receives compensable damage by reason of anything lawfully done in pursuance of public or other authority, affecting all or a substantial part of the Premises or Building this Lease shall terminate at Landlord's election, which may be made (notwithstanding that Landlord's entire interest may have been divested) by notice given to Tenant within ninety (90) days after the election to terminate arises, specifying the effective date of termination. The effective date of termination specified by Landlord shall not be less than fifteen (15) nor more than thirty (30) days after the date of notice of such termination. Unless terminated pursuant to the foregoing provisions, this Lease shall remain in full force and effect following any such taking, subject, however, to the following provisions. If in any such case the Premises are rendered unfit for use and occupation and this Lease is not terminated, Landlord

shall use reasonable diligence (following the expiration of the period in which Landlord may terminate this Lease pursuant to the foregoing provisions of this Section 6.2) to put the Premises, or what may remain thereof (excluding any items installed or paid for by Tenant which Tenant may be required to remove pursuant to Section 5.11), into proper condition for use and occupation and a just proportion of the Annual Fixed Rent and Additional Rent for Operating Expenses according to the nature and extent of the injury shall be abated until the Premises or such remainder shall have been put by Landlord in such condition; and in case of a taking which permanently reduces the area of the Premises, a just proportion of the Annual Fixed Rent and Additional Rent for Operating Expenses shall be abated for the remainder of the Term.

If the taking of a part of the Premises substantially and adversely interferes with Tenant's ability to continue its business operations then Tenant may terminate this Lease on written notice to Landlord given not more than thirty (30) days after such taking and effective on the earlier of: (i) the date when title vests; (ii) the date Tenant is dispossessed by the condemning authority; or (iii) sixty (60) days following notice to Tenant of the date when vesting or dispossession is to occur

6.3 EMINENT DOMAIN AWARD

Except for Tenant's relocation expenses or other awards available to Tenant that do not reduce Landlord's award (specifically so designated by the court or authority having jurisdiction over the matter) Landlord reserves to itself any and all rights to receive awards made for damages to the Premises, the Building or the leasehold hereby created, or any one or more of them, accruing by reason of exercise of eminent domain or by reason of anything lawfully done in pursuance of public or other authority. Tenant hereby releases and assigns to Landlord all Tenant's rights to such awards, and covenants to deliver such further assignments and assurances thereof as Landlord may from time to time request, hereby irrevocably designating and appointing Landlord as its attorney-in-fact to execute and deliver in Tenant's name and behalf all such further assignments thereof.

6.4 CASUALTY OR TAKING IN 601 BUILDING

Notwithstanding anything in this Article VI to the contrary, if Tenant elects to terminate the 601 Lease in accordance with the provisions of Section 6.1 or 6.2 of the 601 Lease, then Tenant may also elect to terminate this Lease by providing written notice to Landlord at the same time as notice of Tenant's election to terminate the 601 Lease.

ARTICLE VII

DEFAULT

7.1 TERMINATION FOR DEFAULT OR INSOLVENCY

This Lease is upon the condition that:

(a) if Tenant shall fail to perform or observe any of Tenant's covenants, and if such failure shall continue, (i) in the case of Rent or any sum due Landlord hereunder, for more than five (5) Business Days after notice, or (ii) in any other case, after notice, for more than

thirty (30) days (provided that if correction of any such matter reasonably requires longer than thirty (30) days and Tenant so notifies Landlord within twenty (20) days after Landlord's notice is given together with an estimate of time required for such cure, Tenant shall be allowed such longer period, but only if cure is begun and diligently pursued within such thirty (30) day period and such delay does not cause increased risk of damage to person or property), or

(b) if two (2) or more notices under clause (a) hereof are given in any twelve month period (failure to pay Rent or any other sum for more than five (5) Business Days after the particular due date shall have the same effect under this clause (b) as such a notice), or

(c) if the leasehold hereby created shall be taken on execution, or by other process of law, or if any assignment shall be made of Tenant's property or the property of any guarantor of Tenant's obligations hereunder ("Guarantor") for the benefit of creditors, or

(d) if a receiver, guardian, conservator, trustee in bankruptcy or similar officer shall be appointed by a court of competent jurisdiction to take charge of all or any part of Tenant's or the Guarantor's property and such appointment is not discharged within sixty (60) days thereafter or if a petition including, without limitation, a petition for reorganization or arrangement is filed by Tenant or the Guarantor under any bankruptcy law or is filed against Tenant or the Guarantor and, in the case of a filing against Tenant only, the same shall not be dismissed within sixty (60) days from the date upon which it is filed, or

(e) if there is a default by Tenant beyond applicable notice and cure periods under the 601 Lease,

then, and in any of said cases, Landlord may, immediately or at any time thereafter, elect to terminate this Lease by notice of termination, by entry, or by any other means available under law and may recover possession of the Premises as provided herein.

Upon termination by notice, by entry, or by any other means available under law, Landlord shall be entitled immediately, in the case of termination by notice or entry, and otherwise in accordance with the provisions of law to recover possession of the Premises from Tenant and those claiming through or under the Tenant. Such termination of this Lease and repossession of the Premises shall be without prejudice to any remedies which Landlord might otherwise have for arrears of Rent or for a prior breach, violation or default of the provisions of this Lease.

Tenant waives any statutory notice to quit and equitable rights in the nature of further cure or redemption, and Tenant agrees that upon Landlord's termination of this Lease Landlord shall be entitled to re-entry and possession in accordance with the terms hereof. Landlord may, without notice, store Tenant's personal property (and those of any person claiming under Tenant) at the expense and risk of Tenant or, if Landlord so elects, Landlord may sell such personal property in accordance with Section 5.11 and apply the net proceeds to the earliest of installments of Rent or other charges owing Landlord. LANDLORD AND TENANT WAIVE TRIAL BY JURY IN ANY ACTION TO WHICH THEY ARE PARTIES. Tenant further agrees that it shall not interpose any counterclaim (other than a mandatory counterclaim which would otherwise be waived) or set-off in any summary proceeding or in any action based in

whole or in part on non-payment of Rent. Nothing herein shall preclude Tenant from asserting a right to abatement under the express terms of this Lease as a defense to a claim of default by Landlord for non-payment of Rent.

7.2 REIMBURSEMENT OF LANDLORD'S EXPENSES

In the case of termination of this Lease pursuant to Section 7.1, Tenant shall reimburse Landlord for all expenses arising out of such termination, including without limitation, all costs incurred in collecting amounts due from Tenant under this Lease (including attorneys' fees, costs of litigation and the like); all expenses incurred by Landlord in attempting to relet the Premises or parts thereof (including advertisements, brokerage commissions, Tenant's allowances, costs of preparing space, maintaining or preserving the Premises after Tenant default, and the like); and all Landlord's other reasonable expenditures necessitated by the termination. The reimbursement from Tenant shall be due and payable immediately from time to time upon notice from Landlord that an expense has been incurred, without regard to whether the expense was incurred before or after the termination. The provisions of this Section 7.2 shall survive the expiration or earlier termination of this Lease.

7.3 DAMAGES

In the event of the termination of this Lease by Landlord, Landlord may elect by written notice to Tenant within one year following such termination to be indemnified for loss of Rent by a lump sum payment representing the then present value of the amount of Rent which would have been paid in accordance with this Lease for the remainder of the Term minus the then present value of the aggregate fair market rent and Additional Rent payable for the Premises for the remainder of the Term (if less than the Rent payable hereunder), estimated as of the date of the termination, and taking into account reasonable projections of vacancy and tune required to re-lease the Premises. (For the purposes of calculating the Rent which would have been paid hereunder for the lump sum payment calculation described herein, the last full year's Additional Rent under Section 2.6 is to be deemed constant for each year thereafter. The then-current yield on US Treasury Bonds with a ten (10) year maturity shall be used in calculating present values.) Should the parties be unable to agree on a fair market rent, the matter shall be submitted, upon the demand of either party, to the Boston, Massachusetts office of the American Arbitration Association, with a request for arbitration in accordance with the rules of the Association by a single arbitrator who shall be an MAI appraiser with at least ten years experience as an appraiser of major office buildings in the Greater Boston area. The parties agree that a decision of the arbitrator shall be conclusive and binding upon them. Should Landlord fail to make the election provided for in this Section 7.3, Tenant shall indemnify Landlord for the loss of Rent by a payment at the end of each month which would have been included in the Term, representing the difference between the Rent which would have been paid in accordance with this Lease (Annual Fixed Rent under Section 2.5, and Additional Rent which would have been payable under Section 2.6 to be ascertained monthly) and the Rent actually derived from the Premises by Landlord for such month (the amount of Rent deemed derived shall be the actual amount less any portion thereof attributable to Landlord's reletting expenses described in Section 7.2 which have not been reimbursed by Tenant thereunder).

All rights and remedies of Landlord under this Section 7.3 and elsewhere in this Lease shall be distinct, separate and cumulative, and none shall exclude any other right or remedy of Landlord set forth in this Lease or allowed by law or in equity. Tenant's obligations under this Section 7.3 shall survive the expiration or earlier termination of the Term.

7.4 MITIGATION

In the event the Lease is terminated pursuant to Section 7.1 and Tenant vacates the Premises, Landlord shall, subject to the provisions of this Section 7.4, use reasonable efforts to relet the Premises and collect the sums due to Landlord as a result of such reletting; provided, however, that any obligation imposed by law upon Landlord to relet the Premises shall be subject to the reasonable requirements of Landlord and its affiliates to lease other available space in the Complex prior to reletting the Premises, to high quality tenants, and to lease the Building in a harmonious manner with an appropriate mix of uses, tenants, floor areas and terms of tenancies, and the like.

7.5 CLAIMS IN BANKRUPTCY

Nothing herein shall limit or prejudice the right of Landlord to prove and obtain in a proceeding for bankruptcy, insolvency, arrangement or reorganization, by reason of the termination, an amount equal to the maximum allowed by a statute or law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount is greater to, equal to, or less than the amount of the loss or damage which Landlord has suffered.

7.6 INTEREST ON UNPAID AMOUNTS

If any payment of Annual Fixed Rent, Additional Rent, or other payment due from Tenant to Landlord is not paid when due, then without notice and in addition to all other remedies hereunder, Tenant shall pay to Landlord interest on such unpaid amount equal to of the amount in question for each month and for each part thereof during which said delinquency continues; provided, however, in no event shall such interest exceed the maximum amount permitted to be charged by applicable law.

7.7 LATE FEE

If any payment of Annual Fixed Rent, Additional Rent, or other payment due from Tenant to Landlord is not paid when due, then Landlord may, at its option, in addition to all other remedies hereunder, impose a late charge on Tenant equal to of the amount in question, which late charge will be due within five (5) Business Days after notice as Additional Rent.

7.8 VACANCY DURING LAST TWO MONTHS

If Tenant vacates substantially all of the Premises (or substantially all of any major portion of the Premises, including a floor thereof) at any time within the last two (2) months of the Term, Landlord at its sole risk may enter the Premises (or such portion) and commence demolition work or construction of leasehold improvements for future tenants and the amount of

Rent due from and after such entry shall be reduced by one-half. The exercise of such right by Landlord will not affect Tenant's obligations to pay Annual Fixed Rent or Additional Rent with respect to the Premises (or such portion), which obligations shall continue without abatement until the end of the Term. If Landlord elects to enter the Premises for these purposes, Landlord shall indemnify Tenant against personal injury or property damage arising from its activities and shall provide insurance coverages for such injury or damage reasonably acceptable to Tenant, with Tenant named as an additional insured.

7.9 WAIVER OF TRIAL BY JURY

LANDLORD AND TENANT AGREE THAT TO EXTENT PERMITTED BY LAW, EACH SHALL AND HEREBY DOES WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER AGAINST THE OTHER ON ANY MATTER WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT, TENANT'S USE OR OCCUPANCY OF THE PREMISES AND/OR EMERGENCY OR STATUTORY REMEDY.

ARTICLE VIII

MISCELLANEOUS

8.1 HOLDOVER

If Tenant remains in the Premises after the termination or expiration of the Term, such holding over shall be as a tenant at sufferance at a rent equal to (x) for the first ninety (90) days after the termination or expiration of the Term, one and one-half times the Annual Fixed Rent due hereunder for the last month of the Term and (y) thereafter the greater of (i) one and one-half times the Annual Fixed Rent due hereunder for the last month of the Term and (ii) the fair market rent for the Premises, and otherwise subject to all the covenants and conditions (including obligations to pay Additional Rent under Section 2.6) of this Lease. Notwithstanding the foregoing, if Landlord desires to regain possession of the Premises after the termination or expiration hereof, Landlord may, at its option, re-enter and take possession of the Premises or any part thereof at any time thereafter or by any legal process in force in the state in which the Premises are located. If the Tenant renegotiates a new term with the Landlord of this Lease whether in the Premises or at another location in the Building within 120 days after the expiration of this Lease, all rents in excess of the new rate, paid during the hold over period, will be applied as a credit to the new lease.

Notwithstanding the establishment of any tenancy at sufferance following the expiration or earlier termination of the Term, if Tenant fails promptly to vacate the Premises upon the expiration or earlier termination of the Term, and such failure continues for thirty (30) days after notice from Landlord to Tenant to vacate the Premises, Tenant shall save Landlord harmless, indemnify and defend Landlord against any claim, loss, cost or expense (including reasonable attorneys' fees by counsel of Landlord's choice and consequential damages) arising out of Tenant's failure promptly to vacate the Premises (or any portion thereof) prior to the expiration of such thirty (30) day period.

8.2 ESTOPPEL CERTIFICATES

At either party's request, from time to time, the other party agrees to execute and deliver to the requesting party within ten (10) days after delivery of such request, a certificate which acknowledges the dates on which the Term begins and ends, tenancy and possession of the Premises and recites such other facts concerning any provision of the Lease or payments made under the Lease which the requesting party or a mortgagee or lender or a purchaser or prospective purchaser of the Building or any interest therein or any other party may from time to time reasonably request. Tenant acknowledges that the execution and delivery of such certificates in connection with a financing or sale in a prompt manner constitute requirements of Landlord's financing and/or property dispositions. Without limitation of the foregoing, Tenant agrees to execute whatever other instruments may be reasonably required by the first mortgagee or junior mortgagee to acknowledge such tenancy in recordable form, within ten (10) days after Landlord's request, correcting as appropriate any representations which are not then correct.

8.3 NOTICE

Any notice, approval, consent and other like communication hereunder from Landlord to Tenant or from Tenant to Landlord shall be effective only if given in writing and shall be deemed duly delivered if (i) hand delivered, (ii) mailed by prepaid certified or registered mail, return receipt requested, or (iii) delivered by a national overnight delivery service, receipt confirmed. if requested, Tenant shall send copies of all such notices in like manner to Landlord's mortgagees and any other persons having an interest in the Premises and designated by Landlord. Any notice so addressed shall be deemed duly delivered on the third Business Day following the day of mailing if so mailed by registered or certified mail, return receipt requested, whether or not accepted, or on the date of delivery if hand delivered or sent by overnight delivery service. Communications to Tenant shall be addressed to Tenant's Authorized Representative at the Address of Tenant set forth in Section 1.1. Communications to Landlord shall be addressed to the Landlord's Address, and a copy of all notices shall be sent to Landlord's attorneys, Chief Legal Officer, Hobbs Brook Management LLC, 225 Wyman Street, Waltham, Massachusetts 02451-1209 and Richard D. Rudman, Esq., DLA Piper LLP (US), 33 Arch Street, 26th Floor, Boston, Massachusetts 02110. Either party may from time to time designate other addresses within the continental United States by notice to the other.

8.4 LANDLORD'S RIGHT TO CURE

At any time and without notice, Landlord may, but need not, cure any failure by Tenant to perform its obligations under this Lease. Whenever Landlord chooses to do so, Tenant shall pay all costs and expenses incurred by Landlord in curing any such failure, including, without limitation, reasonable attorneys' fees together with an administrative charge equal to of such costs and expenses and interest as provided in Section 7.6.

8.5 SUCCESSORS AND ASSIGNS

This Lease and the covenants and conditions herein contained shall inure to the benefit of and be binding upon Landlord, its successors and assigns, and shall be binding upon Tenant, its successors and assigns, and shall inure to the benefit of Tenant and only such Transferees of

Tenant as are permitted hereunder. The term "Landlord" means the original Landlord named herein, its successors and assigns. The term "Tenant" means the original Tenant named herein and its permitted successors and assigns.

8.6 BROKERAGE

Each party warrants that it has had no dealings with any broker or agent in connection with this Lease or any other space in the Building or office park of which the Building is a part, except for any brokers designated in Section 1.1. Each party covenants to pay, hold harmless, indemnify and defend the other from and against any and all claims, costs, expense or liability (including reasonable attorneys' fees for any compensation, commissions and charges claimed by any broker or agent other than any such broker designated in Section 1.1 with respect to this Lease or the negotiation thereof arising from a breach of the foregoing warranty. Landlord shall be responsible for payment of any brokerage commission to any broker designated in Section1.1.

8.7 WAIVER

The failure of Landlord or of Tenant to seek redress for violation of, or to insist upon strict performance of, any covenant or condition of this Lease, or, with respect to such failure of Landlord, any of the Rules and Regulations referred to in Section 5.4, whether heretofore or hereafter adopted by Landlord, shall not be deemed a waiver of such violation nor prevent a subsequent act, which would have originally constituted a violation, from having all the effect of an original violation, nor shall the failure of Landlord to enforce any of said Rules and Regulations against any other tenant of the Building be deemed a waiver of any such Rules or Regulations. The receipt by Landlord of Annual Fixed Rent or Additional Rent with knowledge of the breach of any covenant of this Lease shall not be deemed waiver of such breach. No provision of this Lease shall be deemed to have been waived by Landlord, or by Tenant, unless such waiver be in writing signed by the party to be charged. No consent or waiver, express or implied, by Landlord or Tenant to or of any breach of any agreement or duty shall be construed as a waiver or consent to or of any other breach of the same or any other agreement or duty.

8.8 ACCORD AND SATISFACTION

No acceptance by Landlord of a lesser sum than the Annual Fixed Rent and Additional Rent then due shall be deemed to be other than on account of the earliest installment of such Rent due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as Rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy provided in this Lease. The delivery of keys to Landlord shall not operate as a termination of this Lease or a surrender of the Premises.

8.9 REMEDIES CUMULATIVE

The specific remedies to which Landlord may resort under the terms of this Lease are cumulative and are not intended to be exclusive of any other remedies to which it may be lawfully entitled in case of any breach or threatened breach by Tenant of any provisions of this Lease. In addition to the other remedies provided in this Lease, Landlord shall be entitled to the

restraint by injunction of the violation or attempted or threatened violation of any of the covenants or conditions of this Lease or to a decree compelling specific performance of any such covenants or conditions.

8.10 PARTIAL INVALIDITY

If any term of this Lease, or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable, the remainder of this Lease, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Lease shall be valid and enforceable to the fullest extent permitted by law.

8.11 WAIVERS OF LIABILITY AND SUBROGATION

Any property or casualty insurance carried by either party with respect to the Premises, the Building, or property therein or occurrences thereon shall, include a clause or endorsement denying to the insurer rights of subrogation and/or recovery against the other party for any injury or loss due to hazards which are the subject of insurance under the Lease. Each party, notwithstanding any provisions of this Lease to the contrary, hereby waives any rights of recovery against the other for injury or loss due to hazards which are the subject of insurance under the Lease regardless of the fault or negligence of the other party or persons claiming by, through, or under that party. Each party shall be responsible, regardless of the fault of the other, for any deductible, co-insurance or self-insurance with respect to the property or casualty coverage maintained by that party except as provided in Section 2.6.3 and Section 6.1. Insomuch as said waivers will preclude the assignment of any aforesaid claim by way of subrogation (or otherwise) to an insurance company (or any other person) each party agrees, if not previously arranged with its insurance company, immediately to give to each insurance company which has issued to it policies of property insurance for injury or loss due to hazards required to be covered under the Lease written notice of the terms of said mutual waivers, and to have such insurance policies properly endorsed, if necessary to prevent the invalidation of said insurance coverage by reason of said waivers. The mutual waivers of liability and subrogation contained in this Section8.11 shall override any inconsistent provision of this Lease. For the purposes of this Section 8.11, "Landlord" or "Tenant" shall include the respective mortgagees, agents, employees, managers and/or management companies, officers, directors, attorneys, trustees, and independent contractors.

8.12 ENTIRE AGREEMENT

This Lease contains all of the agreements between Landlord and Tenant with respect to the Premises and supersedes all prior writings and dealings between them with respect thereto.

8.13 NO AGREEMENT UNTIL SIGNED

The submission of this Lease or a summary of some or all of its provisions for examination does not constitute a reservation of or option for the Premises or an offer to lease and no legal obligations shall arise with respect to the Premises or other matters herein until this Lease is executed and delivered by Landlord and Tenant.

8.14 TENANT'S AUTHORIZED REPRESENTATIVE

Tenant designates the person named from time to time as Tenant's Authorized Representative to take all acts of Tenant hereunder. Landlord may rely on the acts of such Authorized Representative without further inquiry or evidence of authority. Tenant's Authorized Representative shall be the person so designated in Section 1.1 and such successors as may be named from time to time by the then current Tenant's Authorized Representative or by Tenant's president, vice president, secretary or general counsel.

8.15 NOTICE OF LEASE

Landlord and Tenant agree not to record this Lease. If appropriate, both parties will, at the request of either, execute, acknowledge and deliver a Notice of Lease and a Notice of Termination of Lease Term, each in recordable form. Such notices shall contain only the information required by law for recording. Tenant hereby irrevocably appoints Landlord as Tenant's attorney-in-fact (which appointment shall survive the expiration of the Term or earlier termination of the Term) with full power of substitution to execute, acknowledge and deliver a notice of termination of lease on Tenant's name if Tenant fails to do so within ten (10) days after request therefor.

8.16 TENANT AS BUSINESS ENTITY

Tenant warrants and represents that (a) Tenant is duly organized, validly existing and in good standing under the laws of the jurisdiction in which such entity was organized; (b) Tenant has the authority to own its property and to carry on its business as contemplated under this Lease; (c) to the best of its knowledge, Tenant is in compliance in all material respects with all laws and orders of public authorities applicable to Tenant; (d) Tenant has duly executed and delivered this lease; (e) the execution, delivery and performance by Tenant of this Lease (i) are within the powers of Tenant, (ii) have been duly authorized by all requisite action, (iii) will not violate any provision of law or any order of any court or agency of government, or any agreement or other instrument to which Tenant is a party or by which it or any of its property is bound, and (iv) will not result in the imposition of any lien or charge on any of Tenant's property, except by the provisions of this Lease; and (0 the Lease is a valid and binding obligation of Tenant in accordance with its terms. Tenant agrees that breach of the foregoing warranty and representation shall at Landlord's election be a default under this Lease for which there shall be no cure. This warranty and representation shall survive the expiration or earlier termination of the Term.

8.17 RELOCATION

If at any time during the Term the Rentable Floor Area of the Premises contains less than square feet, Landlord reserves the right to move Tenant, and if Landlord so requests, Tenant shall vacate the Premises and relinquish its right with respect to the same, provided that Landlord gives Tenant not less than six (6) months prior written notice of such a move, and so long as Landlord provides to Tenant space with within the Complex. Such space shall be reasonably comparable in size, layout, finish and utility to the existing Premises, and further provided that Landlord shall, at its sole cost and expense, move Tenant and its removable

property from the Premises to such new space in such a manner as will minimize, to the greatest extent practicable, undue interference with the business operations of Tenant. Landlord agrees to pay for all verified reasonable direct costs actually incurred solely due to any such relocation, including without limitation the costs of relocating furniture, files and equipment, telephone installation, computer wiring and cabling, and reasonable costs of new stationery and business cards. Any such space shall from and after such relocation be treated as the Premises demised under this Lease, and shall be occupied by Tenant under the same terms.

8.18 FINANCIAL STATEMENTS

Upon Landlord's reasonable request, Tenant shall promptly furnish to Landlord financial statements or such other documentation evidencing, to the reasonable satisfaction of Landlord, the financial condition of Tenant. Unless public by other means, Landlord will maintain confidential such statements and/or documentation, except as required by applicable law or court order; however Landlord may provide such statements to Landlord's prospective and actual lenders and purchasers, and its and their accountants, attorneys and partners, as long as Landlord advises the recipients of the existence of Landlord's confidentiality obligation.

8.19 MISCELLANEOUS PROVISIONS

This Lease may be executed in counterparts and shall constitute the agreement of Landlord and Tenant whether or not their signatures appear in a single copy hereof. This Lease shall be construed as a sealed instrument and shall be governed exclusively by the provisions hereof and by the laws of The Commonwealth of Massachusetts as the same may from time to time exist. The titles are for convenience only and shall not be considered a part of the Lease. Where the phrases "persons acting under Tenant" or "persons claiming under Tenant" or similar phrases are used, the persons included shall be all employees, agents, independent contractors and invitees of Tenant or of any Transferee of Tenant. The enumeration of specific examples of or inclusions in a general provision shall not be construed as a limitation of the general provision. If Tenant is granted any extension option, expansion option or other right or option, the exercise of such right or option (and notice thereof) must be unconditional to be effective, time always being of the essence to the exercise of such right or option; and if Tenant purports to condition the exercise of any option or to vary its terms in any manner, then the option granted shall be void and the purported exercise shall be ineffective. Unless otherwise stated herein, any consent or approval required hereunder may be given or withheld in the sole absolute discretion of the party whose consent or approval is required. Nothing herein shall be construed as creating the relationship between Landlord and Tenant of principal and agent, or of partners or joint venturers or any relationship other than landlord and tenant. This Lease and all consents, notices, approvals and all other documents relating hereto may be reproduced by any party by photographic, microfilm, microfiche or other reproduction process and the originals thereof may be destroyed; and each party agrees that any reproductions shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not reproduction was made in the regular course of business) and that any further reproduction of such reproduction shall likewise be admissible in evidence. This Lease may be amended only by a writing signed by all of the parties hereto. Any reference in this Lease to the time for the performance of obligations or elapsed time shall mean consecutive calendar days, months, or years as applicable. "Business Day" shall mean any day of the week

other than Saturday, Sunday, or a day on which banking institutions in Boston, Massachusetts are obligated or authorized by law or executive action to be closed to the transaction of normal banking business. In the event the time for performance of any obligation hereunder expires on any day other than a Business Day the time for performance shall be extended to the next Business Day. Upon request by Landlord, Tenant agrees to execute a confirmation of lease commencement in the form attached as Exhibit D.

ARTICLE IX

LANDLORD'S LIABILITY AND ASSIGNMENT FOR FINANCING

9.1 LANDLORD'S LIABILITY

Tenant agrees to look only to Landlord's interest in the Land and Building (and to the proceeds of any available insurance) for satisfaction of any claim against Landlord hereunder or under any other instrument related to the Lease (including any separate agreements among the parties and any notices or certificates delivered by Landlord) and not to any other property or assets of Landlord. If Landlord from time to time transfers its interest in the Land and Building (or part thereof which includes the Premises), then from and after each such transfer Tenant shall look solely to the interests in the Land and Building of each of Landlord's transferees for the performance of all of the obligations of Landlord hereunder (or under any related instrument). The obligations of Landlord shall not be binding on any partners, mortgagees, members, managers, directors, officers, trustees, or beneficiaries of Landlord or of any successor, individually, but only upon Landlord's or such successor's interest described above.

Except for the negligence or willful misconduct of Landlord or any of the Indemnitees (as such term is defined in Section 5.6.1) and any liability of Landlord without fault under Sections 4.3.3 or 5.2 of this Lease, Landlord shall not be liable to Tenant and Tenant hereby waives all claims against Landlord for any injury or damage to any person or property whatsoever. In no event shall Landlord ever be liable for any indirect or consequential damages. Except for liability under Sections 5.2 and 8.1of this Lease, in no event shall Tenant be liable for any indirect or consequential damages. It is expressly agreed by Landlord and Tenant that business interruption costs and expenses are indirect and consequential damages under the terms of this Lease.

9.2 ASSIGNMENT OF RENTS

If, at any time and from time to time, Landlord assigns this Lease or the Rents payable hereunder to the holder of any mortgage on the Building, or to any other party for the purpose of securing financing (the holder of any such mortgage and any other such financing party are referred to herein as the "Financing Party"), whether such assignment is conditional in nature or otherwise, the following provisions shall apply:

(a) Such assignment to the Financing Party shall not be deemed an assumption by the Financing Party of any obligations of Landlord hereunder unless such Financing Party shall, by written notice to Tenant, specifically otherwise elect;

(b) Except as provided in Section 9.2(a) above and Section 9.2(c) below, the Financing Party shall be treated as having assumed Landlord's obligations hereunder (subject to Section 9.1) only upon foreclosure of its mortgage (or voluntary conveyance by deed in lieu thereof) and the taking of possession of the Premises from and after foreclosure;

(c) Subject to Section 9.1, the Financing Party shall be responsible for only such breaches under the Lease by Landlord which occur during the period of ownership by the Financing Party after such foreclosure (or voluntary conveyance by deed in lieu thereof) and taking of possession, as aforesaid; provided, however, that nothing contained herein shall be deemed to restrict the right of Tenant to pursue all applicable remedies, including, if necessary, the termination of this Lease, if a default of a continuing nature (for example, an unrepaired defect in the roof or HVAC system) is not cured after notice and a reasonable opportunity to cure the default; and

(d) In the event Tenant alleges that Landlord is in default under any of Landlord's obligations under this Lease, Tenant agrees to give any Financing Party, by registered mail, a copy of any notice of default which is served upon the Landlord, provided that prior to such notice, Tenant has been notified, in writing, (whether by way of notice of an assignment of lease, request to execute an estoppel letter, or otherwise) of the address of such Financing Party. Tenant further agrees that if Landlord shall have failed to cure such default within the time provided by law or such additional time as may be provided in such notice to Landlord, such Financing Party shall have sixty (60) days after the last date on which Landlord could have cured such default within which such Financing Party will be permitted to cure such default. If such default cannot be cured within such sixty (60) day period, then such Financing Party shall have such additional time as may be necessary to cure such default, if within such sixty (60) day period such Financing Party has commenced and is diligently pursuing the remedies necessary to effect such cure (including, but not limited to, commencement of foreclosure proceedings, if necessary, to effect such cure), in which event Tenant shall have no right with respect to such default while such remedies are being diligently pursued by such Financing Party.

In all events, any liability of a Financing Party shall be limited to the interest of such Financing Party in the Land and Building, and in no event shall a Financing Party ever be liable for any indirect or consequential damages.

Tenant hereby agrees to enter into such agreements or instruments as may be requested from time to time in confirmation of the foregoing.

ARTICLE X

SUBORDINATION AND NON-DISTURBANCE

This Lease shall be subject and subordinate to any first mortgage and to any junior mortgage that has been approved by the first mortgagee that may now or hereafter be placed upon the Building and/or the Land and to any and all advances to be made under such mortgages and to the interest thereon, and all renewals, extensions and consolidations thereof, provided that the mortgagee agrees not to disturb Tenant's right of possession or its other rights under this Lease (so long as Tenant is not in default hereunder beyond any applicable notice or cure period)

in accordance with a Subordination and Non-Disturbance Agreement in the mortgagee's standard form (provided that such form is commercially reasonable). Any mortgagee may elect to give this Lease priority to its mortgage, except that the Lease shall not have priority to (i) the prior right, claim and lien of such mortgagees in, to and upon any insurance proceeds and the disposition thereof under the mortgage; (ii) the prior right, claim and lien of such mortgagees in, to and upon any award or compensation heretofore or hereafter to be made for any taking by eminent domain of any part of the Premises, and to the right of disposition thereof under the mortgage; and (iii) any lien, right, power or interest, if any, which may have arisen or intervened in the period between the recording of the mortgages and the execution of this Lease, or any lien or judgment which may arise any time under the terms of this Lease. In the event of such election and upon notification by such mortgagee, this Lease shall be deemed prior in lien to the said mortgage. This Article X shall be self-operative, but in confirmation thereof, Tenant shall execute and deliver a Subordination and Non-Disturbance Agreement in the mortgagee's standard form (provided that such form is commercially reasonable) or whatever other instruments may be reasonably required by the first mortgagee or junior mortgagee to acknowledge such subordination or priority in a recordable form. Any mortgagee's standard processing fee and any Landlord's reasonable attorneys' fees associated with the execution of the Subordination and Non-Disturbance Agreement shall be payable as Additional Rent.

Landlord represents that as of the date of this Lease, Landlord is the fee owner of the Building and Land and there is no mortgage encumbering the Building and/or Land.

ARTICLE XI

CONNECTOR

To the extent permitted by applicable law and all public and private requirements applicable to the Land and/or Building, if Tenant leases and occupies 55,243 or more square feet of Rentable Floor Area in the Building, Tenant may construct at its sole cost and expense (including, without limitation, any and all permitting, design and construction costs) a covered walkway (the "Connector") between the Building and the 601 Building, subject to Landlord's prior written approval, which shall not be unreasonably withheld, conditioned or delayed, of the design, building materials and location of the Connector and subject to compliance with the terms and provisions of this Lease (including without limitation Section 5.10), with the building code, zoning code, and with all other applicable laws and public and private requirements applicable to the Landlord and/or the Building. Tenant shall not undertake any permitting efforts or commence construction without Landlord's prior written approval, which shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Landlord shall not be obligated to incur any costs, undertake any legal action, or seek, or consent to, any change in law or public or private requirements applicable to the Land and/or the Building in connection with Tenant's design and construction of the Connector. The Connector shall be the property of Landlord, and shall constitute a part of the common areas and facilities under this Lease, and may be available for use by other tenants of the 601 Building and the Building. Notwithstanding the foregoing, Tenant shall pay to Landlord all of the costs to clean, maintain and repair the Connector as and when invoiced by Landlord.

ARTICLE XII

ROOF SPACE

12.1 GPS ANTENNA

12.1.1 Effective as of the Term Commencement Date, Landlord agrees to grant to Tenant a license to use a portion of the roof of the Building and enjoy 24-hour access thereto (the "Rooftop License") at a technologically sufficient location to be proposed by Tenant and approved by Landlord (which approval shall not be unreasonably withheld or delayed provided the installation of the GPS Antenna in the location proposed by Tenant does not materially and adversely affect (i) the structural integrity of the Building or (ii) any electrical, mechanical, or other system of the Building) consisting of approximately no more than thirty (30) square horizontal feet (the "Rooftop Installation Area"), with any guide wires to be located therein or within the immediate vicinity. The Rooftop Installation Area is to be used by Tenant solely for the installation, operation, maintenance, repair and replacement during the Term of this Lease of a GPS antenna eighteen (18") inches in diameter and other related communications equipment, including one two-inch (2") conduit connecting the antenna to the Premises, to be located in a vertical chase mutually designated by Landlord and Tenant (collectively, the "GPS Antenna") and for Tenant's Supplemental AC System as Landlord approves in advance in writing, which approval shall not be unreasonably withheld, conditioned or delayed. Tenant's installation and operation of the GPS Antenna and of Tenant's Supplemental AC System and its obligations with respect thereto shall be all in accordance with the terms, provisions, conditions and agreements contained in this Lease.

12.1.2 Tenant shall install the GPS Antenna and Tenant's Supplemental AC System, provided Tenant elects to install the Tenant's Supplemental AC System, in the Rooftop Installation Area at its sole cost and expense, at such times and in such manner as Landlord may reasonably designate and in accordance with all of the applicable provisions of this Lease. Landlord shall not be obligated to perform any work or incur any expense to prepare the Rooftop Installation Area for Tenant's use thereof.

12.1.3 Tenant shall not install or operate the GPS Antenna or Tenant's Supplemental AC System until it receives prior written approval from Landlord, which approval Landlord agrees shall not be unreasonably withheld, conditioned, or delayed provided, and on the condition that Tenant complies with all of the requirements of this Lease (including, without limitation, this Article XII). Prior to commencing such installation, Tenant shall provide Landlord with (i) copies of all required permits, licenses and authorizations which Tenant will obtain at its own expense and which Tenant will maintain at all times during the operation of the GPS Antenna and Tenant's Supplemental AC System, if applicable; and (ii) a certificate of insurance evidencing insurance coverage as required by this Lease and any other insurance reasonably required by Landlord for the installation and operation of the GPS Antenna and Tenant's Supplemental AC System, if applicable. Landlord may withhold approval if the installation or operation of the GPS Antenna or the Tenant's Supplemental AC System reasonably would be expected to damage the structural integrity of the Building.

12.1.4 Tenant covenants that (i) Tenant shall repair any damage to the roof of the Building caused by the installation or operation of the GPS Antenna and Tenant's Supplemental AC System, if applicable, (ii) the installation and operation of the GPS Antenna on the roof shall not cause interference with any telecommunications, mechanical or other systems either located or servicing the Building (whether belonging to or utilized by Landlord or any other tenant or occupant of the Building) or located at or servicing any building, premises or location in the vicinity of the Building, except to the extent permissible under applicable F.C.C. regulations and (iii) the installation, existence, maintenance and operation of the GPS Antenna and Tenant's Supplemental AC System, if applicable, shall not constitute a violation of any applicable laws, ordinances, rules, order, regulations, etc., of any Federal, State, or municipal authorities having jurisdiction thereover, or constitute a nuisance or interfere with the use and enjoyment of the premises of any other tenant in the Building.

12.1.5 The term of the Rooftop License shall be deemed to commence on the Term Commencement Date and expire on the expiration or earlier termination of the Term of this Lease.

12.1.6 Tenant shall pay to Landlord as Additional Rent (the "GPS Rent"), all applicable taxes or governmental charges, fees, or impositions imposed upon Landlord and arising out of Tenant's use of the Rooftop Installation Area, and the amount, if any, by which Landlord's insurance premiums increase as a result of the installation of the GPS Antenna and Tenant's Supplemental AC System, if applicable.

12.1.7 Tenant covenants and agrees that the installation, operation and removal of the GPS Antenna and Tenant's Supplemental AC System, if applicable, will be at its sole risk. Tenant agrees to indemnify and defend Landlord and all other Indemnitees (as defined in Section 5.6.1) against all claims, actions, actual and punitive damages, liabilities and expenses including reasonable attorney's fees by counsel of Landlord's choice incurred in connection with the loss of life, personal injury, damage to property or business or any other loss or injury or as a result of any litigation arising out of the installation, use, operation, or removal of the GPS Antenna or Tenant's Supplemental AC System, if applicable, by Tenant or its transferee, including any liability arising out of Tenant's violation of its obligations under Section 12.1.4 (except if such liability is caused by the gross negligence or willful misconduct of Landlord or its employees, agents, or contractors). Landlord assumes no responsibility for interference in the operation of the GPS Antenna caused by other tenants' telecommunications equipment, or for interference in the operation of other tenants' telecommunications equipment caused by the GPS Antenna.

12.1.8 Within fifteen (15) days following the expiration or earlier termination of this Lease or the permanent termination of the operation of the GPS Antenna by Tenant, Tenant shall, at its sole cost and expense, (i) remove the GPS Antenna from the Rooftop Installation Area and the Building in accordance with the terms hereof, (ii) leave the Rooftop Installation Area in good order and repair, reasonable wear and tear excepted and (iii) pay all amounts due and owing with respect to the Rooftop License up to the date of the termination thereof. Notwithstanding anything herein to the contrary, Tenant shall not be obligated to remove Tenant's Supplemental AC System at the expiration or earlier termination of the Term, except if Tenant's Supplemental AC System is not in good working order at the time of such expiration or earlier termination or at the time Tenant terminates operation of Tenant's Supplemental AC

System, after which Tenant shall be obligated to remove Tenant's Supplemental AC System and comply with the requirements of the preceding sentence. If Tenant does not remove the GPS Antenna or Tenant's Supplemental AC System, if applicable, when so required, the GPS Antenna or Tenant's Supplemental AC System, if applicable, shall become Landlord's property and, at Landlord's election, Landlord may remove and dispose of the GPS Antenna or Tenant's Supplemental AC System, if applicable, and charge Tenant for all costs and expenses incurred as Additional Rent. Notwithstanding that Tenant's use of the Rooftop Installation Area shall be subject at all times to and shall be in accordance with the terms, covenants, conditions and agreements contained in this Lease, the Rooftop Installation Area shall not be deemed part of the Premises. All Tenant obligations under this Article XII shall survive the expiration of the Term of this Lease.

ARTICLE XIII

BACK-UP GENERATOR

13.1 BACK-UP GENERATOR.

13.1.1 Effective as of the Term Commencement Date, Landlord agrees to grant to Tenant a license to use a portion of the ground near the Building and enjoy 24-hour access thereto (the "Ground License") at a technologically sufficient location designated by Landlord in its sole discretion (the "Ground Installation Area"). The Ground Installation Area is to be used by Tenant solely for the installation, operation, maintenance, repair and replacement during the Term of this Lease of a back-up ground level generator and related fuel supply and infrastructure comparable to Landlord's existing 850KVA facility, to support Tenant's data center and other Tenant critical facilities and equipment (the "Generator"). Tenant's installation and operation of the Generator and its obligations with respect thereto shall be all in accordance with the terms, provisions, conditions and agreements contained in this Lease.

13.1.2 Tenant shall install the Generator in the Ground Installation Area at its sole cost and expense, at such times and in such manner as Landlord may reasonably designate and in accordance with all of the applicable provisions of this Lease (including, without limitation, Section 3.3). Landlord shall not be obligated to perform any work or incur any expense to prepare the Ground Installation Area for Tenant's use thereof.

13.1.3 Tenant shall not install or operate the Generator until it receives prior written approval from Landlord, which approval Landlord agrees shall not be unreasonably withheld, conditioned, or delayed (except as set forth in Section 13.1.1),provided, and on the condition that Tenant complies with all of the requirements of this Lease (including, without limitation, Section 3.3 and this Article XIII). Prior to commencing such installation, Tenant shall provide Landlord with (i) copies of all required permits, licenses and authorizations which Tenant will obtain at its own expense and which Tenant will maintain at all times during the operation of the Generator; and (ii) a certificate of insurance evidencing insurance coverage as required by this Lease and any other insurance reasonably required by Landlord for the installation and operation of the Generator. Landlord may withhold approval if the installation or operation of the Generator reasonably would be expected to damage the structural integrity of the Building. Tenant agrees to reimburse Landlord for reasonable expenses incurred in connection

with the review and approval of Tenant's plans showing the proposed installation of the Generator.

13.1.4 Tenant covenants that (i) Tenant shall repair any damage to the Land or Building caused by the installation or operation of the Generator, (ii) the installation and operation of the Generator on the ground shall not cause interference with any telecommunications, mechanical or other systems either located or servicing the Building (whether belonging to or utilized by Landlord or any other tenant or occupant of the Building) or located at or servicing any building, premises or location in the vicinity of the Building, and (iii) the installation, existence, maintenance and operation of the Generator shall not constitute a violation of any applicable laws, ordinances, rules, order, regulations, etc., of any Federal, State, or municipal authorities having jurisdiction thereover, or constitute a nuisance or interfere with the use and enjoyment of the premises of any other tenant in the Building.

13.1.5 The term of the Ground License shall be deemed to commence on the Term Commencement Date and expire on the expiration or earlier termination of the Term of this Lease.

13.1.6 Tenant shall pay to Landlord as Additional Rent (the "Generator Rent"), all applicable taxes or governmental charges, fees, or impositions imposed upon Landlord (excluding Taxes) and arising out of Tenant's use of the Ground Installation Area, and the amount, if any, by which Landlord's insurance premiums increase as a result of the installation of the Generator.

13.1.7 Tenant covenants and agrees that the installation, operation and removal of the Generator will be at its sole risk. Tenant agrees to indemnify and defend Landlord and all other Indemnitees (as defined in Section 5.6.1) against all claims, actions, actual and punitive damages, liabilities and expenses including reasonable attorney's fees by counsel of Landlord's choice incurred in connection with the loss of life, personal injury, damage to property or business or any other loss or injury or as a result of any litigation arising out of the installation, use, operation, or removal of the Generator by Tenant or its transferee, including any liability arising out of Tenant's violation of its obligations under Section 13.1.4 (except if such liability is caused by the gross negligence or willful misconduct of Landlord or its employees, agents, or contractors).

13.1.8 Within fifteen (15) days following the expiration or earlier termination of the Lease or the permanent termination of the operation of the Generator by Tenant, Tenant shall, at its sole cost and expense, (i) remove the Generator from the Ground Installation Area and the Building in accordance with the terms hereof, (ii) leave the Ground Installation Area in good order and repair, reasonable wear and tear excepted and (iii) pay all amounts due and owing with respect to the Ground License up to the date of the termination thereof. If Tenant does not remove the Generator when so required, at Landlord's election, Landlord may remove and dispose of the Generator and charge Tenant for all costs and expenses incurred as Additional Rent. Notwithstanding that Tenant's use of the Ground Installation Area shall be subject at all times to and shall be in accordance with the terms, covenants, conditions and agreements contained in this Lease, the Ground Installation Area shall not be deemed part of the Premises. All Tenant obligations under this Section 13.1 shall survive the Term of this Lease.

Executed to take effect as a sealed instrument.

LANDLORD:

601 EDGEWATER LLC

By: /s/ Donald G. Oldmixon
Donald G. Oldmixon
Manager

TENANT:

EPSILON DATA MANAGEMENT, LLC

By: /s/ Paul Dundon
Name: Paul Dundon
Title: CFO

Exhibit D

Epsilon Confirmation of Lease Commencement

Reference is made to the Lease dated August 16, 2011, between 601 Edgewater LLC as Landlord and Epsilon Data Management, LLC, as Tenant (the "Lease"). The terms listed below are used as defined in the Lease.

Landlord and Tenant confirm the following for the 1st floor premises:

Lease Commencement Date:September 1, 2011

Rent Commencement Date:March 1, 2012

Term Expiration Date:December 31, 2020

Executed as a Massachusetts instrument under seal as of _____.

LANDLORD: 601 EDGEWATER LLC

By: /s/ Donald G. Oldmixon
Name: Donald G. Oldmixon
Title: Manager

TENANT:
EPSILON DATA MANAGEMENT, LLC

By: /s/ Paul Dundon
Name: Paul Dundon
Title: CFO

Exhibit D

Epsilon Confirmation of Lease Commencement

Reference is made to the Lease dated August 16, 2011, between 601 Edgewater LLC as Landlord and Epsilon Data Management, LLC, as Tenant (the "Lease"). The terms listed below are used as defined in the Lease.

Landlord and Tenant confirm the following for the 2nd floor premises:

Lease Commencement Date:November 1, 2011

Rent Commencement Date:May 1, 2012

Term Expiration Date:December 31, 2020

Executed as a Massachusetts instrument under seal as of _____.

LANDLORD: 601 EDGEWATER LLC

By: /s/ Donald G. Oldmixon
Name: Donald G. Oldmixon
Title: Manager

TENANT:
EPSILON DATA MANAGEMENT, LLC

By: /s/ Paul Dundon
Name: Paul Dundon
Title: CFO

Exhibit 10.22

SECOND AMENDMENT TO LEASE

This Second Amendment to Lease ("**Second Amendment**") is entered into, and dated for reference purposes, as of September 30, 2014, (the "**Execution Date**") by and between RGA REAL ESTATE HOLDINGS, LLC, a Missouri limited liability company, as Landlord ('**Landlord**") and EPSILON DATA MANAGEMENT, LLC, as Tenant ("**Tenant**"), with reference to the following facts:

WHEREAS, Sterling Properties LLC and Sterling Direct, Inc. entered into a Lease dated September 22, 1997 and an addendum to Lease also dated September 22, 1997 with respect to a 116,783 SF Office/Production/Warehouse Facility located at One American Eagle Plaza, Earth City, Missouri 63045 (collectively, the "Original Lease"); and

WHEREAS, Sterling Direct, Inc. transferred its right, title, interests and obligations in the Original Lease to The Reynolds and Reynolds Company on October 1, 1999; and

WHEREAS, The Reynolds and Reynolds Company transferred its right, title, interests and obligations in the Original Lease to ISG e-CRM Acquisitions Company on August 2, 2000; and

WHEREAS, ISG e-CRM Acquisitions Company subsequently changed its name to The Relizon e-CRM Company on August 14, 2000; and

WHEREAS, The Relizon e-CRM Company was purchased by ADS Alliance Data Systems, Inc. on October 28, 2004; and

WHEREAS, The Relizon e-CRM Company changed its name to Epsilon Marketing Services, Inc. on or about October 29, 2004; and

WHEREAS, Sterling Properties, LLC and Epsilon Marketing Services, Inc. executed Addendum #2 to the Original Lease dated March 17, 2005; and

WHEREAS, Epsilon Marketing Services, Inc. transferred its right, title, interests and obligations in the Original Lease to Epsilon Data Management, LLC on or about January 1, 2006; and

WHEREAS, On or about July 6, 2006 Sterling Properties LLC transferred its right, title, interests and obligations as Landlord in the Original Lease as amended to Bekins Properties LLC.; and

WHEREAS, Bekins Properties LLC and Epsilon Data Management, LLC entered into a First Amendment to Lease effective September 1, 2011; and

WHEREAS, on or about August 28th, 2013 the building in which the leased premises is located was conveyed to RGA Real Estate Holdings, LLC, resulting in RGA Real Estate Holdings, LLC assuming the Original Lease and First Amendment to Lease and becoming the successor Landlord to Bekins Properties LLC; and

WHEREAS, Landlord and Tenant have agreed to amend the Original Lease as amended by Addendum #2 and the First Amendment to Lease (collectively, the "**Lease**") as set forth herein.

NOW, THEREFORE, for good and valuable consideration, and in consideration of the covenants and agreements herein contained, the parties hereby agree to amend the Lease as follows:

1. Effective January 1, 2015, the Lease Term will be extended Twenty-Four (24) months to December 31, 2016.

2. NET Rent for the extended Lease term shall be $ annually.

3. Landlord, at Landlord's expense, will agree to perform the following maintenance and improvements (the "Improvements"):

a) Repair the asphalt in the areas shown on Exhibit A attached hereto.
b) Replace all damaged curbs.
c) Concrete loading ramp to be caulked.
d) Replace, if necessary as determined by Landlord, any or all of the HVAC rooftop units shown on Exhibit B attached hereto. Landlord is currently investigating the condition of the HVAC units, and if is determined that the remaining useful life of any unit(s) is not at least equal to the extended term of the Lease, Landlord will replace such unit(s).

4. The Improvements shall be performed in a good and workmanlike manner and shall be completed by Landlord no later than December 31, 2014. Prior to commencing the Improvements, Landlord shall provide Tenant with a schedule of construction. Landlord will use reasonable efforts to complete the Improvements with minimal interference to the operation of Tenant's business at the Premises.

5. The following sentence (contained in the Original Lease) is hereby deleted from the Lease:

   "The maximum deductible on all coverages and policies is $25,000."

   In exchange for the deletion of the above sentence, Tenant will cause its parent corporation, Alliance Data Systems Corporation, to immediately deliver to Landlord a Lease Guaranty in the form attached hereto as Exhibit C.

6. Except as hereinabove amended, the Lease remains in full force and effect in accordance with its terms including utilities, real estate taxes and operating expenses.

7. This Second Amendment taken together with the Lease, together with all amendments, exhibits, schedules, riders and addenda to each, constitutes the full and complete agreement and understanding between the parties hereto and shall supersede all prior communications, representations, understandings or agreements, if any, whether oral or written, concerning the subject matter contained in this Second Amendment and the Lease, and no provision of the Lease as so amended may be modified, amended, waived

or discharged in whole or in part, except by a written instrument executed by all of the parties hereto.

8. Each party represents and warrants to the other that it has full authority and power to enter into and perform its obligations under this Second Amendment, that the person executing this Second Amendment is fully empowered to do so, that no consent or authorization is necessary from any third party, and that this Second Amendment is valid, binding and legally enforceable in accordance with its terms. Landlord may request that Tenant provide Landlord evidence of Tenant's authority.

IN WITNESS THEREOF, the parties hereto have executed this Second Amendment as of the date set forth above.

TENANT:

EPSILON DATA MANAGEMENT, LLC

By: /s/ Paul Dundon
Name: Paul Dundon
Title: CFO

LANDLORD:

RGA REAL ESTATE HOLDINGS, LLC

By: /s/ Michael D. McLellan
Name: Michael D. McLellan
Title: SVP, Head of Real Estate Investments

Exhibit 10.33

THIRD AMENDMENT TO LEASE AGREEMENT

This THIRD AMENDMENT TO LEASE AGREEMENT ("**Third Amendment**") is entered into effective as of March 11, 2014 (the "**Effective Date**"), by and between NOP COTTONWOOD 2795, LLC, a Delaware limited liability company ("**Landlord**"), and COMENITY SERVICING LLC, a Texas limited liability company ("**Tenant**").

R E C I T A L S:

A. Landlord and ADS Alliance Data Systems, Inc., a Delaware corporation ("**ADS**"), entered into that certain Lease Agreement dated as of September 21, 2010 (the "**Original Lease**"), as amended by that certain (i) First Amendment to Lease Agreement dated as of November 14, 2011 (the "**First Amendment**"), between Landlord and ADS, and (ii) Second Amendment to Lease Agreement dated as of December 19, 2012 (the "**Second Amendment**"), between Landlord and ADS.

B. ADS and Comenity LLC, a Delaware limited liability company ("**Comenity**"), entered into that certain Assignment and Assumption Agreement dated as of January 1, 2013 (the "**First Assignment**"), pursuant to which, among other things, ADS assigned to Comenity and Comenity assumed from ADS all of ADS's rights, title, interest and obligations in, to and under the Original Lease (as amended by the First Amendment and Second Amendment). Comenity and Tenant subsequently entered into that certain Assignment and Assumption Agreement also dated as of January 1, 2013 (the "**Second Assignment**", together with the First Assignment, collectively, the "**Assignment**"), pursuant to which, among other things, Comenity assigned to Tenant and Tenant assumed from Comenity all of Comenity's rights, title, interest and obligations in, to and under the Original Lease (as amended by the First Amendment and Second Amendment). Landlord consented to the Assignment pursuant to that certain Consent to Assignment and Assumption of Lease dated as of January 10, 2013 (the "**Consent**"), among Landlord, ADS, Comenity and Tenant.

C. The Original Lease, First Amendment, Second Amendment and Consent are collectively referred to herein as the "**Lease**".

D. Pursuant to the Lease, Landlord currently leases to Tenant and Tenant currently leases from Landlord that certain space containing approximately 6,488 square feet of Rentable Area and 5,455 square feet of usable area (the "**Existing Premises**") commonly known as Suites 100 and 140 and located on the first (1st) floor of that certain office building addressed as 2795 E. Cottonwood Parkway, Salt Lake City, Utah (the "**Building**").

E. Landlord and Tenant now desire to amend the Lease to (i) expand the Existing Premises to include that certain space containing approximately 3,490 square feet of Rentable Area and 2,935 square feet of usable area (the "**Second Expansion Space**"), commonly known as Suite 142, located on the first (1st) floor of the Building and depicted on Exhibit A attached hereto, and (ii) modify various terms and provisions of the Lease, all as hereinafter provided.

F. Except as otherwise expressly provided herein to the contrary, all capitalized terms used in this Third Amendment shall have the same meanings given such terms in the Lease.

A G R E E M E N T:

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Second Expansion Space.

1.1. Addition of Second Expansion Space. Commencing on the Second Expansion Space Commencement Date (as defined below), the Existing Premises shall be expanded to include the Second Expansion Space, which Second Expansion Space shall be leased on the same terms and conditions set forth in the Lease (as amended hereby). From and after the Second Expansion Space Commencement Date, the Existing Premises and the Second Expansion Space shall be collectively referred to as the "**Premises**", and shall contain a total of approximately 9,978 square feet of Rentable Area.

1.2. Second Expansion Space Term. The lease term for the Second Expansion Space (the "**Second Expansion Space Term**") shall commence on the Second Expansion Space Commencement Date and shall expire coterminously with the Extended Term for the Existing Premises on the Revised Expiration Date (i.e., January 31, 2018). For purposes of this Third Amendment, the "**Second Expansion Space Commencement Date**" shall mean the earlier of: (i) the date Tenant conducts business operations in all or any portion of the Second Expansion Space; and (ii) the date Landlord delivers the Second Expansion Space to Tenant Ready for Occupancy, as defined in the Second Tenant Work Letter attached hereto as Exhibit B (the "**Second Tenant Work Letter**"), subject to acceleration as a result of any Second Expansion Tenant Delays (as defined and provided in the Second Tenant Work Letter). Landlord and Tenant presently anticipate that the Second Expansion Space will be delivered to Tenant Ready for Occupancy on or about April 1, 2014; however, if Landlord is unable to deliver to Tenant the Second Expansion Space Ready for Occupancy by such date (or any other date), then: (A) the validity of this Third Amendment or the Lease shall not be affected or impaired thereby; (B) Landlord shall not be in default hereunder or under the Lease (as amended hereby), or be liable for damages therefor; and (C) Tenant shall accept possession of the Second Expansion Space when Landlord delivers the Second Expansion Space to Tenant Ready for Occupancy.

1.3. Confirmation of Second Expansion Space Commencement Date. Following the Second Expansion Space Commencement Date, Landlord shall deliver to Tenant a Notice of Lease Term Dates in the form of Exhibit C attached hereto, which notice Tenant shall execute and return to Landlord within five (5) business days after Tenant's receipt thereof.

2. Base Rent. During the Second Expansion Space Term, the annual Base Rent (and monthly installments thereof) payable by Tenant for the Second Expansion Space shall be calculated separate and apart from that of the Existing Premises and shall be as set forth in the following schedule:

Period of Second Expansion Space Term	Monthly Installment of Base Rent	Annual Base Rent Rate Per Square Foot of Rentable Area of Second Expansion Space
Expansion Space Commencement Date – 03/31/15		
04/01/15 – 03/31/16		
04/01/16 – 03/31/17		
04/01/17 – 1/31/18		

3. Tenant's Share; Base Year. For purposes of determining Tenant's Share of increases in Operating Expenses for the Existing Premises and the Second Expansion Space during the Second Expansion Space Term: (i) Tenant's Share for the Second Expansion Space shall be calculated separate and apart from that of the Existing Premises and shall equal 2.58% (i.e., 3,490 square feet of Rentable Area of the Second Expansion Space/135,339 square feet of Rentable Area of the Building); and (ii) the Base Year for calculating Tenant's Share of increases in Operating Expenses for the Second Expansion Space, only, shall be the calendar year 2014.

4. Condition of Premises. Except as otherwise provided in the Second Tenant Work Letter: (i) Tenant shall continue to occupy the Existing Premises from and after the date of execution of this Third Amendment in its current "AS IS" condition; and (ii) Tenant shall accept the Second Expansion Space in its "AS IS" condition as of the date of execution of this Third Amendment and on the Second Expansion Space Commencement Date, without any obligation on Landlord's part to construct or pay for any tenant improvements or refurbishment work in or for the Existing Premises or the Second Expansion Space.

5. Parking. From and after the Second Expansion Space Commencement Date, the first (1st) sentence of Section F of Part I of the Original Lease shall be modified as follows:

"Tenant shall throughout the Extended Term of the Lease (as extended), lease from Landlord a total of twenty-eight (28) automobile spaces in the Parking Facility, of which total Tenant may elect to lease up to four (4) assigned and covered automobile spaces at the then-prevailing market rate pursuant to Section 5.5 below."

6. Brokers. Landlord and Tenant each hereby represents and warrants to the other party that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Third Amendment, excepting only Commerce Real Estate Solutions (representing Landlord), and Continental Realty (representing Tenant) (collectively, the "**Brokers**"), and that it knows of no other real estate broker or agent who is entitled to a commission in connection with this Third Amendment. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments and costs and expenses (including, without

limitation, reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing in connection with this Third Amendment on account of the indemnifying party's dealings with any real estate broker or agent (other than the Brokers).

7. Counterparts. This Third Amendment may be executed in multiple counterparts, each of which is to be deemed original for all purposes, but all of which together shall constitute one and the same instrument.

8. No Further Modification. Except as set forth in this Third Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, this Third Amendment has been executed as of the day and year first above written.

LANDLORD:

NOP COTTONWOOD 2795, LLC,
a Delaware limited liability company

By: NOP COTTONWOOD HOLDINGS LLC,
a Delaware limited liability company
Its: sole member

By: NATIONAL OFFICE PARTNERS LLC,
a California limited liability company
Its: sole member

By: CWP CAPITAL MANAGEMENT, LLC,
a Delaware limited liability company
Its: Manager

By: /s/ Joseph A. Corrente
Name: Joseph A. Corrente
Its: Executive Vice President

TENANT:

COMENITY SERVICING LLC,
a Texas limited liability company

By: /s/ Tammy McConnaughey
Name: Tammy McConnaughey
Title: SVP, Chief Credit Risk Officer

Exhibit 10.34

OFFICE LEASE AGREEMENT

BY AND BETWEEN

PIEDMONT OPERATING PARTNERSHIP, L.P.

AND

EPSILON DATA MANAGEMENT, LLC

BUILDING II, THE COMMONS OF LAS COLINAS
6021 CONNECTION DRIVE, IRVING, TEXAS

OFFICE LEASE AGREEMENT

THIS OFFICE LEASE AGREEMENT (this "Lease") is dated as of the 1st day of August, 2013, by and between **PIEDMONT OPERATING PARTNERSHIP, L.P.,** a Delaware limited partnership ("Landlord"), and **EPSILON DATA MANAGEMENT, LLC**, a Delaware limited liability company ("Tenant").

ARTICLE I
SPECIAL DEFINITIONS

1.1 **Anticipated Occupancy Date:** July 1, 2014.

1.2 **Base Rent**: the annual amount payable as set forth in the following table (net of electric):

Months of Lease Term	Base Rent Per Square Foot Per Annum	Monthly Installment	Annual Installment*
1 – 7			
8 – 12			
13 – 24			
25 – 36			
37 – 48			
49 - 60			
61 – 72			
73 – 84			
85 – 96			
97 – 108			
109 – 120			
121 – 132			
133 – 144			

*Based on twelve (12) full calendar months. If the Lease Commencement Date is a day other than the first day of a calendar month, then the first month in the above chart shall include the partial month in which the Lease Commencement Date occurs and the first full calendar month occurring thereafter. Each month shall thereafter commence on the first day of such calendar month.

1.3 **Base Rent Annual Escalation**: per square foot of rentable area, as shown in above schedule.

1.4 **Broker(s)**: Peloton Real Estate ("Landlord's Broker"); and Cassidy Turley ("Tenant's Broker").

1.5 **Building**: a seven (7) story building deemed to contain Two Hundred Twenty-One Thousand Eight Hundred Ninety-eight (221,898) square feet of total rentable area ("Total Area"), located at 6021 Connection Drive, Irving, Texas 75039 and known as Building II, The Commons of Las Colinas (together with the Building located at 6011 Connection Drive (the "6011 Building") and the Building located at 6031 Connection Drive (the "6031 Building"), the "Project").

1.6 **Building Hours**: 8:00 a.m. to 6:00 p.m. Monday through Friday (excluding Holidays) and 8:00 a.m. to 1:00 p.m. on Saturday (excluding Holidays); provided, however, with Landlord's reasonable cooperation and approval, Tenant shall have the right to reasonably modify the Building Hours. Notwithstanding the foregoing, in no event may the modified Building Hours exceed ten (10) hours a day Monday through Friday or five (5) hours on Saturday.

1.7 **Expiration Date**: 11:59 p.m. (local time at the Building) on the last day of the twelfth (12^{th}) Lease Year (i.e., June 30, 2026, assuming a Lease Commencement Date as to the entire Premises of July 1, 2014).

1.8 **Guarantor(s)**: Alliance Data Systems Corporation

1.9 **Holidays**: New Year's Day, Martin Luther King Jr. Day, President's Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veteran's Day, Thanksgiving Day, the day after Thanksgiving, and Christmas Day; provided, however, with Landlord's reasonable approval, Tenant shall have the right to add additional holidays.

1.10 **Improvements Allowance**: the product of multiplied by the rentable area of the Premises ( ).

1.11 **Landlord Notice Address**: c/o Piedmont Office Realty Trust, Inc., 11695 Johns Creek Parkway, Suite 350, Johns Creek, GA 30097 Attention: Asset Manager – West Region.

1.12 **Landlord Payment Address**: Piedmont Operating Partnership, P.O. Box 840680, Dallas, TX 75284-0680. At Landlord's option upon at least thirty (30) days written notice, Tenant shall make all payments by means of electronic transfer of funds.

1.13 **Lease Commencement Date**: Subject to Section 1.15 below, 12:01 a.m. (local time at the Building) on the earlier of: (a) the date on which the work and materials to be provided by Landlord pursuant to Exhibit B are substantially complete as determined pursuant to Exhibit B, but in any event not earlier than July 1, 2014; or (b) the date on which Tenant commences business operations in the Premises. Notwithstanding the foregoing, Tenant shall not have any right to commence use of the Premises unless the same are vacant and delivered to Tenant by Landlord. Contemporaneous with Landlord's delivery to Tenant of the fully executed Lease, Landlord shall deliver to Tenant a copy (redacted, as deemed appropriate by Landlord) of the lease termination agreement between Landlord and Nokia regarding Nokia's lease as it relates to the Land and the Building (the "Nokia Lease Termination Agreement.)"

1.14 **Lease Term**: One Hundred Forty-four (144) months, subject to Section 3.1.

1.15 **Move-In Period**: the period commencing on the ninetieth (90^{th}) day prior to the projected Lease Commencement Date (as determined by Landlord) and continuing through the day before the Lease Commencement Date (the "Move-In-Period"), and also including, but with respect to Tenant's installation of Cabling only, those additional periods prior to the Lease Commencement Date, if any, of a duration and at a time as Landlord shall reasonably determine to be appropriate, for Tenant to install Cabling into the Premises considering the timing and schedule of all construction activities with respect thereto; provided that no access whatsoever shall be permitted unless Tenant shall deliver to Landlord written evidence specifying that Tenant is then carrying all insurance required by this Lease to be carried by Tenant and its contractors. The foregoing ninety (90) day Move-In Period assumes that Tenant shall be permitted access to the Premises for the purposes specified in Section 3.1(b) below during Building Hours for each day in such period, and, accordingly, the Move-In Period (and the Lease Commencement Date) shall be extended by one (1) day for each day during such ninety (90) day period that Tenant is prevented from accessing the Premises for the purposes specified in Section 3.1(b). Tenant shall use commercially reasonable efforts to provide notice to Landlord of any denied access within two (2) business days after Tenant's knowledge of the date of such denial.

1.16 **Operating Charges Base Year**: calendar year 2015.

1.17 **Parking Charge**: No charge for unreserved or reserved monthly parking permits (up to the Permit Allotment) during the initial Lease Term and any extensions thereof. In the event Tenant elects to lease more than ten (10) reserved spaces, such excess spaces shall be payable at the then prevailing monthly charge.

1.18 **Permit Allotment**: Eight Hundred Eighty-eight (888) spaces (based on four (4) spaces for each one thousand (1,000) square feet of rentable area in the Premises), of which ten (10) shall be reserved spaces, subject to the provisions of Article XXIV.

1.19 **Premises**: deemed to contain Two Hundred Twenty-One Thousand Eight Hundred Ninety-eight (221,898) square feet of rentable area, consisting of the entire Building, as more particularly designated on Exhibit A.

1.20 **Real Estate Taxes Base Year**: calendar year 2015, adjusted to reflect a fully-assessed, fully-occupied Building, if necessary.

1.21 **Rent Commencement Date:** The date which is seven (7) calendar months following the Lease Commencement Date as to the entire Premises (e.g., if the Lease Commencement Date as to the entire Premises is June 15, 2014, the Rent Commencement Date will be January 15, 2015).

1.22 **Security Deposit Amount**: Not applicable.

1.23 **Tenant Notice Address**: 601 Edgewater Drive, Wakefield, MA 01880, Attn: Vice President Global Real Estate & Corporate Services, with a copy to ADS Alliance Data Systems, Inc. 7500 Dallas Parkway, Suite 700, Plano, TX 75024, Attn: General Counsel, Epsilon.

1.24 **Tenant's Proportionate Share**: 100.00% for Operating Charges; and 100.00% for Real Estate Taxes.

ARTICLE II
PREMISES

2.1 Tenant leases the Premises from Landlord for the term and upon the conditions and covenants set forth in this Lease. Except as may otherwise be expressly provided in this Lease, the lease of the Premises does not include the right to use the roof or those portions of the Common Areas of the Building relating to the functioning of the Building's common operating and mechanical systems; provided, however, that (a) Tenant shall have the right to access the foregoing during Building Hours accompanied by Landlord's representatives, (b) Landlord and Tenant shall cooperate in good faith with each other to accommodate Tenant's needs to gain entry within a reasonable time period (not to exceed four (4) hours after request made during Building Hours) to inaccessible Common Areas, and (c) in the event Tenant requires entry to inaccessible Common Areas in the event of an emergency, Tenant shall have the right to exercise commercially reasonable efforts to gain access to such areas (and shall have a key to such areas to accommodate such access), subject to its obligation to indemnify Landlord for all damages which may result from any such entries. However, Tenant shall have the non-exclusive right to use: (1) for cabling purposes, the plenums, interior wall voids, risers, ducts or pipes upon reasonable prior notice to Landlord; (2) the Parking Facility in accordance with Article XXIV; and (3) the Common Areas of the Building not related to the functioning of the Building's common operating and mechanical systems strictly in accordance with this Lease, including Landlord's rules, regulations and requirements in connection therewith.

2.2 Tenant shall have the option of using, at no expense to Tenant during the Lease Term and any Renewal Term, the existing furniture and/or equipment in the Premises ("Existing Furniture"), an inventory of which is attached hereto as Exhibit F. The Existing Furniture shall be delivered in its current condition, normal wear and tear excepted, and with all demountable partitions (i.e., SMED walls) remaining in place. Landlord makes no representations or warranties of any kind with respect to such Existing Furniture; provided, however, that Landlord represents and warrants that it holds legal title to the Existing Furniture free of all liens and other encumbrances and has the right to permit Tenant to use the Existing Furniture as provided in this Lease. The Existing Furniture shall be considered a "Tenant Item" during the Lease Term. Tenant agrees and acknowledges that Tenant shall return the Existing Furniture to Landlord on or before the expiration or early termination of this Lease in the same condition in which the Furniture was on the Lease Commencement Date, reasonable wear and tear and casualty damage excepted. Landlord shall be responsible for the costs of the removal, prior to the Lease Commencement Date, of any Existing Furniture which Tenant indicates in writing that it does not wish to use and such furniture so designated by Tenant shall no longer be included within the definition of Existing Furniture under this Lease. All of the supplemental HVAC equipment that exists within the Premises as of the date of this Lease shall be available for Tenant's use at no additional cost to Tenant; provided, however, that if Tenant elects to utilize same, the supplemental HVAC designated by Tenant shall be considered a Tenant Item and shall be maintained at Tenant's sole cost and expense and the remaining Nokia supplemental HVAC equipment shall be decommissioned by Landlord at Landlord's cost and expense and Tenant shall have no right to use same.

ARTICLE III
TERM

3.1 (a) This Lease will be a valid, binding and enforceable contract between Landlord and Tenant from and after the date first above written. The Lease Term shall commence on the Lease Commencement Date and expire at 11:59 P.M. on the Lease Expiration Date. If the Lease Commencement Date is not the first day of a month, then the Lease Term shall be the period set forth in Section 1.14 plus the partial month in which the Lease Commencement Date occurs. The Lease Term shall also include any properly exercised renewal or extension of the term of this Lease.

(b) Provided no Event of Default by Tenant has occurred under this Lease, Tenant's vendors shall have the right to install in the Premises, during the Move-In Period only, Tenant's vendor-related items, such as Cabling, furniture, furnishings, inventory, equipment and trade fixtures, subject to all applicable terms and conditions of this Lease (except as otherwise provided in this Section 3.1(b)). At Tenant's request from time to time, Landlord will inform Tenant of Landlord's good faith determination of the projected Lease Commencement Date, and Landlord and Tenant shall develop a mutually agreeable, reasonably detailed written schedule for Tenant's access to the Premises in accordance with the provisions of this paragraph prior to the commencement of the Move-In Period. Any and all activity by Tenant's

vendors or any Agent of Tenant prior to the Lease Commencement Date shall be coordinated with Landlord and its general contractor to ensure that such activity does not unreasonably interfere with any other work. Notwithstanding anything in this Lease to the contrary: (a) Landlord shall have no responsibility with respect to any items placed in the Premises by Tenant, Tenant's vendors or any of Tenant's Agents prior to the Lease Commencement Date; and (b) all of the provisions of this Lease (including all insurance, indemnity and utility provisions (except, with respect to utility consumption during the Move-In Period, Tenant shall only be responsible for excess utilities or utilities used outside of Building Hours)) shall apply during the Move-In Period, except that during such period (i) Tenant shall not be obligated to pay Rent, including, without limitation, Base Rent, Tenant's Proportionate Share of Operating Charges and Real Estate Taxes, and (ii) Landlord shall not be obligated to provide any utility, service or other item in excess of those customarily provided to or for the benefit of a premises in order for Landlord to perform its building standard initial improvement work and the completion of Landlord's Work (as defined in Exhibit B attached hereto). Landlord shall make commercially reasonable efforts to minimize interference with Tenant's contractors and vendors during the Move-In Period. Tenant's use of the Premises during the Move-In Period shall not, in any event, constitute occupancy of the Premises under this Lease for the purposes of determining the Lease Commencement Date.

(c) Provided that Tenant is not then in default beyond applicable notice and cure periods hereunder, Tenant shall have the right to take occupancy of (and Landlord shall deliver and lease to Tenant pursuant to the provisions of this Section 3.1(c)) select portions of the Premises ("Early Occupancy Space") prior to July 1, 2014, subject to the terms and provisions of this Section 3.1(c). Landlord acknowledges that Floors 5, 6 and 7 of the Building are currently unoccupied by Nokia, and, pursuant to the Nokia Lease Termination Agreement, Landlord can take possession of such floors within thirty (30) days after delivery of prior written notice to Nokia.

Tenant may exercise its rights under this Section 3.1(c) by delivering written notice to Landlord (an "Early Occupancy Notice") specifying (i) the Early Occupancy Space, and (ii) the date that Tenant requires delivery of such Early Occupancy Space with the Landlord's Work substantially complete (the "Target Early Occupancy Delivery Date"). Within five (5) business days after receipt of an Early Occupancy Notice, Landlord shall prepare and deliver to Tenant a written notice (an "Early Occupancy Change Order") specifying the number of days following Tenant's acceptance of the Early Occupancy Change Order required to substantially complete the Landlord's Work in such Early Occupancy Space (which number of days shall also include, if applicable, the number of days required to recover the Early Occupancy Space from Nokia), and the number of days of Tenant's Move-In Period with respect to such Early Occupancy Space, which shall not be less than forty-five (45) days (the total number of days of such construction period and Move-In Period being the "Early Occupancy Construction Period"). During the ten (10) day period following Landlord's delivery of an Early Occupancy Change Order, Landlord shall cooperate with Tenant in good faith in order to reach agreement on the matters set forth in the Early Occupancy Change Order. So long as Landlord has not delivered notice to Nokia requesting delivery of the Early Occupancy Space from Nokia (which notice shall not be delivered unless and until Tenant has agreed to an Early Occupancy Change Order requiring delivery of Early Occupancy Space by Nokia to Landlord prior to January 1, 2014), Tenant may revoke its Early Occupancy Notice in its sole discretion; provided, however, that upon Tenant's acceptance in writing of an Early Occupancy Change Order, Landlord shall complete the Landlord's Work in accordance with such Early Occupancy Change Order and the Work Letter attached hereto as Exhibit B. If Tenant accepts an Early Occupancy Change Order, the "Anticipated Occupancy Date" for such Early Occupancy Space shall be the Target Early Occupancy Delivery Date (except to the extent it has been modified by the agreed-upon Early Occupancy Change Order), provided, however, that the Anticipated Occupancy Date shall be extended by Tenant Delay and each day that construction of the Landlord's Work with respect to the Early Occupancy Space is delayed beyond the Target Early Occupancy Delivery Date due to Tenant's failure to approve an Early Occupancy Change Order by the approval date stated in the Early Occupancy Change Order (which shall not be earlier than the expiration of the ten (10) day period set forth above).

(d) The Lease Commencement Date for any Early Occupancy Space (but not generally under this Lease or for any other portion of the Premises) shall be the earlier of: (i) the date on which the Landlord's Work with respect to such Early Occupancy Space is substantially complete as determined pursuant to Exhibit B, but not earlier than the Anticipated Occupancy Date for such Early Occupancy Space (as the same may be extended in accordance with the immediately preceding paragraph); or (ii) the date on which Tenant commences business operations in the Early Occupancy Premises; provided, however, that if the Early Occupancy Change Order requires delivery of the Nokia space prior to January 1, 2014, then Tenant shall pay Base Rent and Additional Rent with respect to such Early Occupancy Space on the date that Nokia delivers possession of the Early Occupancy Space to Landlord under the Nokia Lease Termination Agreement (but not sooner than thirty (30) days after the date of the Early Occupancy Notice as to such space), and, the Lease Term shall continue until the Lease Expiration Date. From and after the Lease Commencement Date as to such Early Occupancy Space, all terms of this Lease shall apply with respect to the Early Occupancy Space; provided, however that the Base Rent payable for any Early Occupancy Space (i) shall be the fair market rental rate for such Early

Occupancy Space as determined by agreement between Landlord and Tenant and calculated pursuant to Section 26.5 of this Lease, but not to exceed ( ) per square foot of rentable area (gross, net of electric) prior to January 1, 2014; and (ii) shall be per square foot of rentable area (gross, net of electric) during the period of January 1, 2014 through June 30, 2014 (at which time the seven (7) month abatement of Base Rent shall apply to the entire Premises, including the Early Occupancy Space), in accordance with the provisions of this Lease. After delivery of any Early Occupancy Space, Landlord and Tenant shall enter into an amendment to this Lease which evidences the foregoing.

3.2 Promptly after Substantial Completion of the Landlord's Work, Landlord shall prepare and deliver to Tenant, Tenant's Commencement Letter in the form of Exhibit D attached hereto (the "Certificate Affirming the Lease Commencement Date"), which Tenant shall acknowledge by executing a copy and returning it to Landlord. Failure to execute said certificate shall not affect the commencement date or expiration date of the Lease Term.

3.3 It is presently anticipated that the Premises will be delivered to Tenant on or about the Anticipated Occupancy Date; provided, however, that if the Lease Commencement Date does not occur within (i) sixty (60) days of such date, subject to Tenant caused delays and any Force Majeure events (which delays due to Force Majeure events shall be limited to a period of fifteen (15) days after the expiration of such sixty (60) day period), then Tenant shall receive a day of Base Rent abatement for each day between the sixty-first (61st) and one hundred seventy-ninth (179th) days; and (ii) one hundred eighty (180) days of such date, subject to Tenant caused delays and any Force Majeure events (which delays due to Force Majeure events shall be limited to a period of fifteen (15) days after the expiration of such one hundred seventy-nine (179) day period), then Tenant shall receive two (2) days of Base Rent abatement for each day thereafter until the Lease Commencement Date. Notwithstanding anything to the contrary contained herein, if the Lease Commencement Date does not occur within two hundred forty (240) days after the Anticipated Occupancy Date, subject to extension due to any Tenant caused delays (but such date shall not be subject to adjustment due to Force Majeure), Tenant shall have the right to terminate this Lease by providing written notice to Landlord of such termination within two hundred fifty (250) days of the Anticipated Occupancy Date; provided, however, that in the event the Lease Commencement Date occurs within ten (10) business days after Landlord's receipt of such notice, Tenant's notice of termination shall be automatically rescinded and of no force or effect.

ARTICLE IV
BASE RENT

4.1 From and after the Rent Commencement Date, Tenant shall pay the Base Rent in equal monthly installments in advance on the first day of each month during a Lease Year. Landlord agrees to abate the first seven (7) months of Base Rent, Operating Expenses and Real Estate Taxes due under this Lease.

4.2 If the Rent Commencement Date is not the first day of a month, then the Base Rent from the Rent Commencement Date until the first day of the following month shall be prorated on a per diem basis at the rate of one-three hundred and sixty fifth (1/365th) of the annual Base Rent payable during the first Lease Year, and Tenant shall pay such prorated installment of the Base Rent on the Rent Commencement Date.

4.3 All sums payable by Tenant under this Lease shall be paid to Landlord in legal tender of the United States, without setoff, deduction or demand, at the Landlord Payment Address, or to such other party or such other address as Landlord may designate in writing. Landlord's acceptance of rent after it shall have become due and payable shall not excuse a delay upon any subsequent occasion or constitute a waiver of any of Landlord's rights hereunder. If any sum payable by Tenant under this Lease is paid by check which is returned due to insufficient funds, stop payment order, or otherwise, then: (a) such event shall be treated as a failure to pay such sum when due; and (b) in addition to all other rights and remedies of Landlord hereunder, Landlord shall be entitled to impose a returned check charge of to cover Landlord's administrative expenses and overhead for processing.

4.4 Landlord and Tenant agree that no rental or other payment for the use or occupancy of the Premises is or shall be based in whole or in part on the net income or profits derived by any person or entity from the Building or the Premises. Tenant will not enter into any sublease, license, concession or other agreement for any use or occupancy of the Premises which provides for a rental or other payment for such use or occupancy based in whole or in part on the net income or profits derived by any person or entity from the Premises so leased, used or occupied. Nothing in the foregoing sentence, however, shall be construed as permitting or constituting Landlord's approval of any sublease, license, concession, or other use or occupancy agreement not otherwise approved by Landlord in accordance with the provisions of Article VII.

ARTICLE V
OPERATING CHARGES AND REAL ESTATE TAXES

5.1 For purposes of this Article V, the term "Building" shall be deemed to include the Land, the roof of the Building and any physical extensions therefrom, any driveways, sidewalks, landscaping, alleys and parking facilities in the Building or on the Land, and all other areas, facilities, improvements and appurtenances relating to any of the foregoing. If the Building is operated as part of a complex of buildings or in conjunction with other buildings or parcels of land, Landlord shall equitably prorate the common expenses and costs with respect to each such building or parcel of land in its sole but reasonable judgment and consistent with past practices. Landlord shall prorate Operating Charges, Real Estate Taxes, Electrical Costs and other Project costs upon an annual and consistent basis throughout the Term.

5.2 (a) From and after January 1, 2016, Tenant shall pay as additional rent Tenant's Proportionate Share of the amount by which Operating Charges for each calendar year falling entirely or partly within the Lease Term exceed the Operating Charges Base Amount. Operating Charges shall be calculated in accordance with Generally Accepted Accounting Principles (GAAP).

(b) If the average occupancy rate for the Building during any calendar year (including the Operating Charges Base Year) is less than one hundred percent (100%), or if any tenant is separately paying for (or does not require) electricity, janitorial or other utilities or services furnished to its premises, then Landlord shall include in Operating Charges for such year (including the Operating Charges Base Year) all additional expenses, as reasonably estimated by Landlord, which would have been incurred during such year if such average occupancy rate had been one hundred percent (100%) and if Landlord paid for such utilities or services furnished to such premises.

(c) Tenant shall make estimated monthly payments to Landlord on account of the amount by which Operating Charges that are expected to be incurred during each calendar year (or portion thereof) would exceed the Operating Charges Base Amount. At the beginning of each calendar year after the Lease Commencement Date, Landlord shall submit a reasonably detailed written statement setting forth Landlord's reasonable estimate of such excess and Tenant's Proportionate Share thereof. Tenant shall pay to Landlord on the first day of each month following receipt of such statement, until Tenant's receipt of the succeeding annual statement, an amount equal to one-twelfth (1/12) of each such share (estimated on an annual basis without proration pursuant to Section 5.5). Not more than once during any calendar year, Landlord may revise Landlord's estimate and adjust Tenant's monthly payments to reflect Landlord's revised estimate. Within one hundred twenty (120) days after the end of each calendar year, or as soon thereafter as is feasible, Landlord shall submit a Reconciliation Statement for Operating Charges. Such Reconciliation Statement shall be in reasonable, line-item detail, consistently applied throughout the Term. If such Reconciliation Statement indicates that the aggregate amount of such estimated payments exceeds Tenant's actual liability, then Landlord shall credit the net overpayment toward Tenant's next installment(s) of rent due under this Lease, or, if the Lease Term has expired or will expire before such credit can be fully applied, or if Tenant is not otherwise liable to Landlord for further payment, Landlord shall reimburse Tenant for the amount of such overpayment within thirty (30) days. If such statement indicates that Tenant's actual liability exceeds the aggregate amount of such estimated payments, then Tenant shall pay the amount of such excess as additional rent within thirty (30) days of being presented with a written invoice thereof. If Landlord fails to invoice Tenant for any Operating Charge for thirty-six (36) full months after the date such Operating Charge was incurred, Landlord shall waive its right to collect such particular Operating Charge from Tenant.

(d) Notwithstanding anything contained in this Article V to the contrary, for purposes of calculating Additional Rent under Section 5.2(c), the maximum increase in the amount of Controllable Operating Charges (defined below) that may be included in calculating such Additional Rent for each calendar year after 2015 shall be limited to per calendar year on a cumulative basis. For example, if Controllable Operating Charges in year 1 are $100,000, the cap on Controllable Operating Expenses for year 2 will be . If Controllable Operating Expenses in year 2 are less than $105,000 (i.e. $104,000), the cap on expenses for year 3 will be (i.e. $104,000 x). However, any increases in Operating Charges not recovered by Landlord due to the foregoing limitation shall be carried forward into succeeding calendar years during the Term (subject to the foregoing limitation) to the extent necessary until fully recouped by Landlord, provided that in any given year, Tenant's Controllable Operating Charges shall be limited to in excess of the prior year's Controllable Operating Charges. For example, if Controllable Operating Charges increase by in year two, and in year three, Tenant would receive a Controllable Operating Charge increase in year two of and, pursuant to Landlord's right to carry forward Operating Charges not recovered during year two, in year three. "Controllable Operating Charges" means all Operating Charges excluding, Real Estate Taxes, insurance premiums; utilities; weather related expenses; increased labor costs due to the requirement for use of labor subject to collective bargaining; and costs of compliance with governmental requirements.

5.3 Tenant shall also pay to Landlord as Additional Rent Tenant's Proportionate Share of the actual, out-of-pocket costs incurred by Landlord (without markup) in connection with all electricity used by the Building ("Electrical Costs"). Such amount shall be payable in monthly installments on the Lease Commencement Date and on the first day of each calendar month thereafter. Each installment shall be based on Landlord's good-faith, reasonable estimate of the amount due for each month. No more than once during any calendar year, Landlord may estimate or re-estimate the Electrical Costs to be due by Tenant for that calendar year and deliver a copy of the estimate or re-estimate to Tenant. Thereafter, the monthly installments of Electrical Costs payable by Tenant shall be appropriately adjusted in accordance with the estimations. The Electricity Costs for calendar year 2013 at the 6031 Building are estimated at per rentable square foot. Within one hundred twenty (120) days after the end of each calendar year, or as soon thereafter as is feasible, Landlord shall submit a Reconciliation Statement for Electrical Costs. If such Reconciliation Statement indicates that the aggregate amount of such estimated payments exceeds Tenant's actual liability, then Landlord shall credit the net overpayment toward Tenant's next installment(s) of rent due under this Lease, or, if the Lease Term has expired or will expire before such credit can be fully applied, or if Tenant is not otherwise liable to Landlord for further payment, Landlord shall reimburse Tenant for the amount of such overpayment within thirty (30) days. If such statement indicates that Tenant's actual liability exceeds the aggregate amount of such estimated payments, then Tenant shall pay the amount of such excess as additional rent. Landlord shall competitively bid the contract for the provision of electricity to the Premises at least once every thirty-six (36) months during the Lease Term; unless Landlord and Tenant agree that Landlord may enter into a contract with a term longer than thirty-six (36) months.

5.4 (a) From and after January 1, 2016, Tenant shall pay as additional rent Tenant's Proportionate Share of the amount by which Real Estate Taxes exceed the Real Estate Taxes Base Amount. Tenant shall not initiate or participate in any contest of Real Estate Taxes without Landlord's prior written consent. Landlord shall allocate Real Estate Taxes among all buildings in the Project on a rentable square foot basis.

(b) Tenant shall make estimated monthly payments to Landlord on account of the amount by which Real Estate Taxes that are expected to be incurred during each calendar year would exceed the Real Estate Taxes Base Amount. At the beginning of each calendar year after the Lease Commencement Date, Landlord shall submit a reasonably detailed written statement setting forth Landlord's reasonable estimate of such amount and Tenant's Proportionate Share thereof. Tenant shall pay to Landlord on the first day of each month following receipt of such statement, until Tenant's receipt of the succeeding annual statement, an amount equal to one-twelfth (1/12) of such share (estimated on an annual basis without proration pursuant to Section 5.5). Not more than once during any calendar year, Landlord may revise Landlord's estimate and adjust Tenant's monthly payments to reflect Landlord's revised estimate. Within one hundred twenty (120) days after the end of each calendar year, or as soon thereafter as is feasible, Landlord shall submit a Reconciliation Statement for Real Estate Taxes showing (1) Tenant's Proportionate Share of the amount by which Real Estate Taxes incurred during the preceding calendar year exceeded the Real Estate Taxes Base Amount, and (2) the aggregate amount of Tenant's estimated payments made during such year. If such Reconciliation Statement indicates that the aggregate amount of such estimated payments exceeds Tenant's actual liability, then Landlord shall credit the net overpayment toward Tenant's next installment(s) of rent due under this Lease, or, if the Lease Term hereof has expired or will expire before such credit can be fully applied, of if Tenant is not otherwise liable for further payment, Landlord shall reimburse Tenant for the amount of such overpayment within thirty (30) days. If such statement indicates that Tenant's actual liability exceeds the aggregate amount of such estimated payments, then Tenant shall pay the amount of such excess as additional rent. Landlord agrees to retain reasonably qualified experts to challenge any tax assessment of the Building which Landlord reasonably deems to be so excessive as to justify the fees for such experts.

5.5 If the Lease Term commences or expires on a day other than the first day or the last day of a calendar year, respectively, then Tenant's liabilities pursuant to this Article for such calendar year shall be apportioned by multiplying the respective amount of Tenant's Proportionate Share thereof for the full calendar year by a fraction, the numerator of which is the number of days during such calendar year falling within the Lease Term, and the denominator of which is three hundred sixty-five (365).

5.6 Within ninety (90) days after the receipt or refusal by Tenant of such Reconciliation Statement, Tenant shall have the right to deliver written notice ("Audit Notice") to Landlord that it desires to audit such Reconciliation Statements (e.g., Reconciliation Statements for Operating Charges, Electrical Costs and Real Estate Taxes); provided, however, that Tenant's failure to deliver such notice shall preclude Tenant from performing any audit pursuant to the provisions of this Section relating to such Reconciliation Statement. Provided Tenant has timely delivered an Audit Notice, an independent, certified public accountant or qualified real estate professional with at least four (4) years of experience in the field (Landlord hereby acknowledges that Cassidy Turley or its successor is so qualified), who is hired by Tenant on a non-contingent fee basis, shall have the right, during regular business hours to inspect and complete an audit of Landlord's books and records relating to Operating Charges, Electrical

Costs and Real Estate Taxes for the immediately preceding calendar year and the Base Year (provided, that Tenant shall only be entitled to object to Base Year charges under this Section 5.6 in connection with the Reconciliation Statement delivered to Tenant for the first comparison year). Tenant must complete its audit and deliver to Landlord written notice of its results within ninety (90) days after delivery of its Audit Notice, or within ninety (90) days after Landlord has made available to Tenant the requested documentation, whichever is later. Tenant shall (and shall cause its employees, agents and consultants to) keep the results of any such audit strictly confidential; provided, however, Tenant may disclose such results to its employees and advisors on a "need to know" basis and further provided that such individuals agree to keep the results confidential. If such audit shows that the amounts paid by Tenant to Landlord on account of Operating Charges, Electrical Costs and Real Estate Taxes exceed the amounts to which Landlord is entitled hereunder, Landlord shall credit the amount of such excess toward the next monthly payments of Tenant's Proportionate Share of Operating Expenses, Electrical Costs and/or Real Estate Taxes due hereunder. If the Lease Term has expired or will expire before such credit can be fully applied, or if Tenant is not otherwise liable to Landlord for further payment, Landlord shall reimburse Tenant for the amount of such overpayment within thirty (30) days after the date it delivers the audit results to Landlord. All costs and expenses of any such audit shall be paid by Tenant, unless Landlord's billings exceeded by the actual Operating Charges, Electrical Costs and/or Real Estate Taxes attributable to Tenant, in which event Landlord will pay Tenant for the actual, reasonable expense incurred for an independent third-party in performing such audit. Pending the completion of any audit of Landlord's records pursuant to this Section 5.6 (and as an additional condition for Tenant to be permitted to conduct such audit), Tenant shall be required to timely pay any amount due as set forth in the disputed Reconciliation Statement in accordance with the provisions of Sections 5.2 and 5.4.

ARTICLE VI
USE OF PREMISES

6.1 Tenant shall use and occupy the Premises solely for general (non-medical and non-governmental) office purposes and ancillary uses compatible with first class office buildings in the Building's submarket, and for no other use or purpose without the prior written consent of Landlord. Tenant shall not use or occupy the Premises (a) for any unlawful purpose, (b) in any manner that will violate the certificate of occupancy for the Premises or the Building, (c) that will constitute waste, nuisance or unreasonable annoyance to any other tenant or user of the Project, or (d) that will overload or stress the common Building operating systems beyond their recommended capacities, loads or specifications. Landlord at its expense (subject to reimbursement pursuant to Article V for work required after the Lease Commencement Date, if and to the extent permitted thereby) shall comply in all material respects with all Laws to the extent the same apply to the Building or the Common Areas, including the Americans with Disabilities Act, all fire and life safety systems and the Texas Accessibility Standards. After the Lease Commencement Date, Tenant shall comply in all material respects with all Laws concerning the use, occupancy and condition of the Premises and all machinery, equipment, furnishings, fixtures and improvements therein, all in a timely manner at Tenant's sole expense; provided, however, that Tenant shall not be required to comply with any Laws requiring the construction of Alterations or other improvements, modifications, additions or replacements unless such compliance is necessitated solely due to (a) Tenant's particular use of the Premises or (b) Tenant's Alterations to the Premises made after the Lease Commencement Date; and, provided further that, any Alterations required to comply with Laws after the Lease Commencement Date and triggered by Tenant's performance of Alterations after the Lease Commencement Date shall only be Tenant's responsibility if such compliance is due to a new Law or change in the Law arising after the Lease Commencement Date (and such non-compliance did not exist as of the Lease Commencement Date). If any Law requires an occupancy or use permit or license for the Premises or the operation of the business conducted therein (other than an occupancy or use permit for the initial occupancy of the Premises, which shall be part of Landlord's obligations pursuant to Exhibit B), then Tenant shall obtain and keep current such permit or license at Tenant's expense and shall promptly deliver a copy thereof to Landlord. Without limiting the generality of any of the foregoing: Landlord, as an Operating Charge (to the extent permitted by Article V), shall install and maintain fire extinguishers and other fire protection devices as may be required with respect to Tenant's use of the Premises from time to time by any agency having jurisdiction thereof and/or the underwriters insuring the Building. Any Alterations made or constructed by or for Tenant for the purpose of complying with the ADA or which otherwise require compliance with the ADA shall be done in accordance with this Lease; provided, that Landlord's consent to such Alterations shall not constitute either Landlord's assumption, in whole or in part, of Tenant's responsibility for compliance with the ADA, or representation or confirmation by Landlord that such Alterations comply with the provisions of the ADA. Use of the Premises is subject to all covenants, conditions and restrictions of record. Tenant shall not use any space in the Building or the Land for the sale of goods to the public at large or for the sale at auction of goods or property of any kind. Tenant shall not conduct any operations, sales, promotions, advertising or special events outside the Premises, in the Building or on the Land, without the prior reasonable approval of Landlord. Notwithstanding the foregoing, however, Landlord represents that, as of the date of this Lease, Tenant's proposed use and occupancy of the Premises in accordance with the permitted use does not violate any restrictive covenants affecting the Building.

6.2 Tenant shall pay before delinquency any business, rent or other taxes or fees that are now or hereafter levied, assessed or imposed upon Tenant's use or occupancy of the Premises, the conduct of Tenant's business at the Premises, or Tenant's equipment, fixtures, furnishings, inventory or personal property. If any such tax or fee is enacted or altered so that such tax or fee is levied against Landlord or so that Landlord is responsible for collection or payment thereof, then Tenant shall pay as additional rent the amount of such tax or fee.

6.3 To Landlord's actual knowledge, the Premises are not in violation of Environmental Laws and are free and clear of Hazardous Materials, as defined in Rider 1, as of the date of this Lease. Landlord will indemnify Tenant against any Costs relating to the presence of Hazardous Materials within the Premises as of the Lease Execution Date and/or Hazardous Materials introduced to the Premises thereafter by Landlord or any party acting by, through or on behalf of Landlord, and shall hold Tenant harmless from any Costs associated with removal, encapsulation or remediation of such Hazardous Materials throughout the Lease Term. Tenant shall not allow, cause or permit any Hazardous Materials to be generated, used, treated, released, stored or disposed of in or about the Building or the Land by Tenant or Tenant's Agents, provided that Tenant and Tenant's Agents may use and store normal and reasonable quantities of standard cleaning and office materials in the Premises as may be reasonably necessary for Tenant to conduct normal general office use operations in the Premises so long as such materials are properly, safely and lawfully stored and used by Tenant and the quantity of same does not equal or exceed a "reportable quantity" as defined in 40 C.F.R. 302 and 305, as amended. At the expiration or earlier termination of this Lease, Tenant shall surrender the Premises to Landlord free of Hazardous Materials introduced thereto by Tenant or Tenant's Agents. Tenant shall: (i) give Landlord immediate verbal and follow-up written notice of any actual or threatened Environmental Default, which Environmental Default Tenant shall cure in accordance with all Environmental Laws and only after Tenant has obtained Landlord's prior written consent, which shall not be unreasonably withheld, conditioned or delayed; and (ii) promptly deliver to Landlord copies of any notices or other items received from or submitted to any governmental or quasi-governmental agency, or any claim instituted or threatened by any third party, concerning the Premises, the occupancy or use thereof, or the existence or potential existence of Hazardous Materials therein. Upon any Environmental Default, in addition to all other rights available to Landlord under this Lease, at law or in equity, Landlord shall have the right but not the obligation to immediately enter the Premises, to supervise and approve any actions taken by Tenant to address the Environmental Default, and, if Tenant fails to address same in accordance with this Lease, to perform, at Tenant's sole cost and expense, any lawful action necessary to address same.

ARTICLE VII
ASSIGNMENT AND SUBLETTING

7.1 Tenant shall not assign, transfer or otherwise encumber (collectively, "assign") this Lease or all or any of Tenant's rights hereunder or interest herein, or sublet or permit anyone to use or occupy (collectively, "sublet") the Premises or any part thereof, without obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed (subject to the remainder of this Article VII), provided no Event of Default exists under this Lease. For purposes of the immediately preceding sentence, it shall be reasonable for Landlord to withhold its consent if: (i) the proposed subtenant or assignee is engaged in a business, or the Premises will be used in a manner, that is inconsistent with the first-class image of the Building; or (ii) the proposed use of the Premises is not in compliance with Article VI; or (iii) the initial Tenant (and Guarantor) does not remain liable for the payment of all rent and other charges payable by Tenant under this Lease and for the performance of all other obligations of Tenant under this Lease; or (iv) the proposed subtenant or assignee is a governmental or quasi-governmental agency. No assignment or right of occupancy hereunder may be effectuated by operation of law or otherwise without the prior written consent of Landlord. It is understood that there shall be no minimum rental rate requirements for any sublease and that a prospective tenant's financial condition shall not allow Landlord to deny consent provided Tenant and Guarantor remain liable under the Lease. Any attempted assignment, transfer or other encumbrance of this Lease or all or any of Tenant's rights hereunder or interest herein, and any sublet or permission to use or occupy the Premises or any part thereof not in accordance with this Article VII, shall be void and of no force or effect. Any assignment or subletting, Landlord's consent thereto, the listing or posting of any name other than Tenant's, or Landlord's collection or acceptance of rent from any assignee or subtenant shall not be construed either as waiving or releasing Tenant from any of its liabilities or obligations under this Lease, or as relieving Tenant or any assignee or subtenant from the obligation of obtaining Landlord's prior written consent to any subsequent assignment or subletting. During any period that there exists an uncured Event of Default under this Lease, Tenant hereby authorizes each such assignee or subtenant to pay said rent directly to Landlord upon receipt of notice from Landlord specifying same. Landlord's collection of such rent shall not be construed as an acceptance of such assignee or subtenant as a tenant. Tenant shall not mortgage, pledge, hypothecate or encumber (collectively "mortgage") this Lease without Landlord's prior written consent, which consent may be granted or withheld in Landlord's sole, but reasonable discretion. Tenant shall pay to Landlord all of Landlord's actual reasonable, out-of-pocket, third party expenses (including reasonable attorneys' fees

and accounting costs) incurred by Landlord in connection with Tenant's request for Landlord to give its consent to any assignment, subletting, or mortgage (not to exceed per any single request. Any sublease or assignment shall, at Landlord's option, be effected on forms reasonably approved by Landlord. Tenant shall deliver to Landlord a fully-executed copy of each agreement evidencing a sublease or assignment within ten (10) business days after execution thereof.

7.2 Notwithstanding anything contained in this Article VII to the contrary, provided no Event of Default exists hereunder, Tenant may, with not less than ten (10) days' prior or subsequent written notice to Landlord (which notice shall contain a written certificate from Tenant stating the legal and beneficial relationship of Tenant and the proposed assignee, transferee or subtenant) but without Landlord's prior written consent and without being subject to Landlord's rights and Tenant's obligations set forth in Sections 7.4 and 7.5 below, assign or transfer its entire interest in this Lease or sublease the entire or any portion of the Premises to an Affiliate of Tenant. In the event of any such assignment or subletting, Tenant (and Guarantor) shall remain liable for the payment of all rent and other charges required hereunder and for the performance of all obligations to be performed by Tenant hereunder. Notwithstanding the foregoing, if Tenant structures an assignment or sublease to an entity that meets the definition of an Affiliate of Tenant primarily for the purpose of circumventing the restrictions on subleases and assignments provided elsewhere in this Article VII, then such subtenant or assignee shall conclusively be deemed not to be an Affiliate and subject to all such restrictions. Subject to the preceding sentence, neither (i) the sale, transfer or issuance of any of the stock or other ownership interests of Tenant nor (ii) any non-bankruptcy reorganization of Tenant be deemed to constitute an assignment or other transfer of this Lease.

7.3 If at any time during the Lease Term Tenant desires to assign, sublet or mortgage all or part of this Lease or the Premises, then in connection with Tenant's request to Landlord for Landlord's consent where required, Tenant shall give to Landlord a Tenant's Sublease Request Notice.

7.4 If the proposed term with respect to the Proposed Sublet Space is (i) for the then remaining Lease Term and (ii) the Proposed Sublet Space is (or, when aggregated with other space being sublet or assigned by Tenant, will be) more than of the total number of rentable square feet in the Premises, then, except for any assignment, sublease or other transfer to an Affiliate, Landlord shall have the right in its sole and absolute discretion to terminate this Lease with respect to the Proposed Sublet Space by sending Tenant written notice of such termination within thirty (30) days after Landlord's receipt of Tenant's Sublease Request Notice. If the Proposed Sublet Space does not constitute the entire Premises and Landlord so terminates, then (a) Tenant shall tender the Proposed Sublet Space to Landlord on the Proposed Sublease Commencement Date and such space shall thereafter be deleted from the Premises, and (b) as to that portion of the Premises which is not part of the Proposed Sublet Space, this Lease shall remain in full force and effect except that Base Rent and additional rent shall be reduced pro rata. All costs of any construction required to permit the operation of the Proposed Sublet Space separate from the balance of the Premises shall be paid by Landlord. If the Proposed Sublet Space constitutes the entire Premises and Landlord so terminates, then Tenant shall tender the Proposed Sublet Space to Landlord, and this Lease shall terminate, on the Proposed Sublease Commencement Date.

7.5 If pursuant to any sublease or assignment (whether by operation of law or otherwise, including an assignment pursuant to the Bankruptcy Code or any Insolvency Law), the subtenant or assignee thereunder pays any amount in excess of the rent and other charges due under this Lease after deducting all customary transaction costs (including, but not limited to, brokerage fees, legal fees, free rent and any subtenant improvement expenses) incurred by Tenant in connection with the procurement of such sublease, assignment or other transfer, then, whether such net excess be in the form of an increased monthly or annual rental, a lump sum payment, payment (in excess of the market value thereof) for the sale, transfer or lease of Tenant's fixtures, leasehold improvements, or any other form of payment having the effect of a "disguised" rental payment (and if the subleased or assigned space does not constitute the entire Premises, the existence of such excess shall be determined on a pro-rata basis), Tenant shall pay to Landlord, along with Base Rent, of any such net excess or other premium actually received by Tenant, which amount shall be calculated and paid by Tenant to Landlord on a monthly basis as additional rent; provided, however, Tenant shall not be required to pay Landlord any part of such net excess which is payable to Tenant during the first (1st) eighteen (18) months of the sublease term. Notwithstanding the foregoing, Landlord is not intending to receive any amounts considered to be based on the net income or profits of Tenant or any subtenant. Acceptance by Landlord of any payments due under this Section shall not be deemed to constitute approval by Landlord of any sublease or assignment, nor shall such acceptance waive any rights of Landlord hereunder.

7.6 All restrictions and obligations imposed pursuant to this Lease on Tenant shall be deemed to extend to any subtenant, assignee, licensee, concessionaire or other occupant or transferee, and Tenant shall cause such person to comply with such restrictions and obligations. Any assignee shall be deemed to have assumed obligations from and after the effective date of such assignment and at Landlord's request shall execute promptly a document confirming such assumption. Each sublease is subject to the

condition that if the Lease Term is terminated or Landlord succeeds to Tenant's interest in the Premises by voluntary surrender or otherwise, at Landlord's option the subtenant shall be bound to Landlord for the balance of the term of such sublease and shall attorn to and recognize Landlord as its landlord under the then executory terms of such sublease.

ARTICLE VIII
MAINTENANCE AND REPAIRS

8.1 Except as otherwise provided in this Lease, including, Section 8.2, Article 17 and Article 18, Tenant, at Tenant's sole cost and expense, shall promptly make all repairs and replacements, and perform all maintenance, in and to the Premises to keep the Premises in good operating condition and repair, in a clean, safe and tenantable condition, well-ventilated and moisture controlled, and otherwise in accordance with the requirements of this Lease. Tenant shall likewise maintain all fixtures, furnishings and equipment located in, or exclusively serving, the Premises and make all required repairs and replacements thereto. Tenant shall also maintain, repair and replace, at Tenant's sole cost and expense, the Tenant Items and shall keep in force customary maintenance and service contracts therefor. Tenant shall give Landlord prompt written notice of any material defects or damage to the structure of, or equipment or fixtures constituting a Building Structure and System in, the Building or any part thereof, or any mold or moisture condition, of which Tenant has knowledge. Tenant shall suffer no physical waste or injury to any part of the Premises, and shall, at the expiration or earlier termination of the Lease Term, surrender the Premises in an order and condition equal to or better than that on the Lease Commencement Date, except for ordinary wear and tear, casualty, condemnation, repairs and replacements which are Landlord's responsibility hereunder, Alterations and Landlord's Work that Tenant is permitted to surrender, and Hazardous Materials (except to the extent introduced by Tenant or Tenant's Agents in violation of this Lease). Except as otherwise provided in this Lease, all injury, breakage and damage to the Premises and to any other part of the Building or the Land to the extent caused by any act or omission of Tenant or any Agent of Tenant, shall be repaired by and at Tenant's expense, except that if either an emergency condition exists or the Lease Term has expired or Tenant fails to commence and diligently prosecute to completion repair of any such injury, breakage or damage within a reasonable period (not to exceed thirty (30) days) following Tenant's receipt of written notice from Landlord, then Landlord shall have the right at Landlord's option to make any such repair and to charge Tenant for all reasonable out-of pocket costs and reasonable out-of-pocket expenses incurred in connection therewith. Landlord shall provide and install replacement tubes for Building standard fluorescent light fixtures (subject to reimbursement pursuant to Article V). All other bulbs and tubes for the Premises shall be provided and installed at Tenant's expense; provided that if Tenant elects to supply the bulbs or tubes to Landlord, then Landlord shall provide the labor involved for such replacement at no cost to Tenant.

8.2 Except as otherwise provided in this Lease and subject to normal wear and tear, Landlord at its expense (subject to reimbursement pursuant to Article V if and to the extent permitted thereby) shall keep the Building Structure and Systems, including (a) the structural portions of the Building, (b) the exterior walls of the Building, including, without limitation, glass and glazing, (c) the roof (including the roof membrane), (d) mechanical, electrical, plumbing and life safety systems, and (e) Common Areas in clean and in good operating condition consistent with similar Class – A office buildings in the Las Colinas submarket (including, without limitation, to prune and, subject to obtaining the approval of the Las Colinas Association, remove if necessary, the trees directly in front of the Building, such that the view of Tenant's signage is not obstructed), and, promptly after becoming aware of any item needing repair or replacement, will make such repair or replacement, and shall otherwise maintain the Building Structure and Systems in material compliance with all Laws. Landlord shall deliver the Premises on the Lease Commencement Date with the Building Structure and Systems in good working order and condition, with the Building free from leaks, but otherwise in "as is" condition, except as otherwise expressly provided in this Lease and Exhibit B; provided, however, that the Building shall be in material compliance with all Laws as of the Lease Commencement Date, including the Americans with Disabilities Act; and provided further that, in the event it is later discovered that the Building was not in material compliance with all Laws as of the Lease Commencement Date, Landlord, at its sole cost and expense, shall be responsible for restoring such compliance. Tenant's acceptance of the Premises shall not be deemed a waiver of Tenant's rights to have defects in the Building Structure and Systems that exist on the Lease Commencement Date repaired by Landlord at its sole cost and expense. Tenant shall give notice to Landlord whenever any defect in the Building Structure or Systems becomes reasonably apparent, and Landlord shall repair such defect as soon as practicable at Landlord's sole cost and expense (and not as an Operating Charge). Notwithstanding any of the foregoing to the contrary: (i) maintenance and repair of all Tenant Items shall be the sole responsibility of Tenant and shall be deemed not to be a part of the Building Structure and Systems; and (ii) Landlord shall have no obligation to make any repairs whatsoever to the extent caused by any act or omission of Tenant or any Tenant Agent. In the event that Tenant elects to use the existing lobby entry doors for the Building, Landlord shall perform, at its sole cost and expense (and not as an Operating Charge and not as a cost for which the Allowance may be used), any alterations, replacements or improvements required to cause such doors to

be in material compliance with all Laws as of the Lease Commencement Date. In addition, and notwithstanding anything to the contrary in this Lease, Landlord shall perform and construct (subject to inclusion of any costs therefor being included in Operating Charges, if permitted), and Tenant shall have no responsibility to perform or construct, any repair, maintenance or improvements (w) necessitated by the acts or omissions of Landlord, Landlord's Agents any other occupant of the Project, or their respective agents, employees or contractors, (x) for which Landlord has a right of reimbursement from others, (y) to the structural portions of the Premises, including foundations and areas beneath foundations and to any Common Areas of the Project exterior to the Building and (z) which are treated as a "capital expenditure" under generally accepted accounting principles.

8.3 To the best of Landlord's actual knowledge, the Premises will be in material compliance with all Laws (including, without limitation, the ADA) as of the Lease Commencement Date. During the Lease Term, Landlord shall ensure that the Common Areas shall remain in material compliance with all Laws and life safety requirements and will indemnify Tenant against any damages or loss due to non-compliance of the Common Areas with any Laws; provided, however, Landlord shall be permitted to pass through any costs of compliance as Operating Charges in accordance with and subject to the provisions of this Lease.

ARTICLE IX
ALTERATIONS

9.1 The initial improvement of the Premises under this Lease shall be accomplished by Landlord or its designated contractor(s) in accordance with Exhibit B. Landlord is under no obligation to make any Alterations in or to the Premises or the Building except as may be otherwise expressly provided in this Lease.

9.2 Tenant shall not make or permit anyone to make any Alterations in or to the Premises or the Building without the prior written consent of Landlord, which consent may be withheld or granted in Landlord's sole and absolute discretion with respect to structural Alterations and any Alterations which are visible from the exterior of the Premises (excluding signage which is governed by Article X), and which consent shall not be unreasonably withheld, conditioned or delayed with respect to all other Alterations. Notwithstanding the foregoing, Tenant shall have the right to make Cosmetic Changes within the Premises without requiring the consent of Landlord. All Alterations made by Tenant shall be made: (a) in a good, workmanlike, first-class and prompt manner; (b) using new or comparable materials only; (c) by a contractor reasonably approved in writing by Landlord; (d) under the supervision of an architect reasonably approved in writing by Landlord to the extent an architect's services are reasonably required for such Alterations; (e) in accordance with plans and specifications reasonably acceptable to Landlord, approved in writing at Landlord's standard charge; (f) in accordance with all Laws; and (g) after obtaining public liability and worker's compensation insurance policies reasonably approved in writing by Landlord (all contractors and subcontractors shall be required to procure and maintain insurance against such risks, in such amounts, and with such companies as Landlord may reasonably require. Certificates of such insurance must be received by Landlord before any work is commenced. All contracts between Tenant and a contractor must explicitly require the contractor to (1) name Landlord and Landlord's agents as additional insureds and (2) indemnify and hold harmless Landlord and Landlord's agents. Tenant shall deliver to Landlord written, unconditional, full or partial (as applicable) waivers of mechanics' and materialmen's liens against the Premises and the Building for all work, labor and services to be performed and materials to be furnished within ten (10) business days after the applicable portion of the Alterations are completed. If any lien (or a petition to establish such lien) is filed in connection with any Alteration made by or on behalf of Tenant, such lien (or petition) shall be discharged by Tenant within ten (10) days thereafter, at Tenant's sole cost and expense, by the payment thereof or by the filing of a reasonably acceptable bond. If Landlord gives its consent to the making of any Alteration, such consent shall not be deemed to be an agreement or consent by Landlord to subject its interest in the Premises or the Building to any liens which may be filed in connection therewith. Tenant acknowledges that any Alterations are accomplished for Tenant's account, Landlord having no obligation or responsibility in respect thereof. Landlord's approval of any plans and drawings (and changes thereto) regarding any Alterations or any contractor or subcontractor performing such Alterations shall not constitute Landlord's representation that such approved plans, drawings, changes or Alterations comply with all Laws. Any deficiency in design or construction of any Alteration, although same had prior approval of Landlord, shall be solely the responsibility of Tenant. All Alterations affecting structural elements of the Building, the fire and life safety system, the roof of the Building, or any areas outside of the Premises shall, at Landlord's election, be performed by Landlord's designated contractor or subcontractor at Tenant's expense (provided the cost therefor is competitive). In connection with any Alteration which Tenant requests Landlord complete during the Term of this Lease, Landlord shall be paid a construction supervision fee in an amount equal to of the total cost of such Alteration; provided, however, that, except for any actual, third-party costs reasonably incurred by Landlord relating to such Alterations, Tenant shall not be obligated to pay any fee for any Alteration performed by Tenant in the Premises. Promptly after the completion of an Alteration, Tenant at its expense shall deliver to Landlord three (3) sets of accurate as-built (or record) drawings and CAD drawings showing such Alteration in place.

9.3 If any Alterations that require Landlord's consent are made without the prior written consent of Landlord, then Landlord shall have the right, at Tenant's expense, to so remove and correct such Alterations and restore the Premises and the Building. All Alterations to the Premises or the Building made by either party shall immediately become the property of Landlord and shall remain upon and be surrendered with the Premises as a part thereof at the expiration or earlier termination of the Lease Term; provided, however, that (a) Tenant shall have the right to remove, prior to the expiration or earlier termination of the Lease Term, all movable furniture, furnishings, trade fixtures and equipment installed in the Premises solely at the expense of Tenant (''Tenant's Property''), and (b) Tenant shall remove at its expense all Alterations and other items in the Premises or the Building which Landlord designates in writing for removal. Landlord shall make such designation promptly after receipt of a written request from Tenant given with Tenant's request for Landlord's approval of such Alteration. Notwithstanding the foregoing, Tenant shall not be required to remove: (x) Alterations consisting of standard buildout items that are typically installed by similar tenants in multi-tenanted, multi-story, first class office buildings (such as partitions, but not interior staircases, for example); (y) any Alteration made by Landlord in initially finishing and completing the Premises in accordance with Exhibit B, except as otherwise indicated on any of Tenant's plans; and (z) cabling and wiring, so long as such cabling and wiring is terminated in accordance with all Laws. Movable furniture, furnishings and trade fixtures shall be deemed to exclude without limitation any item the removal of which might cause damage to the Premises or the Building. If such removal causes damage or injury to the Premises or the Building, then Tenant shall repair all damage and injury to the Premises or the Building caused by such removal as aforesaid. If such furniture, furnishings and equipment are not removed by Tenant prior to the expiration or earlier termination of the Lease Term, then Landlord shall have the right at Tenant's expense to remove from the Premises any or all such items or to require Tenant to do the same, except as otherwise provided in this Section. If Tenant fails to return the Premises to Landlord as required by this Section, then Tenant shall pay to Landlord, all reasonable costs incurred by Landlord in effectuating such return. Landlord shall have no lien or other interest in any item of Tenant's Property and hereby waives any statutory or common law lien on Tenant's Property.

ARTICLE X
SIGNS

10.1 Landlord will list, at Landlord's expense, the name of Tenant (and any permitted subtenants and assignees) and its employees in the Building directory in a number of listings up to the Building Directory Share. Tenant shall not place, inscribe, paint, affix or otherwise display any sign, advertisement, picture, lettering or notice of any kind on any part of the exterior of the Building, or on any part of the interior of the Premises which can be seen from outside the Premises (such as windows and doors), without the prior written approval of Landlord, which may be granted or withheld in Landlord's sole and absolute discretion as to any sign visible from the exterior of the Building, and which approval shall not be unreasonably withheld as to any other signs. Landlord shall not unreasonably withhold its consent to any Tenant signage in the Building's main lobby, provided such signage complies with all Laws and Project covenants and regulations. If any such item that has not been approved by Landlord is so displayed, then Landlord shall have the right to require Tenant to remove such item, and, if Tenant fails to do so within three (3) business days after such notice, remove such item at Tenant's expense. Landlord reserves the right to install and display signs, advertisements and notices on any part of the exterior or interior of the Building to the extent required by applicable Laws.

10.2 In addition, (i) so long as Tenant is occupying at least four (4) full floors in the Building, Tenant shall have the exclusive right to install a sign displaying Tenant's trade name and/or logo on the exterior of the Building and the right to install two (2) flag poles at the Building and to fly Tenant's corporate flag (and neither Landlord nor any other occupant of the Project shall have the right to install flagpoles at the Building), (ii) Tenant shall have the exclusive right (subject to the penultimate sentence of this Section 10.2) to install one (1) monument sign for Tenant's exclusive use directly in front of the main entrance to the Building (the "**Building Monument Sign**''), and (iii) Tenant shall have the right to install additional exterior monument identity signage and directional monument signage on the existing monuments at the Building; provided that Tenant shall obtain Landlord's written approval of the size, location, and plans and specifications for all such signs and flag poles, which approval shall not be unreasonably withheld, conditioned or delayed, and shall obtain any necessary permits for said signs and flag poles, as well as all necessary governmental and Las Colinas Association approvals. Tenant shall install its approved signs and flag poles at times mutually agreed upon by Landlord and Tenant, it being understood and agreed that Landlord shall have the right to supervise such installation. Throughout the Lease Term, Tenant shall pay for all electricity (if any) consumed by said signs, and shall maintain said signs and flag poles in good condition and repair. Upon the expiration or termination of the Term of this Lease, Tenant, at its sole cost and expense, shall remove such signs and flag poles and repair any damage to the Project, Building and/or monuments resulting therefrom, and make all repairs necessary to return

the area of the Project, Building and monuments on which such signs were installed to their condition prior to the installation of Tenant's signs and flag poles. The foregoing exterior and monument signs and flag poles shall be installed by Tenant at its sole cost and expense, which cost may be deducted from the Improvements Allowance. In the event that Tenant does not Lease the entire Building, then the Building Monument Sign shall become a multi-tenant monument sign. Landlord shall use commercially reasonable efforts, at Tenant's sole cost and expense, to assist with Tenant's efforts to obtain approval for Building top signage from the governing authorities prior to and during the Lease Term.

ARTICLE XI
INTENTIONALLY OMITTED

ARTICLE XII
INSPECTION

12.1 Tenant shall permit Landlord, its agents and representatives, and the holder of any Mortgage, to enter the Premises at any time and from time to time, without charge therefor and without diminution of the rent payable by Tenant, in order to examine, inspect or protect the Premises and the Building, to make such alterations and/or repairs as are required or permitted under this Lease, or to exhibit the same to brokers(during the last twelve (12) months of the Lease Term), prospective tenants (during the last twelve (12) months of the Lease Term), lenders, and purchasers. Except in the event of an emergency, Landlord shall (i) give Tenant at least 24 hours advance notice of any such entry, which entry shall be during Normal Building Hours, (ii) permit Tenant to have a representative present at such time; (iii) comply with Tenant's reasonable security measures, and (iv) minimize disruption to Tenant's normal business operations in the Premises in connection with any such entry but same shall not prohibit Landlord from performing maintenance and repairs required or permitted under this Lease during business hours and Landlord shall have no obligation to employ overtime or other premium pay labor or other costs in connection therewith.

ARTICLE XIII
INSURANCE

13.1 If any increase in the rate of property or other insurance is due to any activity, equipment or other item of Tenant, then (whether or not Landlord has consented to such activity, equipment or other item) Tenant shall pay as additional rent due hereunder the amount of such increase. The statement of any applicable insurance company or insurance rating organization (or other organization exercising similar functions in connection with the prevention of fire or the correction of hazardous conditions) that an increase is due to any such activity, equipment or other item shall be conclusive evidence thereof.

13.2 (a) Throughout the Lease Term, Tenant shall obtain and maintain the following insurance coverages written with companies with an A.M. Best A-VII or better rating and S&P rating of at least A:

(i) Commercial General Liability ("CGL") insurance (written on an occurrence basis) with limits not less than per occurrence, annual general aggregate (on a per location basis), products/completed operations aggregate, personal and advertising injury liability, fire damage legal liability, and medical payments. CGL insurance shall be written on ISO occurrence form CG 00 01 96 (or a substitute form providing equivalent or broader coverage) and shall cover liability arising from Premises, operations, independent contractors, products-completed operations, personal injury, advertising injury and liability assumed under an insured contract.

(ii) Workers Compensation insurance as required by the applicable state law, and Employers Liability insurance with limits not less than for each accident, disease-policy limit, and disease-each employee.

(iii) Commercial Auto Liability insurance (if applicable) covering automobiles owned, hired or used by Tenant in carrying on its business with limits not less than combined single limit for each accident.

(iv) Umbrella/Excess Insurance coverage on a follow form basis in excess of the CGL, Employers Liability and Commercial Auto Policy with limits not less than per occurrence and annual aggregate.

(v) All Risk Property Insurance covering Tenant's property, Landlord's Work, and all improvements and equipment located at the Building. If Tenant is responsible for any machinery, Tenant shall maintain boiler and machinery insurance.

(vi) Business Interruption and Extra Expenses insurance in amounts typically carried by prudent tenants engaged in similar operations.

(vii) Tenant or Tenant's contractor(s) shall carry Builder's Risk (or Building Constructions) insurance during the course of construction of any Alteration until completion thereof. Such insurance shall be on a form covering Landlord, Landlord's architects, Landlord's contractor or subcontractors, Tenant and Tenant's contractors, as their interest may appear, against loss or damage by fire, vandalism, and malicious mischief and other such risks as are customarily covered upon all Alterations in place and all materials stored at the Premises, and all materials, equipment, supplies and temporary structures of all kinds incident to Alterations and builder's machinery, tools and equipment, all while forming a part of, or on the Premises, or when adjacent thereto, while on drives, sidewalks, streets or alleys, all on a completed value basis for the full insurable value at all times. Said Builder's Risk Insurance shall contain an express waiver of any right of subrogation by the insurer against Landlord, its agents, employees and contractors.

(b) Landlord and the Landlord Insured Parties shall be endorsed on each policy as additional insureds as it pertains to the CGL, Umbrella, and Auto policy, and coverage shall be primary and noncontributory. Landlord shall be a loss payee on the Property policy in respect of Tenant's Alterations. All insurance shall contain an endorsement that such policy shall remain in full force and effect notwithstanding that the insured may have waived its right of action against any party prior to the occurrence of a loss (Tenant hereby waiving its right of action and recovery against and releasing Landlord and Landlord's Representatives from any and all liabilities, claims and losses to property for which they may otherwise be liable to the extent Tenant is covered by insurance carried or required to be carried under this Lease). Tenant or Tenant's representative will provide thirty (30) days written notice to Landlord of Notice of Cancellation should any of the above policies be cancelled before the expiration date. Tenant shall deliver an Acord 25 certificate with respect to all liability and personal property insurance and an Acord 28 certificate with respect to all commercial property insurance to Landlord on or before the Lease Commencement Date and at least annually thereafter. If Tenant fails to provide evidence of insurance required to be provided by Tenant hereunder, prior to commencement of the Lease Term and thereafter within thirty (30) days following Landlord's request during the Lease Term (and in any event within three (3) days prior to the expiration date of any such coverage, any other cure or grace period provided in this Lease not being applicable hereto), Landlord shall be authorized (but not required) after ten (10) days' prior notice to procure such coverage in the amount stated with all costs thereof to be chargeable to Tenant and payable as additional rent upon written invoice therefor. Tenant shall be responsible for any deductible or self-insured retention contained within its insurance programs.

13.3 Landlord agrees to carry and maintain all-risk property insurance (with replacement cost coverage) covering the Building, including, without limitation, the Landlord's Work during construction in accordance with Exhibit B, and Landlord's property therein in an amount required by its insurance company to avoid the application of any coinsurance provision. Notwithstanding anything to the contrary in this Lease, Landlord hereby waives its right of recovery against Tenant, Tenant's Agents and any permitted subtenants and assignees and releases Tenant, Tenant's Agents and any permitted subtenants and assignees from any and all liabilities, claims and losses for which such person or entity may otherwise be liable to the extent caused by a risk which is actually insured against or which is required to be insured against under the Lease. Landlord shall secure a waiver of subrogation endorsement from its insurance carrier. Landlord also agrees to carry and maintain commercial general liability insurance in limits it reasonably deems appropriate (but in no event less than the limits required by Tenant pursuant to Section 13.2). Landlord may elect to carry such other additional insurance or higher limits as it reasonably deems appropriate. Tenant acknowledges that Landlord shall not carry insurance on, and shall not be responsible for damage to, Tenant's personal property or any Alterations performed by Tenant, and that Landlord shall not carry insurance against, or be responsible for any loss suffered by Tenant due to, interruption of Tenant's business.

ARTICLE XIV
SERVICES AND UTILITIES

14.1 From and after the Lease Commencement Date, Landlord will provide to the Premises: During Building Hours, air-conditioning and heating during the seasons they are required at such temperatures and in such amounts standard for comparable buildings in the Las Colinas submarket; janitorial service after 5:30 p.m. on Monday through Friday only (excluding Holidays); electric power from the utility provider sufficient for customary lighting purposes and normal office use; standard hot and cold water in Building standard bathrooms and chilled water in Building standard drinking fountains; elevator service (with at least one (1) elevator in operation at all times, except in the event of an emergency); landscaping and snow removal during the seasons they are required; and exterior window-cleaning service. If Tenant requires air-conditioning or heat beyond the Building Hours, then Landlord will furnish the same provided Tenant gives Landlord advance notice of such requirement (by 2:00 p.m. of the same day for extra service needed Monday through Friday, and by 2:00 p.m. on Friday

for extra service needed on Saturday or Sunday), provided, however, that Landlord will cooperate in good faith to accommodate Tenant's needs in the event Tenant is unable to satisfy the 2:00 p.m. notice requirements. Tenant shall pay for such extra service at a charge of per hour per floor (with a two (2) hour minimum) during the initial Lease Term; provided, however, Landlord shall provide up to one hundred (100) hours of overtime HVAC to the Premises per Lease Year at no charge to Tenant. To the extent Tenant provides or contracts for any services relating to any Building Structure or System or any service or utility being provided by Landlord to the Premises directly from the supplier (which Tenant shall not be permitted to do without Landlord's prior written consent, which consent shall not be unreasonably withheld conditioned or delayed), Tenant shall enter into and maintain a service contract therefor with a contractor licensed to do business in the jurisdiction in which the Building is located and otherwise approved by Landlord. Tenant shall have access to the Building twenty-four (24) hours per day each day of the year (except in the event of an emergency). Landlord shall provide a card key (or similar type of) access system to provide access to the Building and the Parking Facility at times other than Building Hours. A reasonable number of access cards or other means of access (not to exceed the Access Card Allotment shall be provided to Tenant at no cost to Tenant (except that Landlord may charge Tenant for replacement cards). Such access cards shall be issued by Landlord to the specific individuals that are designated by Tenant. Tenant shall not permit anyone, except for Tenant's Agents, employees, permitted subtenants and assigns and authorized guests, to enter the Building at times other than the Building Hours. All persons entering or exiting the Building at times other than the normal hours of operation of the Building shall, at Landlord's discretion, be required to sign in and out.

14.2 Landlord shall not have any liability to Tenant, and Tenant shall not be entitled to terminate this Lease or receive a rent abatement, in the event of Landlord's failure or inability to furnish any of the utilities or services required to be furnished by Landlord hereunder; provided, however, that (a) if all or a portion of the Premises is rendered unusable by Tenant for a continuous period of five (5) consecutive business days after Tenant gives Landlord written notice thereof, and if Tenant does not in fact use all of a portion of the Premises during such period, then, so long as no Event of Default exists under this Lease, Tenant shall be entitled, as its sole and exclusive remedy, to a proportionate abatement of the Base Rent and Additional Rent payable hereunder for the period beginning on the day after such five (5) business day period ends and continuing until the earlier of the date Tenant resumes use or occupancy of the Premises or the date use of the Premises is restored to Tenant; and (b) Landlord shall use reasonable efforts to restore such failure or inability so long as such failure or inability is within Landlord's reasonable control to correct. Notwithstanding the foregoing, if the entire Premises is unusable for a period of ninety (90) or more consecutive days due to Landlord's failure (or inability) to furnish the foregoing services, and such failure is not due to a casualty pursuant to the provisions of Article XVII, then Tenant shall have the right to terminate this Lease upon delivery to Landlord of written notice within one hundred (100) days after the commencement of such failure.

14.3 The first floor auditorium in the 6031 Building shall be available for Tenant's non-exclusive use during the Term (with the same capacity, quality of finish, and levels of maintenance and service as on the date of this Lease) on a first-come, first-served basis at Landlord's current market rates. Subject to availability and on a reservation basis, Tenant shall have the right to use the auditorium for one (1) full day per month at no charge during the initial Lease Term.

ARTICLE XV
LIABILITY OF LANDLORD

15.1 Landlord and Landlord's Representatives shall not be liable to Tenant or any other person or entity for any damage, injury, loss or claim based on or arising out of the following (except as otherwise provided in this Lease): repair to any portion of the Premises or the Building; interruption in the use of the Premises or the Building or any equipment therein; any accident or damage resulting from any use or operation (by Landlord, Tenant or any other person or entity) of elevators or heating, cooling, electrical, sewage or plumbing equipment or apparatus; termination of this Lease by reason of damage to the Premises or the Building; any fire, robbery, theft, vandalism, mysterious disappearance or any other casualty; actions of any other tenant of the Building or of any other person or entity; failure or inability to furnish any service specified in this Lease; and leakage in any part of the Premises or the Building from water, rain, ice or snow that may leak into, or flow from, any part of the Premises or the Building, or from drains, pipes or plumbing fixtures in the Premises or the Building. If any condition exists which may be the basis of a claim of constructive eviction, then Tenant shall give Landlord written notice thereof and a reasonable opportunity to correct such condition. Any property placed by Tenant or any Agent in or about the Premises or the Building shall be at the sole risk of Tenant, and Landlord shall not in any manner be held responsible therefor. Any person receiving an article delivered for Tenant shall be acting as Tenant's agent for such purpose and not as Landlord's agent. For purposes of this Article, the term "Building" shall be deemed to include the Land. Notwithstanding the foregoing provisions of this Section, Landlord shall not be released from liability to Tenant for any loss, Cost or damage caused by the negligence or willful misconduct of Landlord or Landlord's Representatives; provided, however, that neither Landlord nor any of Landlord's Representatives, nor shall Tenant or any of Tenant's

Representatives (nor any past, present or future board member, partner, trustee, director, member, officer, employee, agent, representative or advisor of any of them) under any circumstances be liable for any exemplary, punitive, consequential or indirect damages (or for any interruption of or loss to business) in connection with or relating to this Lease, except for Tenant's liability under Article XXII.

15.2 (a) Except to the extent caused by the negligence or willful misconduct of Landlord or its agents or Landlord's breach of this Lease, Tenant shall reimburse Landlord, its employees and agents for (as additional rent), and shall indemnify, defend upon request and hold them harmless from and against all reasonable Costs suffered by or claimed against them, directly or indirectly, to the extent based on or arising out of, in whole or in part, (i) use and occupancy of the Premises or the business conducted therein, (ii) any negligent or willful act or omission of Tenant or any Agent, (iii) any breach of Tenant's obligations under this Lease, including failure to comply with Laws (to the extent required pursuant to this Lease) or surrender the Premises upon the expiration or earlier termination of the Lease Term, or (iv) any entry by Tenant or any Agent upon the Land prior to the Lease Commencement Date.

(b) Except to the extent caused by the negligence or willful misconduct of Tenant or an Agent of Tenant or Tenant's breach of this Lease, Landlord shall reimburse Tenant and shall indemnify and hold Tenant harmless from and against all Costs suffered or claimed against them, directly or indirectly, based on or arising out of, in whole or in part: (i) Landlord or Landlord's Agents use or control of the Common Areas of the Building and the Building Structure and Systems, (ii) any negligent or willful act or omission of Landlord or any Landlord Agent, or (iii) any breach of Landlord's obligations under this Lease, including failure to comply with Laws.

15.3 No landlord hereunder shall be liable for any obligation or liability based on or arising out of any event or condition occurring during the period that such landlord was not the owner of the Building or a landlord's interest therein. Within five (5) days after request, Tenant shall attorn to any transferee landlord and execute, acknowledge and deliver any document submitted to Tenant confirming such attornment provided such transferee assumes in writing the obligations of Landlord hereunder which accrue from and after the date of the transfer and does not disturb Tenant's possession of the Premises.

15.4 Except as otherwise provided in this Lease, Tenant shall not have the right to set off or deduct any amount allegedly owed to Tenant pursuant to any claim against Landlord from any rent or other sum payable to Landlord.

15.5 If Tenant or any Agent is awarded a money judgment against Landlord, then recourse for satisfaction of such judgment shall be limited to execution against Landlord's estate and interest in the Building which shall be deemed to include proceeds actually received by Landlord from any sale of the Building (net of all expenses of sale), insurance or condemnation proceeds (subject to the rights of any Mortgagees), and rental income from the Building (net of all expenses). No other asset of Landlord, and no asset of any of Landlord's Representatives (or any past, present or future board member, partner, director, member, officer, trustee, employee, agent, representative or advisor of any of them (each, an "officer")) or any other person or entity, shall be available to satisfy or be subject to any such judgment. No such Landlord's Representative, officer or other person or entity shall be held to have personal liability for satisfaction of any claim or judgment whatsoever under this Lease.

ARTICLE XVI
RULES

16.1 Tenant and Agents shall at all times abide by and observe the rules specified in Exhibit C. Tenant and Agents shall also abide by and observe any other rule that Landlord may reasonably promulgate from time to time for the operation and maintenance of the Building, provided that written notice thereof is given, such rule is not inconsistent with the provisions of this Lease, and such rule does not materially increase Tenant's obligations or materially decrease its rights hereunder or unreasonably interferes with Tenant's use of the Premises. All rules shall be binding upon Tenant and enforceable by Landlord as if they were contained herein. Nothing contained in this Lease shall be construed as imposing upon Landlord any duty or obligation to enforce such rules, or the terms, conditions or covenants contained in any other lease, as against any other tenant, and Landlord shall not be liable to Tenant for the violation of such rules by any other tenant or its employees, agents, assignees, subtenants, invitees or licensees. Landlord shall use reasonable efforts not to enforce any rule or regulation in a manner which unreasonably discriminates among similarly situated tenants.

ARTICLE XVII
DAMAGE OR DESTRUCTION

17.1 If the Premises or the Building are totally or partially damaged or destroyed, then Landlord shall diligently repair and restore the Premises and the Building to substantially the same condition they were in prior to such damage or destruction; provided, however, that if in Landlord's reasonable

judgment such repair and restoration cannot be completed within three hundred sixty (360) days after the occurrence of such damage or destruction (taking into account the time needed for effecting a satisfactory settlement with any insurance company involved, removal of debris, preparation of plans and issuance of all required governmental permits), then Landlord shall have the right to terminate this Lease by giving written notice of termination within forty-five (45) days after the occurrence of such damage or destruction. If this Lease is terminated pursuant to this Article, then rent shall be apportioned and paid to the earlier of the date of termination or the date Tenant completely vacates and abandons the Premises on account of such damage and Landlord shall be entitled to any insurance proceeds received by Tenant that are attributable to improvements required to be insured by Tenant that would remain in the Premises at the end of the Lease Term. If this Lease is not terminated as a result of such damage or destruction, then until such repair and restoration of the Premises are substantially complete, Tenant shall receive an equitable abatement of rent equitably abated based upon the extent to which Tenant's use of the Premises is diminished; provided, however, that if Tenant fails to immediately pay over to Landlord insurance proceeds (which Tenant is required to pay to Landlord pursuant to the terms of this Lease) when received from Tenant's insurance any such rent abatement shall end on the date when Landlord would have been able to substantially complete repair and restoration of the Premises had Tenant timely paid Landlord such insurance proceeds. Tenant shall have no obligation to pay to Landlord any insurance proceeds received by Tenant which are on account of business interruption or Alterations to the Premises which Landlord is not required to restore pursuant to the terms of this Section. After receipt of all available insurance proceeds (including proceeds of insurance maintained by Tenant and required to be paid to Landlord hereunder), Landlord shall proceed with and bear the expenses of such repair and restoration of the Premises and the Building; provided, however, that (a) Tenant shall pay the amount by which the cost of restoring any item which Landlord is required to restore and Tenant is required to insure exceeds the insurance proceeds received with respect thereto, and (b) Landlord shall not be required to repair or restore any Alterations or any other contents of the Premises (including any Tenant Items). Notwithstanding anything herein to the contrary, Landlord shall have the right to terminate this Lease if (1) insurance proceeds plus deductibles equal less than of the value of the Building as of the date of the casualty (so long as Landlord maintains the insurance required by Section 13.3), (2) the holder of any Mortgage applies such insurance proceeds to the payment of outstanding indebtedness such that the remaining proceeds available for such repair and restoration equal less than of the value of the Building as of the date of the casualty, or (3) zoning or other applicable Laws or regulations do not permit such repair and restoration in a manner that permits general office use of the Premises; provided, however, that as to (1) and (2) Tenant shall have the right to void such termination, by delivering to Landlord, within thirty (30) days after receipt of Landlord's notice of termination, any shortfall in funds in excess of the foregoing threshold. Any monies provided to Landlord in accordance with the foregoing sentence shall not be recoverable by Tenant from Landlord.

17.2 If, within forty-five (45) days after the occurrence of the damage or destruction described in Section 17.1, Landlord determines in its sole but reasonable judgment that the repairs and restoration cannot be substantially completed within three hundred sixty (360) days after the date of such damage or destruction, and provided Landlord does not elect to terminate this Lease pursuant to this Article, then Landlord shall promptly notify Tenant of such determination. For a period continuing through the later of the thirtieth (30th) day after the occurrence of the damage or destruction or the tenth (10th) day after receipt of such notice, Tenant shall have the right to terminate this Lease by providing written notice to Landlord (which date of such termination shall be not more than thirty (30) days after the date of Tenant's notice to Landlord).

17.3 In the event that the repair and restoration of the Premises and such portions of the Building as may be reasonably necessary for the operation of Tenant's business within and from the Premises is not completed prior to the end of three hundred sixty (360) days after the occurrence of such damage or destruction, Tenant shall thereafter have the right to terminate this Lease by delivering written notice of such termination to Landlord. Any such termination by Tenant shall be effective as of the date set forth in such termination notice, which date shall not be less than thirty (30) days after the date of such notice, or if no such date is set forth in such notice, the date that is thirty (30) days after the date of such notice; provided, however, that in the event that such repair and restoration is completed prior to the effective date of such termination, Tenant's termination notice will be deemed to have been rescinded and this Lease shall thereafter continue in full force and effect as if no such termination notice had been given by Tenant.

ARTICLE XVIII
CONDEMNATION

18.1 If one-third or more of the Premises, or the use or occupancy thereof, shall be taken or condemned by any governmental or quasi-governmental authority for any public or quasi-public use or purpose or sold under threat of such a taking or condemnation (collectively, "condemned") or if Tenant's use of the Premises would no longer be feasible as a result thereof, then this Lease shall terminate on the

day prior to the date title thereto vests in such authority and rent shall be apportioned as of such date. If less than one-third of the Premises or occupancy thereof is condemned, and if Tenant's use of the Premises is commercially feasible after such taking or condemnation, then this Lease shall continue in full force and effect as to the part of the Premises not so condemned, except that as of the date title vests in such authority Tenant shall not be required to pay rent with respect to the part of the Premises so condemned. Landlord shall notify Tenant of any condemnation contemplated by this Section promptly after Landlord receives notice thereof. Within ten (10) days after receipt of such notice, Tenant shall have the right to terminate this Lease with respect to the remainder of the Premises not so condemned as of the date title vests in such authority if such condemnation renders said remainder of the Premises reasonably unusable for their intended purpose. Notwithstanding anything herein to the contrary, if or more of the parking areas is condemned, and if Landlord is unable to promptly provide alternative parking which is reasonably proximate to the Premises, then whether or not any portion of the Premises is condemned, Tenant shall have the right to terminate this Lease as of the date title vests in such authority.

18.2 All awards, damages and other compensation paid on account of such condemnation shall belong to Landlord, and, except as otherwise provided herein, Tenant assigns to Landlord all rights to such awards, damages and compensation. Tenant shall be permitted to make a claim against such proceeds or such authority for any portion of such award, damages or compensation attributable to damage to improvements in the Premises installed at Tenant's cost, loss of profits and goodwill, or severance damages. Nothing contained herein, however, shall prevent Tenant from pursuing a separate claim against the authority for relocation expenses and for the value of furnishings, equipment and trade fixtures installed in the Premises at Tenant's expense and which Tenant is entitled pursuant to this Lease to remove at the expiration or earlier termination of the Lease Term, provided that such claim shall in no way diminish the award, damages or compensation payable to or recoverable by Landlord in connection with such condemnation.

ARTICLE XIX
DEFAULT

19.1 If there shall be an Event of Default, as defined in Rider 1 (even if prior to the Lease Commencement Date), then the provisions of Section 19.2 shall apply to the extent not otherwise prohibited under applicable Law.

19.2 Landlord shall have the right, at its sole option, to terminate this Lease. In addition, with or without terminating this Lease, Landlord may re-enter, terminate Tenant's right of possession and take possession of the Premises. Upon an Event of Default, the provisions of this Article shall operate as a notice to quit, and, upon such Event of Default, Tenant hereby waives any other notice to quit or notice of Landlord's intention to re-enter the Premises or terminate this Lease; provided, however, that any notice required to be provided by Landlord to Tenant under this Lease may, if appropriately given, also concurrently satisfy any Texas law requirements relating to such notice. Landlord may proceed to recover possession of the Premises under applicable Laws, or by such other proceedings, including re-entry and possession, as may be applicable. If Landlord elects to terminate this Lease and/or elects to terminate Tenant's right of possession, everything contained in this Lease on the part of Landlord to be done and performed shall cease without prejudice, however, to Tenant's liability for all Base Rent, additional rent and other sums specified herein. If Tenant is in default under this Lease and has vacated the Premises, and if Landlord has terminated this Lease as a result of such default, then Landlord shall thereafter use reasonable efforts to relet the Premises; provided, however, that Tenant understands and agrees that Landlord's main priority will be the leasing of other space in the Building and the reletting of the Premises will be of lower priority. Landlord may relet the Premises or any part thereof, alone or together with other premises, for such term(s) (which may extend beyond the date on which the Lease Term would have expired but for Tenant's default) and on such terms and conditions (which may include any concessions or allowances granted by Landlord) as Landlord, in its sole but reasonable discretion, may determine, but Landlord shall not be liable for, nor shall Tenant's obligations hereunder be diminished by reason of, any failure by Landlord to relet all or any portion of the Premises or to collect any rent due upon such reletting. Whether or not this Lease and/or Tenant's right of possession is terminated or any suit is instituted, Tenant shall be liable for any Base Rent, additional rent, all abated Base Rent, damages or other sum which may be due or sustained prior to such default, and for all costs, fees and expenses (including reasonable attorneys' fees and costs, reasonable brokerage fees, reasonable expenses incurred in placing the Premises in first-class rentable condition, reasonable advertising expenses, and any reasonable concessions or allowances granted by Landlord) incurred by Landlord in pursuit of its remedies hereunder and/or in recovering possession of the Premises and renting the Premises to others from time to time. Tenant also shall be liable for additional damages which at Landlord's election shall be either: (a) an amount equal to the Base Rent and additional rent due or which would have become due from the date of Tenant's default through the remainder of the Lease Term, less the amount of rental, if any, which Landlord receives during such period from Tenant or others to whom the Premises may be rented (other than any additional rent received by Landlord as a

result of any failure of such other person to perform any of its obligations to Landlord), which amount shall be computed and payable in monthly installments, in advance, on the first day of each calendar month following Tenant's default and continuing until the date on which the Lease Term would have expired but for Tenant's default, it being understood that separate suits may be brought from time to time to collect any such damages for any month(s) (and any such separate suit shall not in any manner prejudice the right of Landlord to collect any damages for any subsequent month(s)), or Landlord may defer initiating any such suit until after the expiration of the Lease Term (in which event such deferral shall not be construed as a waiver of Landlord's rights as set forth herein and Landlord's cause of action shall be deemed not to have accrued until the expiration of the Lease Term) and it being further understood that if Landlord elects to bring suits from time to time prior to reletting the Premises, Landlord shall be entitled to its full damages through the date of the award of damages without regard to any Base Rent, additional rent or other sums that are or may be projected to be received by Landlord upon reletting of the Premises; or (b) an amount equal to the difference between (i) all Base Rent, additional rent and other sums due or which would be due and payable under this Lease as of the date of Tenant's default through the end of the scheduled Lease Term, and (ii) the fair market value rental of the Premises over the same period (net of all expenses (including attorneys' fees) and all vacancy periods reasonably projected by Landlord to be incurred in connection with the reletting of the Premises), as determined by Landlord in its sole and absolute discretion, which difference shall be discounted at a rate equal to one (1) whole percentage point above the discount rate in effect on the date of payment at the Federal Reserve Bank nearest the Building, and which resulting amount shall be payable to Landlord in a lump sum on demand, it being understood that upon payment of such liquidated and agreed final damages, Tenant shall be released from further liability under this Lease, and that Landlord may bring suit to collect any such damages at any time after an Event of Default shall have occurred. Tenant shall pay all reasonable expenses (including attorneys' fees) incurred by Landlord in connection with or as a result of any Event of Default whether or not a suit is instituted. The provisions contained in this Section shall be in addition to, and shall not prevent the enforcement of, any claim Landlord may have against Tenant for anticipatory breach of this Lease (including, the right of injunction and the right to invoke any remedy allowed at law or in equity as if reentry, summary proceedings and other remedies were not provided for herein). Nothing herein shall be construed to affect or prejudice Landlord's right to prove, and claim in full, unpaid rent accrued prior to termination of this Lease. If Landlord is entitled, or Tenant is required, pursuant to any provision hereof to take any action upon the termination of the Lease Term, then Landlord shall be entitled, and Tenant shall be required, to take such action also upon the termination of Tenant's right of possession.

19.3 All rights and remedies of Landlord set forth in this Lease are cumulative and in addition to all other rights and remedies available to Landlord at law or in equity, including those available as a result of any anticipatory breach of this Lease. The exercise by Landlord of any such right or remedy shall not prevent the concurrent or subsequent exercise of any other right or remedy. No delay or failure by Landlord or Tenant to exercise or enforce any of its respective rights or remedies or the other party's obligations (except to the extent a time period is specified in this Lease therefor) shall constitute a waiver of any such or subsequent rights, remedies or obligations. Neither party shall be deemed to have waived any default by the other party unless such waiver expressly is set forth in a written instrument signed by the party against whom such waiver is asserted. If Landlord waives in writing any default by Tenant, such waiver shall not be construed as a waiver of any covenant, condition or agreement set forth in this Lease except as to the specific circumstances described in such written waiver.

19.4 If Landlord shall institute proceedings against Tenant and a compromise or settlement thereof shall be made, then the same shall not constitute a waiver of the same or of any other covenant, condition or agreement set forth herein, nor of any of Landlord's rights hereunder unless the parties agree otherwise on such compromise or settlement. Neither the payment by Tenant of a lesser amount than the monthly installment of Base Rent, additional rent or of any sums due hereunder nor any endorsement or statement on any check or letter accompanying a check for payment of rent or other sums payable hereunder shall be deemed an accord and satisfaction. Landlord may accept the same without prejudice to Landlord's right to recover the balance of such rent or other sums or to pursue any other remedy. Notwithstanding any request or designation by Tenant, Landlord may apply any payment received from Tenant to any payment then due. No re-entry by Landlord, and no acceptance by Landlord of keys from Tenant, shall be considered an acceptance of a surrender of this Lease.

19.5 If Tenant fails to make any payment to any third party or to do any act herein required to be made or done by Tenant, then Landlord may, after written notice to Tenant and the expiration of any applicable cure period, but shall not be required to, make such payment or do such act. The taking of such action by Landlord shall not be considered a cure of such default by Tenant or prevent Landlord from pursuing any remedy it is otherwise entitled to in connection with such default. If Landlord elects to make such payment or do such act, then all expenses incurred by Landlord, plus interest thereon at the Default Rate from the date incurred by Landlord to the date of payment thereof by Tenant, shall constitute additional rent due hereunder.

19.6 If Tenant fails to make any payment of Base Rent, additional rent or any other sum on or before the date such payment is due and payable (without regard to any grace period), then Landlord shall have the right to impose upon Tenant in writing a late charge of of the amount of such payment. In addition, such payment and such late fee shall bear interest at the Default Rate from the date such payment or late fee, respectively, became due to the date of payment thereof by Tenant. Such late charge and interest shall constitute additional rent due hereunder without any notice or demand. Notwithstanding the foregoing, no late fee shall be payable the first time in any twelve month period that Base Rent is not paid when due if Tenant pays same within five (5) days after Landlord's written notice.

19.7 If more than one natural person or entity shall constitute Tenant, then the liability of each such person or entity shall be joint and several. If Tenant is a general partnership or other entity the partners or members of which are subject to personal liability, then the liability of each such partner or member shall be joint and several. No waiver, release or modification of the obligations of any such person or entity shall affect the obligations of any other such person or entity.

19.8 Landlord shall be in default of this Lease if it fails to perform any obligation of Landlord under this Lease and such failure is not cured within thirty (30) days after written notice thereof is given by Tenant to Landlord; however, if such failure cannot reasonably be cured within thirty (30) days, Landlord shall not be in default of this Lease if Landlord commences to cure the failure within such thirty (30) day period, diligently continues to cure the default, and completes the cure within such additional reasonable time as may be necessary to effect such cure. If Landlord does not act with diligence to cure the default or such default remains uncured after the expiration of the Landlord's cure period or if, in an emergency situation where Tenant reasonably believes it will suffer material harm to life or property if it does not act immediately to cure the default and provides Landlord with contemporaneous telephonic notice (followed by written notice to Landlord) of the nature of the emergency and the actions that Tenant plans to undertake (which actions shall be limited only to protect against material harm to Tenant), Tenant may cure the default at Landlord's expense. If pursuant to the foregoing Tenant pays any reasonable sum in order to cure Landlord's default, such sum ("Tenant's Default Cure Sum") shall be reimbursed by Landlord to Tenant upon thirty (30) days' written notice, which notice shall include all necessary supporting documentation ("Cure Sum Notice"). If Landlord fails to timely reimburse Tenant for the full amount of Tenant's Default Cure Sum, Tenant may withhold from future Base Rent and Additional Rent payments due and owing the Tenant's Default Cure Sum owed to Tenant, except that, before the last Lease Year, amounts withheld by Tenant in any month will not exceed of the Base Rent and Additional Rent otherwise due in that month.

ARTICLE XX
BANKRUPTCY

20.1 Upon occurrence of an Event of Bankruptcy, Landlord shall have all rights and remedies available pursuant to Article XIX; provided, however, that while a Case is pending, Landlord's right to terminate this Lease shall be subject, to the extent required by the Bankruptcy Code, to any rights of the Trustee to assume or assume and assign this Lease pursuant to the Bankruptcy Code. After the commencement of a Case: (i) Trustee shall perform all post-petition obligations of Tenant under this Lease; and (ii) if Landlord is entitled to damages (including unpaid rent) pursuant to the terms of this Lease, then all such damages shall be entitled to administrative expense priority pursuant to the Bankruptcy Code. Tenant acknowledges that this Lease is a lease of nonresidential real property and therefore Tenant, as the debtor in possession, or the Trustee shall not seek or request any extension of time to assume or reject this Lease or to perform any obligations of this Lease which arise from or after the order of relief. Any person or entity to which this Lease is assigned pursuant to the Bankruptcy Code shall be deemed without further act or deed to have assumed all of the obligations arising under this Lease on and after the date of assignment, and any such assignee shall upon request execute and deliver to Landlord an instrument confirming such assumption. Trustee shall not have the right to assume or assume and assign this Lease unless Trustee promptly (a) cures all defaults under this Lease, (b) compensates Landlord for damages incurred as a result of such defaults, (c) provides adequate assurance of future performance on the part of Trustee as debtor in possession or Trustee's assignee, and (d) complies with all other requirements of the Bankruptcy Code. If Trustee desires to assume and assign this Lease to any person who shall have made a bona fide offer, then Trustee shall give Landlord written notice of such proposed assignment (which notice shall set forth the name and address of such person, all of the terms and conditions of such offer, and the adequate assurance to be provided Landlord to assure such person's future performance under this Lease) no later than fifteen (15) days after receipt by Trustee of such offer, but in no event later than thirty (30) days prior to the date Trustee shall make application to the appropriate court for authority and approval to enter into such assignment and assumption, and Landlord shall thereupon have the prior right and option, to be exercised by notice to Trustee given at any time prior to the effective date of such proposed assignment, to accept (or to cause Landlord's designee to accept) an assignment of this Lease upon the same terms and conditions and for the same consideration, if any, as the bona fide offer made by such person, less any brokerage commissions which may be payable out of the consideration to be paid by such person for the

assignment of this Lease. If Trustee fails to assume or assume and assign this Lease in accordance with the requirements of the Bankruptcy Code within sixty (60) days after the initiation of the Case (or such other period as may be provided by the Bankruptcy Code or allowed by the United States Bankruptcy Court for same), then Trustee shall be deemed to have rejected this Lease. If this Lease is rejected or deemed rejected, then Landlord shall have all rights and remedies available to it pursuant to Article XIX. At any time during the Term, upon not less than five (5) days prior written notice, Tenant shall provide Landlord with the most current financial statement for Tenant and any such person and financial statements for the two (2) years prior to the current financial statement year. Such statements are to be certified by Tenant to be true, correct and complete, prepared in accordance with generally accepted accounting principles and, if it is the normal practice of Tenant, audited by any independent certified public accountant.

ARTICLE XXI
SUBORDINATION

21.1 This Lease is subject and subordinate to the lien, provisions, operation and effect of all Mortgages, to all funds and indebtedness intended to be secured thereby, and to all renewals, extensions, modifications, recastings or refinancings thereof. Said subordination and the provisions of this Section shall be self-operative and no further instrument of subordination shall be required to effectuate such subordination. The holder of any Mortgage to which this Lease is subordinate shall have the right (subject to any required approval of the holders of any superior Mortgage) at any time to declare this Lease to be superior to the lien, provisions, operation and effect of such Mortgage.

21.2 Tenant shall at Landlord's request promptly execute any reasonable document confirming such subordination, provided such document contains commercially reasonable non-disturbance language**.** At the request of such transferee and assumption of Landlord's obligations as required hereby, Tenant shall attorn to such transferee and shall recognize such transferee as the landlord under this Lease. Tenant agrees that upon any such attornment, such transferee shall not be (a) bound by or required to credit Tenant with any prepayment of the Base Rent more than thirty (30) days in advance or any deposit, rental security or any other sums deposited with any prior landlord under the Lease (including Landlord) unless said sum is actually received by such transferee, (b) bound by any amendment, modification or termination of this Lease made without the consent of the holder of each Mortgage existing as of the date of such amendment, (c) liable for any breach, act or omission of any prior landlord under the Lease (including Landlord) or any damages arising therefrom, except to the extent such breach, act or omission is, after reasonable prior written notice to the transferee, continuing and not remedied by such transferee after the date of the applicable transfer; (d) subject to any offsets or defenses which Tenant might have against any prior landlord (including Landlord), except for any offset rights expressly granted to Tenant under this Lease, or (e) liable for payment of any damages, fees or penalties payable by any landlord under the Lease (including Landlord) to Tenant, excluding fees or penalties for failure to deliver the Premises in a timely fashion; provided, however, that after succeeding to Landlord's interest under this Lease, such transferee shall agree to perform in accordance with the terms of this Lease all obligations of Landlord arising after the date of transfer. Within ten (10) days after the request of such transferee, Tenant shall execute, acknowledge and deliver any requisite or appropriate document submitted to Tenant confirming such attornment.

21.3 Landlord represents that no Mortgages encumber the Building as of the date of this Lease. Notwithstanding anything to the contrary contained in this Article XXI, (i) Landlord shall use commercially reasonable efforts to obtain for Tenant a non-disturbance agreement (recognizing Tenant's rights under this Lease) from any future holders of a Mortgage encumbering the Building and/or the Land on the lender's then-standard form, containing commercially reasonable nondisturbance language; and (ii) the subordination of this Lease to any Mortgage shall be conditioned upon Tenant's receipt from any such lenders of such a non-disturbance agreement. Tenant shall reimburse Landlord, as Additional Rent, for any costs it incurs as a result of Tenant's negotiation of such subordination and nondisturbance agreement within thirty (30) days after receipt of an invoice therefor.

ARTICLE XXII
HOLDING OVER

22.1 Tenant acknowledges that it is extremely important that Landlord have substantial advance notice of the date on which Tenant will vacate the Premises, and that if Tenant fails to surrender the Premises or any portion thereof at the expiration or earlier termination of the Lease Term, then it will be conclusively presumed that the value to Tenant of remaining in possession, and the loss that will be suffered by Landlord as a result thereof, far exceed the Base Rent and additional rent that would have been payable had the Lease Term continued during such holdover period. Therefore, if Tenant (or anyone claiming through Tenant) does not immediately surrender the Premises or any portion thereof upon the expiration or earlier termination of the Lease Term, then the rent payable by Tenant hereunder shall be increased to of the Base Rent that would have been payable

pursuant to the provisions of this Lease if the Lease Term had continued during such holdover period; provided, however, that if Tenant delivers written notice to Landlord at least ninety (90) days prior to the expiration of the Term that it wishes to continue to occupy the Premises, then damages shall be waived for the first thirty (30) days of holdover and the rent payable by Tenant hereunder shall be increased to the following percentages of the Base Rent that would have been payable pursuant to the provisions of this Lease if the Lease Term had continued during such holdover period: for the first thirty (30) days; for the thirty-first (31st) through ninetieth (90th) days of such holdover; and thereafter. In any cases under this Section 22.1 Tenant shall continue to pay of additional rent and other sums that would have been payable pursuant to the provisions of this Lease. Such rent shall be computed by Landlord and paid by Tenant on a monthly basis and shall be payable on the first day of such holdover period and the first day of each calendar month thereafter during such holdover period until the Premises have been vacated. Notwithstanding any other provision of this Lease, Landlord's acceptance of such rent shall not in any manner adversely affect Landlord's other rights and remedies, including Landlord's right to evict Tenant and, except as provided above, to recover all damages. Any such holdover shall be deemed to be a tenancy-at-sufferance and not a tenancy-at-will or tenancy from month-to-month. In no event shall any holdover be deemed a permitted extension or renewal of the Lease Term, and nothing contained herein shall be construed to constitute Landlord's consent to any holdover or to give Tenant any right with respect thereto.

ARTICLE XXIII
COVENANTS OF LANDLORD

23.1 Landlord covenants that it has the right to enter into this Lease, and that if Tenant shall perform timely all of its obligations hereunder within applicable notice and cure periods, then, subject to the provisions of this Lease, Tenant shall during the Lease Term peaceably and quietly occupy and enjoy the full possession of the Premises (i.e., quiet enjoyment) without hindrance by Landlord, its employees or agents.

23.2 Subject to other applicable terms and provisions expressly provided in this Lease, Landlord reserves the following rights: (a) to change the street address and name of the Building provided that Tenant's access to the Premises is not adversely affected and Landlord reimburses Tenant for all of its reasonable out-of-pocket costs incurred in connection therewith, such as revised stationery and business cards; (b) to renovate elevators and stairs, provided that Tenant's access to the Premises is not permanently, materially and adversely affected; (c) to erect, use and maintain pipes, wires, ducts and conduits in and through the plenum areas of the Premises; (d) to resubdivide the Land or to combine the Land with other lands, provided that any such action does not result in an increase in Real Estate Taxes for the Building; (e) to construct improvements (including kiosks) on the Land and in the public and Common Areas of the Building; (f) to prohibit smoking in the entire Building or portions thereof (including the Premises), so long as such prohibitions are in accordance with applicable law; and (g) if any excavation or other substructure work shall be made or authorized to be made upon land adjacent to the Building or the Land, to enter the Premises for the purpose of doing such work as is required to perform Landlord's maintenance and repair obligations under this Lease. Subject to the other applicable terms and provisions expressly provided in this Lease, Landlord may exercise any or all of the foregoing rights without being deemed to be guilty of an eviction, actual or constructive, or a disturbance of Tenant's business or use or occupancy of the Premises and Tenant shall have no claim against Landlord in connection therewith. With respect to the exercise of any such rights referenced in this Section 23.3, Landlord shall use reasonable efforts to minimize interference with Tenant's normal business operations in the Premises (subject, however, in all cases to governmental requirements and emergencies) and shall comply with Tenant's reasonable security measures and in no event shall Landlord exercise any such rights in a manner that materially diminishes Tenant's parking rights, materially increases the obligations of Tenant or materially decreases Tenant's rights under this Lease.

ARTICLE XXIV
PARKING

24.1 During the Lease Term and any renewal periods, Landlord agrees to make available to Tenant and its employees, spaces for the reserved and unreserved parking of passenger automobiles in the Parking Facility in an amount equal to the Parking Allotment, as set forth under Section 1.18. Except with respect to Tenant's reserved parking spaces, the spaces shall be unassigned spaces, on a self-park or attendant-park basis. Tenant shall not use the Parking Facility for the servicing or extended storage of vehicles. Tenant shall not assign, sublet or transfer any permits hereunder, except in connection with any assignment or sublease permitted pursuant to Article VII hereof where parking is provided for in the sublease or assignment. Landlord reserves the right to institute a Parking Facility operator system, a valet parking system or a self-parking system, or to otherwise change the parking system (including the reconfiguration of the Parking Facility), provided that in each such case Tenant's Permit Allotment shall not be reduced; provided that Landlord shall not have the right to assign parking spaces on other than a

de minimis basis, except to the extent such designated or assigned parking spaces exist in the leases of other tenants in the Project as of the date of this Lease. Tenant and its employees shall observe reasonable safety precautions in the use of the Parking Facility or any other parking area and shall at all times abide by all rules and regulations governing the use of the Parking Facility. Landlord reserves the right to close the Parking Facility or any other parking area during periods of unusually inclement weather or for alterations, improvements or repairs, provided that Landlord shall use reasonable efforts to minimize interference with Tenant's normal business operations in the Premises. Landlord does not assume any responsibility, and shall not be held liable, for any damage or loss to any automobile or personal property in or about the Parking Facility or any other parking area, or for any injury sustained by any person in or about the Parking Facility or any other parking area. Landlord shall not be liable to Tenant and, except as otherwise provided herein, this Lease shall not be affected if any parking rights hereunder are impaired by any Law imposed after the Lease Commencement Date. Notwithstanding anything to the contrary contained in this Article XXIV, subject to availability, Tenant will have the right to use up to four and one-half (4.5) parking spaces per one thousand (1,000) rentable square feet in the Premises; provided, however, that Tenant's right to use such additional parking spaces shall continue only so long as such additional parking spaces are available, as determined by Landlord. Subject to obtaining Landlord's prior written approval as to the location of spaces, which shall not be unreasonably withheld, conditioned or delayed, Tenant shall have the right to convert three (3) spaces in front of the Building for priority parking for car pool and van pool vehicles.

ARTICLE XXV
GENERAL PROVISIONS

25.1 Tenant acknowledges that neither Landlord nor any broker, agent or employee of Landlord has made any representation or promise with respect to the Premises or any portion of the Building except as herein expressly set forth, and no right, privilege, easement or license is being acquired by Tenant except as herein expressly set forth.

25.2 Nothing contained in this Lease shall be construed as creating any relationship between Landlord and Tenant other than that of landlord and tenant, and no estate shall pass out of Landlord. Tenant shall not use the name of the Building for any purpose other than as the address of the business to be conducted by Tenant in the Premises, use the name of the Building as Tenant's business address after Tenant vacates the Premises, or do or permit to be done anything in connection with Tenant's business or advertising which in the reasonable judgment of Landlord may reflect unfavorably on Landlord or the Building or confuse or mislead the public as to any apparent connection or relationship between Landlord, the Building and Tenant.

25.3 Landlord and Tenant each warrants to the other that in connection with this Lease it has not employed or dealt with any broker, agent or finder, other than the Brokers. It is understood that Landlord shall pay the Brokers pursuant to separate agreements. Tenant shall indemnify and hold Landlord harmless from and against any claim for brokerage or other commissions, or for a lien under any applicable broker's lien law, asserted by any broker, agent or finder employed by Tenant or with whom Tenant has dealt, other than the Brokers. Landlord shall indemnify and hold Tenant harmless from and against any claim for brokerage or other commissions asserted by the Brokers and any other broker, agent or finder employed by Landlord or with whom Landlord has dealt. Tenant's and Landlord's indemnities set forth in this Section shall survive the expiration or earlier termination of the Lease Term.

25.4 At any time and from time to time, upon not less than ten (10) business days' prior written notice, Landlord and Tenant (and each subtenant, assignee, licensee or concessionaire or occupant of Tenant) shall execute, acknowledge and deliver to the other and/or any other person or entity designated by Landlord or Tenant, as applicable, a written statement certifying: (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified and stating the modifications); (b) the dates to which the rent and any other charges have been paid; (c) to the party's actual knowledge, whether or not the other is in default in the performance of any obligation, and if so, specifying the nature of such default; (d) the address to which notices to such party are to be sent; (e) that, if applicable, this Lease is subject and subordinate to all Mortgages encumbering the Building or the Land for which non-disturbance agreements have been provided to Tenant in accordance with Section 21.3 of this Lease; (f) that Tenant has accepted the Premises and that all work thereto has been completed (or if such work has not been completed, specifying the incomplete work); and (g) such other matters as Landlord may reasonably request. Any such statement may be relied upon by any owner of the Building or the Land, any prospective purchaser of the Building or the Land, any holder or prospective holder of a Mortgage or any other person or entity. Tenant acknowledges that time is of the essence to the delivery of such statements and that Tenant's failure to deliver timely such statements may cause substantial damages resulting from, for example, delays in obtaining financing.

25.5 LANDLORD, TENANT, ALL GUARANTORS AND ALL GENERAL PARTNERS EACH WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, CLAIM OR COUNTERCLAIM BROUGHT IN CONNECTION WITH ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, THE RELATIONSHIP OF LANDLORD AND TENANT HEREUNDER, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM OF INJURY OR DAMAGE. LANDLORD, TENANT, ALL GUARANTORS AND ALL GENERAL PARTNERS EACH WAIVES ANY OBJECTION TO THE VENUE OF ANY ACTION FILED IN ANY COURT SITUATED IN THE JURISDICTION IN WHICH THE BUILDING IS LOCATED, AND WAIVES ANY RIGHT, CLAIM OR POWER, UNDER THE DOCTRINE OF FORUM NON CONVENIENS OR OTHERWISE, TO TRANSFER ANY SUCH ACTION TO ANY OTHER COURT.

25.6 All notices or other communications required under this Lease shall be in writing and shall be deemed duly given and received when delivered in person (with receipt therefor), on the next business day after deposit with a recognized overnight delivery service, or on the third business day after being sent by certified or registered mail, return receipt requested, postage prepaid, to the following addresses: (a) if to Landlord, at the Landlord Notice Address specified in Article I; (b) if to Tenant, at the Tenant Notice Address specified in Article I. Either party may change its address for the giving of notices by written notice given in accordance with this Section. If Landlord or the holder of any Mortgage notifies Tenant in writing that a copy of any notice to Landlord shall be sent to such holder at a specified address, then Tenant shall send (in the manner specified in this Section and at the same time such notice is sent to Landlord) a copy of each such notice to such holder, and no such notice shall be considered duly sent unless such copy is so sent to such holder. Any such holder shall have thirty (30) days after receipt of such notice to cure any Landlord default before Tenant may exercise any remedy (provided that in the case of a Landlord default arising from an act or omission which cannot be reasonably remedied within said thirty (30) day period, then the holder of any Mortgage shall have as long as reasonably necessary to remedy such act or omission provided that (i) such holder commences such remedy and notifies Tenant within said thirty (30) day period of holder's desire to remedy, and (ii) holder pursues completion of such remedy with due diligence following such giving of notice and following the time when holder should have become entitled under the Mortgage to remedy the same). Any cure of Landlord's default by such holder shall be treated as performance by Landlord.

25.7 Each provision of this Lease shall be valid and enforceable to the fullest extent permitted by law. If any provision of this Lease or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, then such provision shall be deemed to be replaced by the valid and enforceable provision most substantively similar to such invalid or unenforceable provision, and the remainder of this Lease and the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby. Nothing contained in this Lease shall be construed as permitting Landlord to charge or receive interest in excess of the maximum rate allowed by law.

25.8 Feminine, masculine or neuter pronouns shall be substituted for those of another form, and the plural or singular shall be substituted for the other number, in any place in which the context may require such substitution.

25.9 The provisions of this Lease shall be binding upon and inure to the benefit of the parties and each of their respective representatives, successors and assigns, subject to the provisions herein restricting assignment or subletting.

25.10 This Lease contains and embodies the entire agreement of the parties hereto and supersedes all prior agreements, negotiations, letters of intent, proposals, representations, warranties, understandings, suggestions and discussions, whether written or oral, between the parties hereto. Any representation, inducement, warranty, understanding or agreement that is not expressly set forth in this Lease shall be of no force or effect. This Lease may be modified or changed in any manner only by an instrument signed by both parties. This Lease includes and incorporates all exhibits, schedules and riders attached hereto. Tenant shall, at Landlord's request, promptly execute any requisite document, certificate or instrument that is reasonably necessary or desirable to clarify or carry out the force and effect of any terms or conditions of, or obligation of Tenant under, this Lease.

25.11 This Lease shall be governed by the Laws of the jurisdiction in which the Building is located, without regard to the application of choice of law principles. There shall be no presumption that this Lease be construed more strictly against the party who itself or through its agent prepared it (it being agreed that all parties hereto have participated in the preparation of this Lease and that each party had the opportunity to consult legal counsel before the execution of this Lease). No custom or practice which may evolve between the parties in the administration of the terms of this Lease shall be construed to waive Landlord's right to insist on Tenant's strict performance of the terms of this Lease.

25.12 Headings are used for convenience and shall not be considered when construing this Lease.

25.13 The submission of an unsigned copy of this document to Tenant shall not constitute an offer or option to lease the Premises. This Lease shall become effective and binding only upon execution and delivery by both Landlord and Tenant.

25.14 Time is of the essence with respect to each of Tenant's and Landlord's obligations hereunder.

25.15 This Lease may be executed in multiple counterparts, each of which shall be deemed an original and all of which together constitute one and the same document. Faxed signatures or signatures delivered by other electronic means (e.g., .pdf signatures) shall have the same binding effect as original signatures.

25.16 Neither this Lease nor a memorandum thereof shall be recorded.

25.17 Landlord reserves the right to make reasonable changes and modifications to the plans and specifications for Building without Tenant's consent, provided such changes or modifications do not materially and adversely change the character of same.

25.18 Except as otherwise provided in this Lease, any additional rent or other sum owed by Tenant to Landlord, and any cost, expense, damage or liability incurred by Landlord for which Tenant is liable, shall be considered additional rent payable pursuant to this Lease to be paid by Tenant no later than thirty (30) days after the date Landlord notifies Tenant of the amount thereof.

25.19 Tenant's liabilities and obligations with respect to the period prior to the expiration or earlier termination of the Lease Term shall survive such expiration or earlier termination. Landlord's liabilities and obligations with respect to refund of the security deposit or overpayments by Tenant of Real Estate Taxes or Operating Charges, if and to the extent required by the provisions of this Lease, shall survive the expiration or earlier termination of this Lease.

25.20 If Landlord or Tenant is in any way delayed or prevented from performing any obligation (except, with respect to Tenant, its obligations to pay rent and other sums due under this Lease, any obligation set forth in Exhibit B, any obligation with respect to insurance pursuant to Article XIII, any obligation to give notice with respect to extensions, expansions or otherwise, any holdover and the time periods set forth in Section 3.3 (except as provided therein) and Article 17 hereof) due to fire, act of God, governmental act or failure to act, strike, labor dispute, inability to procure materials, or any cause beyond Landlord's or Tenant's (as applicable) reasonable control (whether similar or dissimilar to the foregoing events) ("Force Majeure event"), then the time for performance of such obligation shall be excused for the period of such delay or prevention and extended for a period equal to the period of such delay or prevention. No force majeure event shall delay the Lease Commencement Date or excuse the timely payment of any sums due under the Lease unless the Force Majeure event affects banking systems. Financial disability or hardship shall never constitute a force majeure event.

25.21 Landlord's review, approval and consent powers (including the right to review plans and specifications) are for its benefit only. Such review, approval or consent (or conditions imposed in connection therewith) shall be deemed not to constitute a representation concerning legality, safety or any other matter. However, subsequent to such review, Landlord may not claim such plans and specifications are illegal or unsafe unless such determination has been made by a third party.

25.22 The deletion of any printed, typed or other portion of this Lease shall not evidence the parties' intention to contradict such deleted portion. Such deleted portion shall be deemed not to have been inserted in this Lease.

25.23 At the expiration or earlier termination of the Lease Term, Tenant shall deliver to Landlord all keys and security cards to the Building and the Premises, whether such keys were furnished by Landlord or otherwise procured by Tenant, and shall inform Landlord of the combination of each lock, safe and vault, if any, in the Premises.

25.24 Tenant represents and warrants that the person executing and delivering this Lease on Tenant's behalf is duly authorized to so act; that Tenant is duly organized, is qualified to do business in the jurisdiction in which the Building is located, is in good standing under the Laws of the state of its organization and the Laws of the jurisdiction in which the Building is located, and has the power and authority to enter into this Lease; that Tenant is not, and the entities or individuals constituting Tenant or which may own or control Tenant or which may be owned or controlled by Tenant are not, among the individuals or entities identified on any list compiled by the U.S. Government for the purpose of identifying suspected terrorists, and Tenant is not engaging in this transaction on behalf of any such individual or entity; that Tenant is not in violation of any anti-money laundering Law; and that all action required to authorize Tenant and such person to enter into this Lease has been duly taken.

25.25 Intentionally Omitted.

25.26 In the event Landlord or Tenant is required or elects to take legal action against the other party to enforce the provisions of this Lease, then the prevailing party in such action shall be entitled to collect from the other party its reasonable costs and expenses incurred in connection with the legal action (including reasonable attorneys' fees and court costs). Notwithstanding the foregoing, if Landlord shall take any legal action for collection of rent or file any eviction proceedings (whether summary or otherwise) for the non-payment of rent, and Tenant shall make payment of such rent prior to the rendering of any judgment, the Landlord shall be entitled to collect and Tenant shall pay as additional rent all filing fees and other reasonable costs in connection therewith (including reasonable attorneys' fees).

25.27 As an inducement to Landlord to enter into this Lease, Tenant hereby represents and warrants that: (i) Tenant is not, nor is it owned or controlled directly or indirectly by, any person, group, entity or nation named on any list issued by the Office of Foreign Assets Control of the United States Department of the Treasury ("OFAC") pursuant to Executive Order 13224 or any similar list or any law, order, rule or regulation or any Executive Order of the President of the United States as a terrorist, "Specially Designated National and Blocked Person" or other banned or blocked person (any such person, group, entity or nation being hereinafter referred to as a "Prohibited Person"); (ii) Tenant is not (nor is it owned or controlled, directly or indirectly, by any person, group, entity or nation which is) acting directly or indirectly for or on behalf of any Prohibited Person; and (iii) from and after the effective date of the above-referenced Executive Order, Tenant (and any person, group, or entity which Tenant controls, directly or indirectly) has not knowingly conducted nor will knowingly conduct business nor has knowingly engaged nor will knowingly engage in any transaction or dealing with any Prohibited Person in violation of the U.S. Patriot Act or any OFAC rule or regulation, including, without limitation, any assignment of this Lease or any subletting of all or any portion of the Premises or the making or receiving of any contribution of funds, goods or services to or for the benefit of a Prohibited Person in violation of the U.S. Patriot Act or any OFAC rule or regulation. In connection with the foregoing, it is expressly understood and agreed that (x) any breach by Tenant of the foregoing representations and warranties shall be deemed a default by Tenant under Article XIX of this Lease and shall be covered by the indemnity provisions of this Lease, (y) Tenant shall be responsible for ensuring that all assignees of this Lease and all subtenants or other occupants of the Premises comply with the foregoing representations and warranties, and (z) the representations and warranties contained in this subsection shall be continuing in nature and shall survive the expiration or earlier termination of this Lease.

25.28 Landlord is aware that the Tenant, or its affiliates, will file this lease with the SEC. In addition, both parties shall notify each other prior to issuing any press release relating to the execution of this Lease, and will coordinate the release of any such statements.

25.29 Landlord will promptly notify Tenant in writing if it intends to market the Building or the Land for sale or otherwise sell or transfer its interest in the Building or the Land.

ARTICLE XXVI
RENEWAL OPTIONS

ARTICLE XXVII
RIGHTS OF FIRST OFFER

ARTICLE XXVIII
EARLY TERMINATION OPTION

Tenant shall have the one-time right to terminate the Lease on June 30, 2023 (the "Early Termination Date"), provided: (a) Tenant delivers a written notice ("Early Termination Notice") to Landlord of its intention to terminate no later than December 31, 2021, time being of the essence; (b) Tenant is not in default (beyond applicable cure periods) at the time the Early Termination Notice is delivered; and (c) Tenant delivers to Landlord, a payment ("Termination Fee") equal to .

ARTICLE XXIX
ROOF ACCESS

29.1 Subject to the satisfaction, in Landlord's reasonable judgment, of all of the conditions set forth in this Article, Tenant, at Tenant's sole cost and expense, may install and once installed shall

maintain up to three (3) satellite dishes or similar antennae devices not exceeding 2 feet in diameter (each, a "Satellite Dish" or, collectively, the "Satellite Dishes") on the roof of the Building for use in connection with Tenant's business in the Premises. Notwithstanding anything in this Article to the contrary, Tenant shall not be permitted to install the Satellite Dishes unless (i) each Satellite Dish conforms to the specifications and requirements set forth in the drawings and specifications prepared by a licensed professional (the "Satellite Dish Drawings"), which Satellite Dish Drawings shall be subject to the prior written approval of Landlord, which approval shall not be unreasonably withheld or delayed, (ii) Landlord approves, which approval shall not be unreasonably withheld conditioned or delayed, the capacity, power, location and proposed placement and method of installation of each Satellite Dish, and (iii) Tenant obtains, at its sole cost and expense, and provides copies to Landlord of all necessary governmental permits and approvals, including, without limitation, those of the Las Colinas Association and special exception permits, if applicable, for the installation of the Satellite Dish equipment upon the Building. Tenant, at Landlord's direction, shall cause the Satellite Dishes to be painted in a nonmetallic paint. In addition, if the installation of any Satellite Dish on the roof of the Building would penetrate the roof of the Building, then Tenant shall not be permitted to install such Satellite Dish unless Tenant warrants and guaranties the roof to the extent that Landlord will lose its existing roof warranty or guaranty and unless Landlord approves, in writing, any such effect on the Building's structure or service systems or any such structural alteration, which approval may be granted or withheld by Landlord in its sole discretion. The Satellite Dishes shall be installed by a contractor reasonably acceptable to both Landlord and Tenant and thereafter shall be properly maintained by Tenant, all at Tenant's sole expense. At the expiration or earlier termination of the Term, the Satellite Dishes shall be removed from the roof of the Building at Tenant's sole cost and expense and that portion of the roof of the Building that has been affected by the Satellite Dishes shall be returned to the condition it was in prior to the installation of the Satellite Dishes. Tenant shall pay all subscription fees, usage charges and hookup and disconnection fees associated with Tenant's use of the Satellite Dishes and Landlord shall have no liability therefor. All of the applicable provisions of this Lease, including, without limitation, the insurance, maintenance, repair, release and indemnification provisions shall apply to Tenant's installation, operation, maintenance and removal of the Satellite Dishes.

29.2 Except as shown on the Satellite Dish Drawings, as reasonably approved by Landlord, Tenant shall not make any modification to the design, structure or systems of the Building, required in connection with the installation of the Satellite Dishes without Landlord's prior written approval of such modification and the plans therefor, which approval may be granted, conditioned or withheld by Landlord in its sole but reasonable discretion. The preceding sentence notwithstanding, Landlord acknowledges and agrees that Tenant may use the conduits connecting the Premises to the roof of the Building in conjunction with the installation of the Satellite Dishes on the roof of the Building and the connection of the Satellite Dishes to the Premises for use in Tenant's business. Tenant agrees that, in addition to any indemnification provided Landlord in this Lease, Tenant shall indemnify and shall hold Landlord and its employees, shareholders, partners, officers and directors, harmless from and against all costs, damages, claims, liabilities and expenses (including attorney's fees and any costs of litigation) suffered by or claimed against Landlord, directly or indirectly, based on, arising out of or resulting from Tenant's use of the Satellite Dishes and/or the conduits to connect the Premises to the Satellite Dishes. In addition, Tenant shall be liable to Landlord for any actual damages suffered by Landlord or any other tenant or occupant of the Building for any cessation or shortages of electrical power or any other systems failure arising from Tenant's use of the conduits to connect the Premises to the Satellite Dishes.

29.3 Tenant, at its sole cost and expense, shall secure all necessary permits and approvals from all applicable governmental agencies with respect to the size, placement and installation of the Satellite Dishes. In the event Tenant is unable to obtain the necessary approvals and permits from any applicable federal, state, county or other local governing authorities for the Satellite Dishes, Tenant shall have no remedy, claim, cause of action or recourse against Landlord, nor shall such failure or inability to obtain any necessary permits or approvals provide Tenant the opportunity to terminate this Lease.

29.4 Landlord makes no representations or warranties concerning the suitability of the roof of the Building for the installation operation, maintenance and repair of the Satellite Dishes, Tenant having satisfied itself concerning such matters.

29.5 Tenant shall not have access to the Satellite Dishes without Landlord's prior written consent, which consent shall be granted to the extent necessary for Tenant to perform its maintenance obligations hereunder only and only if Tenant is accompanied by Landlord's representative (if Landlord so requests). Any such access by Tenant shall be during Building Hours and subject to reasonable rules and regulations relating thereto established from time to time by Landlord, including without limitation rules and regulations prohibiting such access unless Tenant is accompanied by Landlord's representative.

29.6 Upon at least thirty (30) days' prior written notice to Tenant, Landlord shall have the right to require Tenant to relocate any of the Satellite Dishes, if in Landlord's opinion such relocation is

necessary or desirable. Any such relocation shall be performed by Tenant at Landlord's expense, and in accordance with all of the requirements of this Section. Nothing in this Section shall be construed as granting Tenant any line of sight easement with respect to any such Satellite Dish; provided, however, that if Landlord requires that any such Satellite Dish be relocated in accordance with the preceding two (2) sentences, then Landlord shall use reasonable efforts to provide either (a) the same line of sight for such Satellite Dish as was available prior to such relocation, or (b) a line of sight for such Satellite Dish which is functionally equivalent to that available prior to such relocation.

29.7. It is expressly understood that by granting Tenant the right hereunder, Landlord makes no representation as to the legality of such Satellite Dishes or their installation. In the event that any federal, state, county, regulatory or other authority requires the removal or relocation of a Satellite Dish, Tenant shall remove or relocate such Satellite Dish at Tenant's sole cost and expense, and Landlord shall under no circumstances be liable to Tenant therefor.

29.8. The Satellite Dishes may be used by Tenant only in the conduct of Tenant's customary business in the Premises. No assignee or subtenant shall have any rights pursuant to this Article.

29.9. Tenant shall maintain such insurance as is appropriate with respect to the installation, operation and maintenance of the Satellite Dishes. Landlord shall have no liability on account of any damage to or interference with the operation of the Satellite Dishes except for physical damage caused by Landlord's gross negligence or willful misconduct and Landlord expressly makes no representations or warranties with respect to the capacity for a Satellite Dish placed on the roof of the Building to receive or transmit signals. The operation of the Satellite Dishes shall be at Tenant's sole and absolute risk. Tenant shall in no event interfere with the use of any other communications equipment located on the roof of the Building.

29.10. The Project is currently equipped with a sonet ring which encompasses all three Buildings and conduits connecting each Building. Subject to and in accordance with the provisions of this Article XXVIII (as applicable), Tenant shall have the non-exclusive right to utilize such sonet ring and conduits for connectivity between the 6031 Building and the Building. Subject to obtaining the appropriate license agreements, and at Tenant's sole cost and expense, Tenant's telecommunication provider may connect service and install fiber and Landlord shall not charge a fee therefor.

ARTICLE XXX
GENERATOR AND UNINTERRUPTED POWER SUPPLY

30.1. Right to Use Existing Generator and to Install New Generator. Tenant shall have the right, at Tenant's expense (but without payment of any usage fee to Landlord), to utilize at the Building the existing 750 KVA emergency diesel generator located at the southeast corner of the Building (together with any associated equipment, the "Existing Generator"); provided, however, that any costs attributable to the Existing Generator's use by Landlord to satisfy any Building life/safety requirements shall be included in Operating Charges. Landlord makes no representations or warranties whatsoever with respect to the Existing Generator. Tenant also shall have the right, at Tenant's expense and for its own use, to purchase, install, maintain and operate at the Building an emergency power generator (the "New Generator") (where appropriate, the Existing Generator and the New Generator shall be referred to herein together as the "Generators") and a fuel tank (the "Tank") for the New Generator. The New Generator shall be located on the existing pad site located at the southeast corner of the Building. Tenant shall have the right to connect the New Generator to the Building. Tenant shall deliver to Landlord detailed plans and specifications for the New Generator and the Tank and a copy of Tenant's contract for installing the New Generator and the Tank, which plans and specifications and contract and the location of the New Generator and Tank shall be subject to Landlord's reasonable approval. If Landlord determines it to be reasonably necessary, Landlord shall have the right to require, at Tenant's expense, that an engineering or other report be prepared prior to Landlord's approval of the proposed New Generator and Tank.

30.2. Costs. Tenant shall pay all costs of purchase (no part of which shall be paid from the Improvements Allowance), design, installation, operation, utilization, replacement, maintenance and removal (including any damage to the Building) of the New Generator and the Tank.

30.3. Permits. Tenant shall be responsible for procuring all licenses and permits required for the installation, use or operation of the New Generator and the Tank, including, without limitation, the Las Colinas Association, and Landlord makes no representations or warranties regarding the permissibility or the permitability of the New Generator and the Tank under applicable laws.

30.4. Removal**.** Upon the expiration or earlier termination of this Lease, Tenant, at Tenant's expense, shall remove the New Generator and related wiring and other equipment associated therewith and shall repair any damage to the Project caused by such removal; provided, however, Landlord shall

have the right to elect to have either or both Generators remain at the Building in which event such equipment shall be the property of Landlord and Tenant shall deliver to Landlord an executed bill of sale for the New Generator upon Landlord's request. Landlord shall not be deemed to make such election unless Landlord delivers its written notice of such election to Tenant.

30.5. Insurance**.** Tenant shall insure the Generators under such policies, with such insurers, in such amounts and upon such terms as Landlord shall reasonably require. Tenant shall pay Landlord within thirty (30) days after demand by Landlord any increase(s) in Landlord's insurance premium(s) attributable to the Generators.

30.6. Maintenance**.** Tenant shall maintain the New Generator and any related equipment in a clean and safe manner throughout the Term of the Lease. In addition, all repairs to the Building and/or the Project made necessary by reason of the installation, maintenance and operation of the New Generator shall be Tenant's expense. If Tenant elects to use the Existing Generator for purposes other than the provision of back-up power to the Building's emergency life safety systems, Tenant shall pay for or reimburse Landlord for any operation and maintenance costs attributable to such use of the Existing Generator and any related equipment by Tenant. If Tenant elects not to use the Existing Generator, Landlord shall use the Existing Generator for emergency life safety systems only, and its cost to maintain the Existing Generator and any related equipment in a clean and safe manner throughout the Term of the Lease shall be an Operating Charge.

30.7. Additional Provisions**.** Any operation of the Generators for testing or upkeep purposes shall be conducted only at times not falling within the normal hours of operation of the Building. Tenant shall immediately take all actions necessary to properly remediate any spillage or leak of fuel from the Generators, and shall promptly furnish Landlord with a copy of any notice received from any governmental authority relating to any claimed spillage or leak of fuel.

30.8. Indemnification**.** Tenant's indemnification obligations set forth in the Lease with regard to the Premises shall also apply to the Generators.

30.9. Uninterrupted Power Supply. Tenant shall have the right to use the existing 2N plus 1 to two (2) Mitsubishi 500 KW uninterrupted power supply ("UPS") systems (with approximately one hour of battery backup) on the first (1st) and second (2nd) floors of the Building at no cost to Tenant. Landlord makes no representations or warranties of any kind with respect to the UPS systems.

ARTICLE XXXI
CAFETERIA

31.1 Tenant will have the right, at its option to install and operate, at Tenant's cost and expense, a full service cafeteria within the Premises for Tenant's exclusive use subject to Landlord approval relative to location and design. Tenant may operate the cafeteria itself or may contract with a vendor of its choice, subject to Landlord's reasonable approval.

31.2 Any construction required shall be subject to all applicable provisions of this Lease, including, without limitation, those with respect to Alterations.

31.3 Tenant and/or its vendor shall operate the cafeteria in a clean, safe and sanitary condition, in compliance with all Laws, and the following:

(a) Tenant shall be responsible for pest control services within the cafeteria in order to prevent or eliminate infestations which may spread to other portions of the Building. Such services are to be performed at least once a month by a properly licensed and bonded contractor (which contractor shall be either Landlord's pest control provider or a contractor reasonably approved by Landlord who will coordinate its services with Landlord's provider) and will be in conformance with all local, Texas and federal codes, standards and regulations, and in conformance with Landlord's rules and regulations regarding pest control. If Landlord believes that Tenant is not fulfilling its obligations with respect to pest control, Landlord may undertake such services and charge Tenant for the cost thereof, which costs shall constitute Additional Rent hereunder.

(b) Tenant agrees to maintain in good working order and repair the kitchen and dishwasher exhaust ducts for the cafeteria. Tenant shall deliver to Landlord, within thirty (30) days after installation within the Premises, all warranty and maintenance booklets/information regarding the kitchen and dishwasher exhaust systems installed in, or servicing, the cafeteria. Tenant shall employ a contractor, reasonably approved by Landlord, to undertake the complete cleaning of: (i) the exhaust duct within the cafeteria, the roof exhaust fan unit and the vertical vent stack leading to such fan unit, on at least a quarterly basis; and (ii) the kitchen hoods, including replacement of the filters, on a weekly basis, and the maintenance of any cleaning or self-cleaning mechanism. At Landlord's request, Tenant shall furnish

Landlord with copies of all paid invoices evidencing that such work has been undertaken by Tenant. The frequency of cleaning shall be increased upon thirty (30) days' prior written notice from Landlord if Landlord's chief engineer reasonably determines that the same is necessary. Tenant shall be responsible for all repairs and replacements of all exhaust equipment within the cafeteria and also for the roof exhaust fan unit.

(c) If a grease trap is required to properly serve the cafeteria, Tenant agrees to provide and maintain a proper grease trap system to prevent any clogging or maintenance problem with the Building's plumbing system. Tenant shall deliver to Landlord, within thirty (30) days after its installation within the Premises, all warranty and maintenance booklets/information regarding the grease trap system in the cafeteria. All grease caught in the grease trap shall be stored in secure, sanitary containers designed for such purpose (and not in any dumpster used in the Building, whether Landlord's or Tenant's), separate from Tenant's other refuse. Tenant shall maintain in good working order the Building's plumbing lines connected to the cafeteria by contracting for monthly cleaning of the grease trap and all of the Building plumbing lines connected to the cafeteria. Tenant's contractor shall be licensed in Texas to collect and properly dispose of such waste and shall be approved by Landlord, and, at Landlord's request, Tenant shall furnish Landlord with copies of all paid invoices monthly. In cleaning the grease trap, removing all grease therefrom and hauling away such grease from the Premises, Tenant's contractor shall place the grease so removed in separate sanitary containers and dispose of same in accordance with all applicable laws and regulations. The frequency of cleaning shall be increased upon ten (10) days' prior written notice from Landlord if Landlord's chief engineer reasonably determines that the same is necessary. Tenant shall be responsible for and shall indemnify Landlord against any and all damages, costs or expenses caused by Tenant's operation of the cafeteria, including but not limited to leaks and plumbing backups caused thereby or resulting therefrom.

ARTICLE XXXII
BUILDING MANAGEMENT

32.1 If, during the Term, including any renewals thereof, Landlord sells the Building, provided Tenant is not in default beyond applicable notice and cure periods hereunder, then Tenant shall have the right, upon delivery to Landlord of at least six (6) months' prior written notice, to self-manage the Building with respect to (i) HVAC; (ii) elevator service; (iii) janitorial and cleaning services; and/or (iv) security services. Within thirty (30) days after Landlord's receipt of such notice, Landlord and Tenant shall negotiate in good faith an amendment to this Lease reflecting each party's respective obligations and duties relating to such self-management.

ARTICLE XXXIII
ENVIRONMENTAL PRACTICES

33.1 Landlord will utilize commercially reasonable efforts to achieve an Energy Star rating (subject to Tenant's use of the Premises) and BOMA 360 designation for the Building and to maintain such rating and designation during the Lease Term. Tenant will provide any necessary documentation requested by Landlord to facilitate Landlord's pursuit of certification of the Premises.

33.2 Landlord shall permit Tenant to install, at Tenant's sole cost and expense, secure on-site bicycle racks and/or storage for at least of Tenant's employees, the location and installation of which shall be subject to Landlord's and the association's approval.

33.3 Landlord and Tenant agree to use reasonable efforts to abide by a low-environmental impact cleaning policy, including the use of green cleaning materials, products, and equipment, unless such policy and materials result in a material increase in costs. Any contracts with janitorial service providers must require compliance with green cleaning practices, unless such practices result in a material increase in costs. Landlord and Tenant shall agree upon recycling systems for both operations and construction waste, waste separation requirements for Tenant, and outline how Landlord can reasonably accommodate recycling of Tenant waste materials.

33.4 Landlord shall perform HVAC maintenance regularly and, when reasonably necessary, assess and remove any contaminants as required. Landlord and Tenant shall prohibit smoking within 25 feet of entrances, operational windows and air intakes. A specific location for smoking will be designated by Landlord. Tenant shall cooperate with Landlord in enforcing the location.

33.5 Landlord and Tenant shall employ general and subcontractor personnel who are experienced in green building practices. Construction materials shall be procured sustainably, with a preference for low-VOC, recycled and recyclable materials. All work plans must comply with ASHRAE 189.1 or with standards as may be imposed by Law.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease under seal as of the day and year first above written.

LANDLORD:

WITNESS/ATTEST:

PIEDMONT OPERATING PARTNERSHIP, LP,
a Delaware limited partnership

By: Piedmont Office Realty Trust, Inc.,
a Maryland Corporation,
its sole General Partner

[illegible]

By: /s/ George M. Wells
Name: George M. Wells
Title: Senior Vice President

WITNESS/ATTEST:

TENANT:

EPSILON DATA MANAGEMENT, LLC,
a Delaware limited liability company

/s/ Frances De Gennaro

By: /s/ Charles L. Horn
Name: Charles L. Horn
Title: Vice President

RIDER 1 – GENERAL DEFINITIONS

Access Card Allotment: Four and one-half (4.5) access cards per 1,000 square feet of rentable area in the Premises. Tenant shall reimburse Landlord for the cost to replace lost or stolen access cards or to provide additional access cards for new employees at Landlord's then standard charge, currently per access card.

ADA: the Americans with Disabilities Act and the regulations promulgated thereunder, as the same may be amended from time to time.

Affiliate of Tenant: (i) a corporation or other business entity (a "successor corporation") into or with which Tenant shall be merged or consolidated, or to which substantially all of the assets of Tenant (or a beneficial interest therein) may be transferred or sold, provided that the successor corporation (unless Tenant is the successor corporation) shall assume in writing all of the obligations and liabilities of Tenant under this Lease and the proposed use of the Premises is in compliance with Article VI; or (ii) a corporation or other business entity (a "related corporation") which shall control, be controlled by or be under common control with Tenant, provided that such related corporation shall assume in writing all of the obligations and liabilities of Tenant under this Lease (without relieving Tenant therefrom) and the proposed use of the Premises is in compliance with Article VI. For purposes of clause (ii) above, "control" shall be deemed to be ownership of more than of the stock or other voting interest of the controlled corporation or other business entity.

Agents: any agent, employee, subtenant, assignee, contractor, client, family member, licensee, customer, invitee or guest of a party.

Alterations: any structural or other alterations, decorations, additions, installations, demolitions, improvements or other changes.

Approved Space Plan: a space plan, approved by both Landlord and Tenant, drawn to scale which shall include, as Landlord deems reasonably necessary, all partition types and locations; all doors and hardware requirements; all light fixtures and exit lights; all finish materials including glass, wall and floor finishes; all special ceiling conditions; all cabinetry and millwork with elevations and details; all modifications to existing base building HVAC equipment, all electrical receptacles; all data and voice locations; all floor load requirements which exceed eighty (80) pounds per square foot live load and twenty (20) pounds per square foot dead load; and the seating capacity of all conference rooms and furniture workstation areas; and all other necessary information requested by Landlord. Any plans prepared by Tenant shall be prepared by a licensed architect approved by Landlord (which approval shall not be unreasonably withheld or delayed) and in a form sufficient to secure approvals of applicable governmental authorities.

Bankruptcy Code: Title 11 of the United States Code, as amended.

Building Directory Share: one (1) listing.

Building Structure and Systems: the exterior and common area walls, main lobby in the Building, slab floors, exterior windows, load bearing elements, foundations, all other structural elements, roof and common areas that form a part of the Building, and the building mechanical, electrical, lighting, HVAC, life safety (including sprinklers) and plumbing systems, pipes and conduits that are provided by Landlord in the operation of the Building.

Cabling: telephone, computer and other communications and data systems and cabling.

Case: a formal proceeding in which Tenant is the subject debtor under the Bankruptcy Code.

Common Areas: (i) the areas identified as Building Common Areas on Exhibit J attached to this Lease and (ii) the common and public areas and facilities and improvements to the Land outside of the Building which are from time to time provided by Landlord for the use or benefit of all tenants in the Project or for use or benefit by the public in general, including (a) any and all non-exclusive grounds, parks, landscaped areas, plazas, outside sitting areas, sidewalks, tunnels, pedestrian ways, sky bridges, loading docks, and (b) generally all other common and public improvements on the Land, including the Parking Facilities.

Construction Drawings: the architectural, mechanical and engineering working drawings that define the total scope of work to be performed by Landlord or Tenant, as applicable, in sufficient detail to secure required permits from the local jurisdiction and that include, without limitation: key plan; all legends and schedules; construction plan; reflected ceiling plan; telephone and electrical outlet location plan; finish plan; and all architectural details, elevations and specifications necessary to construct the Premises.

Cosmetic Changes: those minor, non-structural Alterations of a decorative nature consistent with a first-class office building for which a building permit is not required and which cost (including installation) in the aggregate less than per project or series of related projects (as reasonably determined by Landlord), such as painting, carpeting and hanging pictures.

Costs: any costs, damages, claims, liabilities, expenses (including reasonable attorneys' fees), losses, penalties and court costs.

Default Rate: the greater of per annum or the rate per annum which is than the Prime Rate published in the Money Rates section of the Wall Street Journal.

Environmental Default: any of the following by Tenant or any Agent of Tenant: a violation of an Environmental Law or a release, spill or discharge of a Hazardous Material on or from the Premises, the Land or the Building.

Environmental Law: any present and future Law and any amendments (whether common law, statute, rule, order, regulation or otherwise), permits and other requirements or guidelines of governmental authorities applicable to the Building or the Land and relating to the environment and environmental conditions or to any Hazardous Material (including CERCLA, 42 U.S.C. § 9601 et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. § 6901 et seq., the Hazardous Materials Transportation Act, 49 U.S.C. § 1801 et seq., the Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq., the Clean Air Act, 42 U.S.C. § 7401 et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., the Safe Drinking Water Act, 42 U.S.C. § 300f et seq., the Emergency Planning and Community Right-To-Know Act, 42 U.S.C. § 1101 et seq., the Occupational Safety and Health Act, 29 U.S.C. § 651 et seq., and any so-called "Super Fund" or "Super Lien" law, any Law requiring the filing of reports and notices relating to hazardous substances, environmental laws administered by the Environmental Protection Agency, and any similar state and local Laws, all amendments thereto and all regulations, orders, decisions, and decrees now or hereafter promulgated thereunder concerning the environment, industrial hygiene or public health or safety).

ERISA: the Employee Retirement Income Security Act of 1974, as amended.

Event of Bankruptcy: the occurrence with respect to any of Tenant, any Guarantor or any other person liable for Tenant's obligations hereunder (including any general partner of Tenant) of any of the following: (a) such person becoming insolvent, as that term is defined in the Bankruptcy Code or Insolvency Laws; (b) appointment of a receiver or custodian for any property of such person, or the institution of a foreclosure or attachment action upon any property of such person; (c) filing by such person of a voluntary petition under the provisions of the Bankruptcy Code or Insolvency Laws which is not dismissed within sixty (60) days after filing; (d) filing of an involuntary petition against such person as the subject debtor under the Bankruptcy Code or Insolvency Laws, which either (1) is not dismissed within sixty (60) days after filing, or (2) results in the issuance of an order for relief against the debtor; or (e) such person making or consenting to an assignment for the benefit of creditors or a composition of creditors, or (f) an admission by Tenant or Guarantor of its inability to pay debts as they become due.

Event of Default: any of the following: (a) Tenant's failure to make when due any payment of the Base Rent, additional rent or other sum, which failure shall continue for a period of five (5) days after Tenant's receipt or refusal of Landlord's written notice thereof; (b) Tenant's material failure to perform or observe any covenant or condition of this Lease not otherwise specifically described in Section 19.1, which failure shall continue for a period of thirty (30) days after Landlord sends Tenant written notice thereof (or such shorter period as is appropriate if such failure is capable of being cured sooner); provided, however, that if such cure cannot reasonably be effected within such thirty (30) day period and Tenant begins such cure promptly within such thirty (30) day period and is pursuing such cure in good faith and with diligence and continuity during such thirty (30) day period, then Tenant shall have such additional time as is reasonably necessary to effect such cure; (c) an Event of Bankruptcy; (d) Tenant's dissolution or liquidation; or (e) any Environmental Default.

Final Construction Drawings: the Construction Drawings as approved (or deemed approved pursuant to Exhibit B) by Tenant and Landlord.

Hazardous Materials: (a) asbestos and any asbestos containing material and any substance that is then defined or listed in, or otherwise classified pursuant to, any Environmental Law or any other applicable Law as a "hazardous substance," "hazardous material," "hazardous waste," "infectious waste," "toxic substance," "toxic pollutant" or any other formulation intended to define, list, or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, toxicity, reproductive toxicity, or Toxicity Characteristic Leaching Procedure (TCLP) toxicity, (b) any petroleum and drilling fluids, produced waters, and other wastes associated with the exploration, development or production of crude oil, natural gas, or geothermal resources, (c) toxic mold, mildew or any substance that reasonably can be expected to give rise to toxic mold or mildew, or (d) any petroleum product, polychlorinated biphenyls, urea formaldehyde, radon gas, radioactive material (including any source, special nuclear, or by-product material), medical waste, chlorofluorocarbon, lead or lead-based product, and any other substance whose presence could be detrimental to the Building or the Land or hazardous to health or the environment.

including: including, but not limited to; including, without limitation; and words of similar import.

Insolvency Laws: the insolvency Laws of any state.

IRC: Internal Revenue Code of 1986, as amended.

Land: the site upon which the Building is constructed.

Landlord Insured Parties: Landlord's advisors, the managing agent of the Building and the holder of any Mortgage, in each case of whom Landlord shall have given notice to Tenant, and any other party that Landlord may reasonably designate in writing from time to time.

Landlord's Representatives: Landlord's affiliates, shareholders, partners, directors, officers, employees, agents and representatives.

Landlord's Work: As defined in Exhibit B.

Laws: all present and future laws, ordinances (including zoning ordinances and land use requirements), regulations, orders and recommendations (including those made by any public or private agency having authority over insurance rates).

Lease Year: a period of twelve (12) consecutive months commencing on the Lease Commencement Date as to the entire Premises, and each successive twelve (12) month period thereafter; provided, however, that if the Lease Commencement Date as to the entire Premises is not the first day of a month, then the second Lease Year shall commence on the first day of the month following the month in which the first anniversary of the Lease Commencement Date as to the entire Premises occurs.

Mortgages: all mortgages, deeds of trust, ground leases or other security instruments which may now or hereafter encumber any portion of the Building or the Land.

Operating Charges: all expenses, charges and fees actually incurred by or on behalf of Landlord in connection with the management, operation, maintenance, servicing, insuring and repair of the Project, in each case, determined in accordance with generally accepted accounting principles (GAAP), including the following: (1) electricity, gas, water, HVAC (including chilled condenser water), sewer and other utility and service costs, reasonable charges and fees (including any tap fees and connection and switching fees) of every type and nature; (2) premiums, deductibles (up to) and other charges for insurance; (3) management fees of not more than of the gross revenues of the Building (management fees shall not exceed similar fees charged in connection with the operation of similar Class A multi-tenant projects in the Las Colinas/Urban Center submarket area); (4) personnel costs of the Building (including all fringe benefits, workers' compensation insurance premiums and payroll taxes) (5) costs of service, equipment rental, access control, landscaping and maintenance contracts; (6) maintenance, repair and replacement expenses and supplies; (7) depreciation/amortization for capital expenditures made by Landlord to the extent that same actually reduce operating expenses, which shall be charged in annual installments equal to the greater of the savings realized or the amortized amount based upon the useful life of the items for which such costs are incurred, each calendar year such costs are charged to Operating Charges, together with interest, on the unamortized balance at interest rates charged for long term mortgages by institutional lenders; (8) charges for janitorial and cleaning services and supplies; (9) any business, professional or occupational license tax payable by Landlord with respect to the Building and any association fees; (10) sales, use and personal property taxes payable in connection with tangible personal property and services purchased for and used in connection with the Building; (11) reasonable third party accounting and audit fees relating to the determination of Operating Charges (and tenants' proportionate shares thereof) and the preparation of statements required by tenant leases; (12) expenses incurred in connection with concierge services provided to the Building (if any); (13) the fair market rental value of any on and off-site management office (of reasonable and customary size), pro-rated to the extent that such office provides services to buildings other than the Building; (14) special assessments, fees, penalties and other charges and costs for transit, transit encouragement traffic reduction programs, or any similar purpose; (15) all costs of operating, maintaining, repairing and replacing equipment in any function room or other amenity of the Building; (16) payments required in connection with a reciprocal easement or similar agreement to which the Landlord is bound; (17) costs incurred related to complying with Laws enacted after the Lease Commencement Date; and (18) any other expense incurred by Landlord in arm's-length transactions in connection with maintaining, repairing or operating the Building. Where applicable, Operating Charges shall be equitably allocated among the three (3) Buildings in the Project. Notwithstanding any provision contained in this Lease to the contrary, Operating Charges shall not include:

1) leasing commissions, fees and costs, advertising and promotional expenses and other costs incurred in procuring tenants or in selling the Building, Project or the real property upon which the Building is located;

2) legal fees or other expenses incurred in connection with enforcing leases with tenants in the Building;

3) costs of renovating or otherwise improving or decorating space for any tenant or other occupant of the Building or the Project, including Tenant, or relocating any tenant;

4) financing costs including interest and principal amortization of debts and the costs of providing the same;

5) except as otherwise expressly provided above, depreciation;

6) rental on ground leases or other underlying leases and the costs of providing the same;

7) wages, bonuses and other compensation of employees above the grade of Senior Property Manager, Building Manager or equivalent.

8) any liabilities, costs or expenses associated with or incurred in connection with the removal, enclosure, encapsulation or other handling of Hazardous Materials (as defined in Rider 1) and the cost of defending against claims in regard to the existence or release of Hazardous Materials at the Building or the Project (except with respect to those costs for which Tenant is otherwise responsible pursuant to the express terms of this Lease);

9) costs of any items for which Landlord is or is entitled to be paid or reimbursed by insurance;

10) increased insurance or Real Estate Taxes assessed specifically to any tenant of the Building or the Project for which Landlord is entitled to reimbursement from any other tenant;

11) charges for electricity, water, or other utilities, services or goods and applicable taxes for which Tenant or any other tenant, occupant, person or other party is obligated to reimburse Landlord or to pay to third parties;

12) cost of any HVAC, janitorial or other services provided to tenants on an extra cost basis after regular business hours;

13) the cost of installing, operating and maintaining any specialty service, such as a cafeteria, observatory, broadcasting facilities, child or daycare, for so long as Tenant is operating and maintaining any such service;

14) cost of correcting defects in the design, construction or equipment of, or latent defects in, the Building or the Project; due to the original construction.

15) cost of any work or service performed on an extra cost basis for any tenant in the Building or the Project to a materially greater extent or in a materially more favorable manner than furnished generally to the tenants and other occupants;

16) any cost representing an amount paid to a person firm, corporation or other entity related to Landlord that is in excess of the amount which would have been paid in the absence of such relationship;

17) cost of initial cleaning and rubbish removal from the Building or the Project to be performed before final completion of the Building or tenant space;

18) cost of initial landscaping of the Building or the Project;

19) except as expressly provided above in clause (7) of the first paragraph of the definition of Operating Charges, cost of any item that, under generally accepted accounting principles, are properly classified as capital expenses;

20) lease payments for rental equipment (other than equipment for which depreciation is properly charged as an expense) that would constitute a capital expenditure if the equipment were purchased;

21) cost of the initial stock of tools and equipment for operation, repair and maintenance of the Building or the Project;

22) late fees or charges incurred by Landlord due to late payment of expenses, except to the extent attributable to Tenant's actions or inactions;

23) cost of acquiring, securing sculptures, paintings and other works of art;

24) real estate taxes or taxes on Landlord's business (such as income, excess profits, franchise, capital stock, estate, inheritance, etc.);

25) charitable or political contributions;

26) reserve funds;

27) all other items for which another party compensates or pays so that Landlord shall not recover any item of cost more than once;

28) Landlord's general overhead and any other expenses not directly attributable to the operation and management of the Building and the Project (e.g. the activities of Landlord's officers and executives or professional development expenditures), except to the extent such expenses are equitably allocated among all buildings receiving services therefor;

29) costs and expenses incurred in connection with compliance with or contesting or settlement of any claimed violation of law or requirements of law, except to the extent attributable to Tenant's actions or inactions;

30) costs of mitigation or impact fees or subsidies (however characterized), imposed or incurred prior to the date of the Lease or imposed or incurred solely as a result of another tenant's or tenants' use of the Project or their respective premises.

31) cost of any work or services performed for any facility other than the Building or Site (except to the extent any Project costs are allocated to the Building);

32) to the extent that Landlord voluntarily institutes same, any costs related to public transportation, transit or vanpools, unless Tenant shall elect to participate in any such service;

33) costs occasioned by casualties (except to the extent of any deductible up to) or condemnation; and

34) increases in insurance costs caused by the activities of another occupant of the Project, and insurance deductibles and co-insurance payments in excess of .

Operating Charges Base Amount: the Operating Charges incurred during the Operating Charges Base Year, grossed-up to reflect a fully occupied Building. If Landlord carries a specific type of insurance on the Building or the Project that was not carried during the entire Operating Charges Base Year, then the Operating Charges Base Amount shall be increased to reflect the cost of such insurance if it had been carried during the entire Operating Charges Base Year.

Parking Facility: the parking facility adjacent to and in the garage of the Building

Permitted Recipient: the officers, partners and senior level employees of Tenant who are involved in lease administration, Tenant's certified public accountants who have responsibilities related to Operating Charges, Tenant's attorney if involved in the dispute, any employees of Tenant's auditor involved with the review, or any person or entity to whom disclosure is required by applicable judicial or governmental authority.

Prime Rate: the prime rate published in the Money Rates section of the Wall Street Journal.

Proposed Sublease Commencement Date: the anticipated commencement date of the proposed assignment, subletting or other transaction.

Proposed Sublet Space: the area proposed to be assigned, sublet or otherwise encumbered.

Real Estate Taxes Base Amount: the Real Estate Taxes incurred during the Real Estate Taxes Base Year which shall reflect a fully occupied and fully assessed Building.

Real Estate Taxes: (1) all real estate taxes, vault and/or public space rentals, business district or arena taxes, special user fees, rates and assessments (including general and special assessments, if any), ordinary and extraordinary, foreseen and unforeseen, which are imposed upon Landlord or assessed against the Building or the Land, or Landlord's personal property used in connection therewith; (2) any other present or future taxes or charges that are imposed upon Landlord or assessed against the Building which are in the nature of or in substitution for real estate taxes, including any tax levied on or measured by the gross rents payable by tenants of the Building, any public safety fee or similar charge, any transit, sales, rental, use, receipts or occupancy tax or fee, and any assessment imposed in connection with business improvement or similar districts; (3) the Texas margin tax and/or any other business tax imposed under Texas Tax Code Chapter 171 and/or any successor statutory provision; and (4) reasonable expenses (including reasonable attorneys' and consultants' fees and court costs) incurred in reviewing, protesting or seeking a reduction or abatement of, or defending or otherwise participating in any challenge to, real estate taxes, whether or not such protest or reduction is ultimately successful (provided, however, that such review, protest, or reduction attempt is undertaken in good faith by Landlord with the reasonable expectation to reduce Real Estate Taxes for the Building). For purposes of calculating increases in Real

Estate Taxes, the amount "incurred" by Landlord shall mean the amount which would be payable for Real Estate Taxes assuming Landlord receives the benefit of any early payment discounts. For property tax purposes, Tenant waives all rights to protest or appeal the appraised value of the Premises, as well as the Project, and all rights to receive notices of reappraisement as set forth in Sections 41.413 and 42.015 of the Texas Tax Code. Real Estate Taxes shall not include any inheritance, estate, gift, franchise, corporation, net income or net profits tax assessed against Landlord from the operation of the Building, any taxes assessed on improvements to the Building after the Lease Commencement Date (other than capital improvements for the benefit of Tenant) or any interest charges or penalties incurred as a result of Landlord's failure to timely pay Real Estate Taxes (provided that if the taxing authority permits a taxpayer to elect to pay in installments over more than one year, then, for purposes of determining the amount of Real Estate Taxes, Landlord shall be deemed to have elected to pay in installments over the longest possible term, and all interest charges and installments attributable to the Lease Term shall be deemed Real Estate Taxes). Real Estate Taxes shall not include any late payment fees.

Reconciliation Statement: a reasonably detailed written statement showing (1) Tenant's Proportionate Share of the amount by which Operating Charges, Electricity Costs or Real Estate Taxes, as applicable, incurred during the preceding calendar year exceeded, respectively, the Operating Charges Base Amount or the Real Estate Taxes Base Amount and (2) the aggregate amount of Tenant's estimated payments made on account of Operating Charges, Electricity Costs and Real Estate Taxes during such year

Retail Area Charges: those expenses, if any, that are solely attributable to and payable by tenants of the Retail Area (for example, expenses relating to janitorial, bussing and cleaning services; storage and removal of trash; maintenance and replacement of tables, chairs, trash receptacles and other furnishings or facilities; and electricity, gas, water, sewer and other utility service furnished solely to such space, to the extent applicable).
Structural and System Alterations: any Alteration that will or may necessitate any changes, replacements or additions to the load-bearing or exterior walls, non-drop ceilings, load-bearing partitions, columns or floor, or to the fire protection, water, sewer, electrical, mechanical, plumbing, HVAC or other base building systems, of the Premises or the Building.

Substantially Complete: Landlord's Work shall be substantially complete when (i) the work to be performed by Landlord in the Premises in accordance with Exhibit B to this Lease shall have been substantially completed notwithstanding that certain details of construction, mechanical adjustment or decoration remain to be performed, the noncompletion of which would not materially interfere with the permitted use of the Premises; and (ii) a Certificate of Occupancy has been issued for the Premises.

Tenant Items: all non-Building standard supplemental heating, ventilation and air conditioning equipment and systems installed by Tenant serving exclusively the Premises and any special tenant areas, facilities and finishes installed by Tenant, any special fire protection equipment, any telecommunications, security, data, computer and similar equipment installed or utilized by Tenant, cabling and wiring, kitchen/galley equipment and fixtures installed or utilized by Tenant, all other furniture, furnishings, equipment and systems of Tenant and all Alterations installed or utilized by Tenant.

Tenant's Sublease Request Notice: a notice to Landlord containing: the identity of a proposed assignee, subtenant or other party and its business; the terms of the proposed assignment, subletting or other transaction (including a copy of the proposed document for same); the Proposed Sublease Commencement Date; the Proposed Sublet Space; and a certification executed by Tenant and such party stating whether or not any premium or other consideration is being paid for the assignment, sublease or other transaction.

Trustee: a trustee-in-bankruptcy of Tenant under a Case.

CERTIFICATE AFFIRMING THE LEASE COMMENCEMENT DATE

This Certificate is being provided pursuant to that certain Lease Agreement dated as of August 1, 2013 (the "Lease"), by and between **PIEDMONT OPERATING PARTNERSHIP, LP**, a Delaware limited partnership ("Landlord") and **EPSILON DATA MANAGEMENT, LLC**, a Delaware limited liability company ("Tenant"). The parties to the Lease desire to confirm the following:

1. The Lease Commencement Date is June 6, 2014.

2. The initial Lease Term shall expire on June 30, 2026.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Certificate under seal on July 15, 2014.

WITNESS/ATTEST:

[Illegible]

LANDLORD:

PIEDMONT OPERATING PARTNERSHIP, LP,
a Delaware limited partnership

By: Piedmont Office Realty Trust, Inc.,
a Maryland Corporation,
its sole General Partner

By: /s/ Joseph H. Pangburn
Name: Joseph H. Pangburn
Title: Executive Vice President

WITNESS/ATTEST:

[Illegible]

TENANT:

EPSILON DATA MANAGEMENT, LLC,
a Delaware limited liability company

By: /s/ Janet Greenough
Name: Janet Greenough
Title: VP Global Real Estate

EXHIBIT 10.35

ASSUMPTION AND ASSIGNMENT AGREEMENT

THIS ASSUMPTION AND ASSIGNMENT AGREEMENT ("Agreement") is made as of this 16th day of September, 2014, by and among Coldwater Creek Merchandising & Logistics, Inc., a Delaware corporation, as debtor and debtor in possession ("Assignor"); Comenity Servicing, LLC, a Texas limited liability company ("Assignee"); and Foothill Shadows, LLC, a Delaware limited liability company ("Master Landlord").

I. The Leases.

Assignor is the lessee and Master Landlord is the lessor under the lease identified on Exhibit "A" (the "Master Lease") and for the premises as more specifically described on Exhibit "B" attached hereto (the "Property"). Assignor is also the sublandlord and Assignee is the subtenant under the sublease identified on Exhibit "C" (the "Sublease") and for the premises also more specifically described on Exhibit "D" (the "Premises").

II. The Assignor's Bankruptcy Case

Assignor, along with its affiliated debtors and debtors in possession (collectively, the "Debtors"), has filed a voluntary petition for relief pursuant to chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§101 et. seq. (as amended, the "Bankruptcy Code"), in the United States Bankruptcy Court for the District of Delaware (together with any other court having proper jurisdiction, the "Bankruptcy Court"), as Case No. 14-10867 (BLS).

III. The Assignor's Assignment of the Master Lease

Assignor has agreed to assign and Assignee has agreed to assume the Master Lease on the terms and conditions set forth herein (the "Assignment"), and as authorized under sections 363 and 365 of the Bankruptcy Code and proposed by the *Third Amended Joint Plan of Liquidation of Coldwater Creek Inc. and its Debtor Affiliates Pursuant to Chapter 11 of the*

Bankruptcy Code, dated August 8, 2014 [Docket No. 835] (the "Plan"), and Assignor has determined that an assumption and assignment of the Master Lease in accordance with sections 363 and 365 of the Bankruptcy Code is in the best interests of its creditors and interest holders.

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

A. Summary of Transaction - On and after the Closing Date (as defined herein) and pursuant to the terms and conditions and for the consideration outlined below, Assignor hereby assigns to Assignee all of Assignor's right, title, and interest under the Master Lease; provided, however, that the Assignment contemplated herein is subject to and conditioned upon the Master Landlord and the Assignee agreeing to and executing the Second Amendment to the Amended and Restated Lease Agreement that is acceptable in both form and substance to the Assignee and Master Lessor in their discretion (the "Comenity Amendment"). For the avoidance of doubt, the Assignment, the Closing (as defined herein) and the Closing Date shall not occur unless and until the Comenity Amendment is agreed and executed by the Master Landlord and the Assignee. Any security deposit presently on account with the Master Landlord will be refunded by Master Landlord to Assignor (to the extent not previously applied by the Master Landlord). Except as agreed in writing by the Master Landlord (including, without limitation, in the Comenity Amendment), Assignee hereby recognizes and acknowledges that the Master Landlord's rights to full performance of all terms, conditions and covenants of the Master Lease remains in effect on and after the Closing Date. Except as agreed in writing by the Master Landlord (including, without limitation, in the Comenity Amendment), Assignee assumes all of the terms, conditions and covenants of the Master Lease as lessee thereunder on and after the Closing Date. Subject to the payment of the Cure Payment (as defined below), Assignee does

not assume any obligations as lessee under the Master Lease prior to the Closing Date, including, but not limited to, any Additional Rent (as defined in the Master Lease) allocable to the period occurring prior to the Closing Date. Further, pursuant to section 365(f) of the Bankruptcy Code, on and after the Closing Date, Assignor and the Debtors shall be relieved from any liability for any breach of or default in performance of the Master Lease, and Assignee shall indemnify and hold Assignor and the Debtors harmless from any breach of the Master Lease or default in the performance of any terms, conditions and covenants contained in the Master Lease occurring after the Closing Date. The Master Landlord has agreed to accept from Assignee the payment of $ (the "Cure Payment"), in full satisfaction of Master Landlord's claims against Assignor and the Debtors for monies due and owing but not paid under the Master Lease, and the Cure Payment together with the Assignment hereunder shall relieve the Assignor and the Debtors of all liability arising under the Master Lease on account of such sums due and owing but not paid. In addition, the Assignor shall remit payment prior to Closing for its share of all outstanding property taxes, owing and accrued but not yet due, as of the Closing Date.

B. Sublease – In accordance with the terms of the Plan, the Sublease shall be deemed rejected, and no further amounts or obligations with respect to the Sublease shall be due from the Assignee to the Assignor.

C. Consideration - The total consideration to be paid by Assignee is the Cure Payment, payable to Master Landlord at the Closing (as defined herein). The Cure Payment is to be released and paid upon Closing.

D. Closing - The Closing of the this Agreement ("Closing") shall take place on the first business day following the date on which the Approval Order (defined below) is entered (the "Closing Date"), provided that (i) the Closing and the Closing Date shall only occur

to the extent that the conditions specified in this Agreement (including, without limitation, execution of the Comenity Amendment) are satisfied, and (ii) the Approval Order shall include a ruling that the fourteen (14) day stay period provided under F.R.B.P. Nos. 6004(g) and 6006(d) shall not apply to the transactions contemplated herein.

E. Bankruptcy Court Approval - Enforceability of this Agreement is further conditioned upon the Assignor obtaining the execution and entry of a final and non-appealable order by the Bankruptcy Court approving, among other things, the assignment and assumption of the Master Lease substantially in the form set forth in this Agreement, the rejection of the Sublease, this Agreement, and authorizing Assignor to enter into this Agreement and all other agreements necessary to effectuate the intent of this Agreement (the "Approval Order").

F. Lease Documents - To induce Assignee to execute, deliver and perform this Agreement, Assignor represents and warrants to the best of its actual knowledge to Assignee and agrees on and as of the date hereof and continuing through and including the Closing Date that Exhibit "A" identifies all of the instruments through which Assignor derives its Master Lease (including all amendments thereto). Complete and correct copies of the Master Lease have been delivered to or made available for inspection by Assignee, and the Master Lease has not been modified in any material respect except to the extent that such modifications are disclosed by the copies delivered to or made available for inspection by Assignee. Except as required by the Bankruptcy Code or as otherwise provided herein or in this Agreement, Assignor makes no representations and warranties, express or implied, concerning the Master Lease, Premises or Property.

G. Free and Clear of Liens & Encumbrances - Upon entry of the Approval Order and the occurrence of all conditions precedent to the effectiveness of the Assignment

(including, without limitation, the execution of the Comenity Amendment), and except as otherwise provided in this Agreement, the assignment of the Master Lease shall be free and clear of any liens, security interests, encumbrances, pledges or other interests. In order to clear title to the Property, Assignor and Assignee agree to enter into a Sublease Termination Agreement in substantially the form of Sublease Termination Agreement attached hereto as Exhibit "E."

H. Use - Assignee shall use the Property for such purposes as are authorized under the Master Lease, the Comenity Amendment and applicable law.

I. Possession - The Assignor will deliver possession of the Property to Assignee at Closing. Assignor shall deliver possession of the Property in its as-is, where-is condition, and the same shall be free of any and all subleases and rights of possession under Section 365(h) of the Bankruptcy Code; provided, however, that Assignee agrees to license to Assignor (the "License") until December 1, 2014, or such earlier date as Assignor may determine, at no cost to Assignor, a portion of the Property identified on Exhibit "F" as the "CWC Retained Space", together with the right to use up to 10 parking spaces, and fitness and kitchen facilities, all subject to Assignee's reasonable rules and regulations, in substantially the form of License Agreement attached hereto as Exhibit "E". Prior to the expiration or earlier termination of the License Agreement, Assignor intends to remove the following personal property from the Property: [_____] Any of Assignor's personal property not removed by Assignor by the end of the License shall be deemed abandoned and conveyed to Assignee, and Assignee may dispose of and/or retain same without liability to Assignor.

J. Prorations - On the Closing Date, Assignor and Assignee shall make all normal and customary real estate prorations, and escrows consistent with the terms and

conditions of this Agreement, including real estate taxes, water, sewer and utility charges, rents, CAM and other charges payable under the Master Lease, and income and expenses under any existing subleases affecting the Property (other than the Comenity Sublease).

K. Initial Rent - Commencing on the Closing Date, Assignee shall be responsible for, and shall pay to the Master Landlord all rent and other obligations and charges due under the Master Lease in accordance with the terms of the Master Lease, as amended by the Comenity Amendment. Assignee also agrees to reimburse Assignor for any rent (or other Lease Charges) paid by Assignor to the Master Landlord for any period subsequent to the Closing Date. Any such amounts shall be paid by Assignee within five (5) days of the Closing Date.

L. Representations and Warranties - Assignor represents and warrants to Assignee (which representations and warranties shall survive the Closing Date) as to itself, that to the best of Assignor's knowledge, as of the date hereof and as of the Closing Date:

(i) The amendments listed on Exhibit "A" comprise all of the amendments included in Assignor's lease file and Assignor will deliver to Assignee its entire lease file on the approval date (including, if available, all maintenance records, annual reconciliations, tax bills, plans, research and correspondence), hereinafter the "Lease File". Assignee acknowledges that the Lease File shall not contain any attorney-client privileged correspondence or information.

(ii) Assignor is the tenant under the Master Lease and has conferred no rights upon any third party to use or occupy the Property described therein (by way of license, sublease or otherwise), except in the ordinary course of business and as either previously disclosed to Assignee or otherwise appearing in the public records.

(iii) As of the Closing Date, and to Assignor's knowledge, there will be no contracts entered into by Assignor for services or otherwise on account of maintenance or repairs which are or will be binding on Assignee or the Property.

(iv) Upon payment of the Cure Payment and satisfaction of all property taxes, owing and accrued but not yet due, Assignor will not be in default under the Master Lease.

M. Miscellaneous

(i) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware and to the extent permissible under the laws of the state of Idaho. The parties agree that the Bankruptcy Court shall have exclusive jurisdiction over any disputes hereunder, and they each hereby consent to such jurisdiction.

(ii) This Agreement sets forth the entire agreement and understanding of the parties with respect to the transactions contemplated hereby and supersedes any prior instruments, arrangements and understandings relating to the subject matter hereof, except the Master Lease and all amendments thereto, including the Comenity Amendment.

(iii) Assignor may assign its rights and obligations hereunder to any trustee or other successor in interest appointed by the Bankruptcy Court. Assignee may not assign its rights and obligations hereunder to any party without the Assignor's, or, as applicable, the trustee's or other successor in interest's, consent, which consent shall not be unreasonably withheld, and following entry of the Approval Order, any assignment of this Agreement by Assignee must also be permitted by the terms of the Master Lease or agreed to by the Master Landlord (if so required).

(iv) This Agreement may be executed with counterpart signature pages or in more than one counterpart, all of which shall be deemed one and the same agreement, and shall become effective on or after the Closing Date when or one or more counterparts have been signed by each of the parties and delivered to all the parties.

(v) Any notice, demand, request or other communication which any party hereto may be required or may desire to give hereunder ("Notices") shall be in writing and shall be given as follows: (i) by hand delivery; (ii) by Federal Express or other reputable express courier service; (iii) electronic mail; or (iv) by facsimile transmission (other than for notices of default):

If to Assignor:

Coldwater Creek Merchandising & Logistics, Inc.
1 Coldwater Creek Drive
Sandpoint, Idaho 83864
ATTN: Vincent G. Toenjes, Esq.
Vince.Toenjes@thecreek.com

With a copy to:

Sherman & Sterling LLP
599 Lexington Avenue
New York, NY 10022
ATTN: Douglas P. Bartner
DBartner@Shearman.com

If to Assignee:

Comenity Servicing LLC
3100 Easton Square Place
Columbus, Ohio 43219
ATTN: Bruce McClary
Bruce.McClary@alliancedata.com

With a copy to:

ADS Alliance Data Systems, Inc.
7500 Dallas Parkway, Suite 700
Plano, Texas 75024
ATTN: Legal Department

If to Master Landlord:

Foothill Shadows, LLC
5141 North 40th Street, Suite 500
Phoenix, Arizona 85018
ATTN: Robert C. Samuel
Bob@samuelandcompany.com

With a copy to:

Dean & Kolts, Attorneys at Law
320 E. Neider Avenue, Suite 103
Coeur d'Alene, Idaho 83815
ATTN: Charles R. Dean, Jr.
CRDeanjr@gmail.com

or at such other address or to such other addressee or to such other facsimile number as the party to be served with Notice shall have furnished in writing to the party seeking or desiring to serve Notice as a place for the service of Notice. Notices shall be deemed to have been rendered or given on the date received or on the date they are deemed to be received as hereinafter set forth. The inability to deliver Notices because of changed address of which no notice was given, or rejection or refusal to accept any Notice offered for delivery shall be deemed to be receipt of the Notice as for the date of such inability to deliver or rejection or refusal to accept delivery.

[Remainder of page intentionally left blank. Signatures follow on next page]

IN WITNESS WHEREOF, this Agreement has been duly executed this _____ day of September, 2014.

ASSIGNOR:

Coldwater Creek Merchandising & Logistics, Inc., a Delaware corporation

By:/s/ Vince Toenjes
Name: Vince Toenjes
Its: Authorized Representative

ASSIGNEE:

Comenity Servicing LLC, a Texas limited liability company

By: /s/ Sallie Komitor
Name: Sallie Komitor
Its: President

MASTER LANDLORD:

Foothill Shadows, LLC, a Delaware limited liability company

Samuel & Co., Inc.
By: /s/ Robert C. Samuel
Name: Robert C. Samuel
Its: Manager

SECOND AMENDMENT TO AMENDED AND RESTATED LEASE AGREEMENT

This SECOND AMENDMENT TO AMENDED AND RESTATED LEASE AGREEMENT ("**Second Amendment**") is entered into effective as of September 16, 2014 (the "**Effective Date**"), by and between FOOTHILL SHADOWS, LLC, a Delaware limited liability company ("**Lessor**"), and COMENITY SERVICING LLC, a Texas limited liability company, as successor in interest to Coldwater Creek Merchandising & Logistics Inc., a Delaware corporation ("**Lessee**").

R E C I T A L S:

A. Lessor and Coldwater Creek Inc., as lessee, entered into that certain Amended and Restated Lease Agreement dated July 19, 2007, as amended by Assignment and Assumption of Leases dated January 31, 2008 ("**First Assignment**"), between Coldwater Creek Inc., as Assignor, and Coldwater Creek U.S. Inc., as Assignee, as further amended by Amendment to Amended and Restated Lease Agreement dated April 22, 2009 ("**Lease Amendment**"), between Lessor and Coldwater Creek Inc. and Coldwater Creek U.S. Inc., collectively, as lessee, as further amended by Assignment and Assumption of Leases, dated July 5, 2009 ("**Second Assignment**"), between Coldwater Creek U.S. Inc., as assignor, and Coldwater Creek Merchandising & Logistics Inc., as assignee, as amended by Assumption and Assignment Agreement dated September 16, 2014 between Coldwater Creek Merchandising & Logistics Inc., as assignor, and Lessee, as assignee (collectively, the "**Existing Lease**").

B. The Existing Lease and this Second Amendment are collectively referred to herein as the "**Lease**."

C.Pursuant to the Lease, Lessor currently leases to Lessee and Lessee currently leases from Lessor that certain space containing approximately 68,000 square feet of rentable area located in the building located at 751 Hanley Avenue, Coeur d'Alene, Idaho (the "**Existing Premises**") and 46,000 square feet of rentable area located in the building located at 745 Hanley Avenue, Coeur d'Alene, Idaho (the "**Expansion**," and together with the Existing Premises, the "**New Premises**").

D. Lessor and Lessee now desire to amend the Lease to modify various terms and provisions of the Lease, all as hereinafter provided.

E. Except as otherwise expressly provided herein to the contrary, all capitalized terms used in this Second Amendment shall have the same meanings given such terms in the Lease.

A G R E E M E N T:

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Original Lease. The Original Lease was amended in its entirety by the terms of the Existing Lease. As of July 19, 2007, the Original Lease terminated and was of no further force or effect.

2. Lease Documents. The definition of "**Lease Documents**" in the Existing Lease is hereby amended to read as follows: "Lease Documents" means the Existing Lease as amended by this Second Amendment, and any other instruments, agreements, certificates and documents necessary to consummate the transactions contemplated in the Existing Lease as amended by this Second Amendment.

3. Lease Term. If, on or before March 31, 2026 (the "**Termination Deadline**"), Lessee provides Lessor with written notice of Lessee's intent to terminate this Lease (the "**Termination Notice**"), this Lease shall terminate on March 31, 2027 (the "**Termination Date**"). Upon termination of this Lease pursuant to Lessee's termination right set forth above, this Lease and all of Lessor's and Lessee's obligations under this Lease shall terminate as of the Termination Date. If Lessee fails to deliver the Termination Notice on or before the Termination Deadline, this Lease shall remain in full force and effect.

4. Condition of Premises. Lessee shall continue to occupy the Existing Premises from and after the date of execution of this Second Amendment in its current "AS IS" condition.

5. Insurance. Sections 6.5 and 6.6 of the Lease are deleted in their entirety and the following Sections 6.5 and 6.6 are inserted into the Lease in replacement thereof:

> "Section 6.5. Insurance Required. At all times throughout the Lease Term, the Lessee shall, at its sole cost and expense, maintain or cause to be maintained insurance against such risks and for such amounts as are customarily insured against by businesses of like size and type and shall pay, as the same become due and payable, all premiums with respect thereto, including, but not necessarily limited to:
>
> (a) Insurance against loss or damage by fire, lightning and other casualties customarily insured against, with a uniform standard extended coverage endorsement, such insurance to be in an amount not less than the full 100% replacement value of the completed buildings and improvements, exclusive of footings and foundations, as agreed by insurer selected by the Lessee. Said insurance shall be provided by a recognized license insurance carrier with an AM Best Rating of A-VII or better.
>
> (b) Workers' compensation insurance, disability benefits insurance and each other form of insurance which the Lessee or any permitted sublessee is required by Law to provide, covering loss resulting from injury, sickness, disability or death of employees of the Lessee or any permitted sublessee who are located at or assigned to the New Premises. This coverage shall be in effect from and after the Original Lease Date with respect to the New Premises, or on such earlier date as any employees of

the Lessee, or any permitted sublessee, contractor or subcontractor of Lessee, first occupy the New Premises.

(c) Commercial General Liability Insurance protecting the Lessor and the Lessee against loss or losses arising from personal injury, including but not limited to, premises-operations, broad form property damage, products/completed operations, contractual liability, independent contractors, personal injury and advertising injury and liability assumed under an insured contract with a limit of liability of not less than $1,000,000 each occurrence, $2,000,000 aggregate and with an excess liability coverage in an amount not less than $5,000,000 each occurrence protecting the Lessor and the Lessee against any loss or liability or damage for personal injury, including bodily injury or death, or property damage.

Section 6.6. Additional Provisions Respecting Insurance. All insurance required by Section 6.5 hereof or under any other provision of this Lease Agreement shall be procured and maintained in financially sound and generally recognized responsible insurance companies selected by the entity required to procure the same and authorized to write such insurance in the State. Lessee shall be responsible for the payment of all applicable deductibles under the aforementioned coverages. Lessee shall provide for at least sixty (60) calendar days' prior written notice of a restriction, cancellation or modification to the policies thereof to the Lessor and Lender. The policies under Section 6.5 shall contain appropriate waivers of subrogation. The policies under Section 6.5(c) shall list Lessor as an additional insured on the insurance required by this Lease. Lessee shall provide proof of insurance in the form of an Acord 28 (2014/01) or equivalent to Lessor."

6. Assignment and Subleasing by Lessee. Section 9.2 of the Lease is deleted in its entirety and the following Section 9.2 is inserted into the Lease in replacement thereof:

"Section 9.2. Assignment and Subleasing by Lessee. Lessee shall have the right to assign this Lease or sublet all or part of the New Premises without the prior consent of Lessor to any entity directly or indirectly controlling, controlled by, or under common control with Lessee as of the date on which such assignment or subletting is being made (any such entity being a 'Related Party,' and any such assignment or sublease being a 'Related Party Assignment,') which shall include without limitation an assignment of Lessee's interest under this Lease by operation of law or as a consequence of a merger of Lessee into or with a Related Party, a change of control of or change of ownership of Lessee provided a Related Party thereafter controls Lessee, or a sale of substantially all of Lessee's assets to a Related Party. Lessee shall not have the right to assign this Lease or sublet all or part of the New Premises to any party other than a Related Party unless Lessor consents to such assignment or sublet, which

consent shall not be unreasonably withheld, conditioned or delayed. Each assignment of this Lease or sublease of all or a portion of the New Premises shall also assign all rights of Lessee under this Lease to the assignee or sublessee, respectively, including, without limitation, any options to renew the term of this Lease, options to purchase the Building or the New Premises, and first rights of refusal to purchase the Building or the New Premises or lease additional space in the Building. Lessor shall not have the right of recapture of the New Premises in the event of any assignment or sublease, regardless of whether such assignment or sublet is to a Related Party or a third party. Notwithstanding the foregoing, no assignment or sublease, with or without Lessor's consent, shall relieve Lessee, or any guarantor of Lessee's obligations under this Lease, from any liability under this Lease."

7. Notices. Any notice required or permitted to be given shall be in writing and may be given by: (a) registered or certified mail and shall be deemed given on the third day following the mailing date; or (b) overnight delivery and shall be deemed delivered the following day. Notices and payments shall be delivered to the following addresses, which may be changed by written notice:

To the Lessor: Foothill Shadows, LLC
5141 North 40th Street, Suite 500
Phoenix, Arizona 85018
ATTN: Robert C. Samuel
Fax No.: 602.840.9490

To the Lessee: Comenity Servicing LLC
3100 East Square Place
Columbus, Ohio 43219
ATTN: Legal Department

With a copy to: Comenity Servicing LLC
3100 Easton Square Place
Columbus, Ohio 43219
ATTN: Bruce McClary

ADS Alliance Data Systems, Inc.
7500 Dallas Parkway, Suite 700
Plano, Texas 75024
ATTN: Legal Department

8. Sublease. The terms of this Second Amendment are conditioned upon the execution by all necessary parties of all documents required to terminate that certain Sublease Agreement dated effective as of July 25, 2013, between Coldwater Creek U.S. Inc., a Delaware corporation, as Sublandlord, and Lessee, as Subtenant, as amended by Sublease Amendment No. 1 entered into on October 1, 2013, but effective as of July 26, 2013, by and between Coldwater

Creek Merchandising & Logistics Inc., a Delaware corporation, Coldwater Creek U.S. Inc., a Delaware corporation, and Lessee.

9. Bankruptcy Court Approval. The terms of this Second Amendment are conditioned upon the United States Bankruptcy Court for the District of Delaware, the court administering the chapter 11 proceedings of Coldwater Creek Inc. and certain affiliated entities, Case No. 14-10867 (BLS), approving (a) the assumption and assignment of the Existing Lease from Coldwater Creek Merchandising & Logistics Inc., as assignor, to Lessee, as assignee, and (b) the Sublease termination.

10. Brokers. Lessor and Lessee each hereby represents and warrants to the other party that it has had no dealings with any real estate broker or agent in connection with the negotiation of this Second Amendment and that it knows of no other real estate broker or agent who is entitled to a commission in connection with this Second Amendment. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments and costs and expenses (including, without limitation, reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing in connection with this Second Amendment on account of the indemnifying party's dealings with any real estate broker or agent (other than the Brokers).

11. Counterparts. This Second Amendment may be executed in multiple counterparts, each of which is to be deemed original for all purposes, but all of which together shall constitute one and the same instrument.

12. Severability. If any term or provision of this Lease shall be invalid or unenforceable to any extent, the remainder of this Lease shall not be affected thereby, and each term and provision of this Lease shall be valid and enforced to the fullest extent permitted by law.

13. Conflict. In the event of any conflict between any provisions of this Second Amendment and any provisions of the remainder of the Lease, the provisions of this Second Amendment shall control.

14. No Further Modification. Except as set forth in this Second Amendment, all of the terms and provisions of the Lease shall remain unmodified and in full force and effect.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, this Second Amendment has been executed as of the day and year first above written.

LESSOR:

FOOTHILL SHADOWS, LLC,
a Delaware limited liability company

Samuel & Co., Inc.
By: /s/ Robert C. Samuel
Name: Robert C. Samuel
Its: Manager

LESSEE:

COMENITY SERVICING LLC,
a Texas limited liability company

By: /s/ Sallie Komitor
Name: Sallie Komitor
Title: President

Exhibit 10.36

Lease Agreement

regarding

Koningsweg 101-103 in

's-Hertogenbosch

between

C.V. Kingsroad

and

Brand Loyalty International B.V.

The undersigned:

C.V. Kingsroad, established at Het Zuiderkruis 1, 5215 MV 's-Hertogenbosch,

hereinafter referred to as "Lessor,"

registered in the Trade Register under number 55598404, hereby duly represented by Kingsroad 88 B.V., registered in the Trade Register under number 50984357, hereby duly represented by Mr. A.L.G van Tuel,

and

Brand Loyalty International B.V., established at Het Zuiderkruis 1, 5215 MV 's-Hertogenbosch,

hereinafter referred to as "Lessee,"

registered in the Trade Register under number 17116091, hereby duly represented by Mrs. C.M.P. Mennen-Vermeule,

have agreed as follows:

Property, purpose

1.1 Lessor leases to Lessee and Lessee leases from Lessor approximately 12.308 m^2 office space (the exact floor area will be determined after delivery in accordance with a NEN 2580 measurement certificate) of the office building located at Koningsweg 101-1-3 in 's-Hertogenbosch, as well as 154 parking spaces, of which 118 reserved parking spaces located in the underground garage space, and 36 parking spaces located in the enclosed parking lot behind the building, recorded in the Land Register as Municipality of 's-Hertogenbosch, Section I, Number 2038, referred to as "the Leased Space," which office space is further specified on the drawing initialed by the parties attached to this agreement and being part thereof, and a Certificate of Practical Completion ("proces-verbaal van oplevering") initialed by the parties, which shows which installations and other facilities are, and which installations and other facilities are not, part of the Leased Space and which also includes a description of the condition of the Leased Space, if possible supplemented with photographs initialed by the parties.

1.2 The Leased Space may be used exclusively by or on behalf of Lessee as office space in the broadest sense, archive space and parking spaces.

Initials Lessee :
Initials Lessor :

1.3 Lessee is not allowed to assign any purpose to the Leased Space other than described under 1.2 without the prior written consent of Lessor.

1.4 The maximum permissible load on the floors of the Leased Space is 250kg/$m^{2.}$

Conditions

2.1 The 'GENERAL CONDITIONS FOR THE LEASING OF OFFICE SPACE' and other business premises subject to Article 230a of Book 7 of the Dutch Civil Code,' filed with the Clerk of the District Court of The Hague on July 11, 2003 and registered under number 72/2003, hereinafter referred to as the "General Conditions," are part of this Agreement. These General Conditions are fully known to the parties. Lessor and Lessee have received a copy of the General Conditions.

2.2 The General Conditions referred to in 2.1 are applicable except where this Agreement expressly stipulates otherwise or where applicability in relation to the Leased Space is not possible.

Duration, extension and termination

3.1 This Lease Agreement is entered into for term of 15 years, beginning January 1, 2014 and ending on December 31, 2028.

3.2 After expiration of the term referred to in 3.1 this Agreement will be continued for a further period of 5 years, therefore through December 31, 2033. The Agreement will subsequently be continued for a further period of 5 years, therefore through December 31, 2038.

3.3 Termination of this Agreement takes place by giving notice by Lessee or Lessor, with due observance of a notice period of at least one year. Only the Lessee is entitled to terminate the Lease Agreement after 15 years (December 31, 2028) and 20 years (December 31, 2033). Thereafter, both parties entitled to terminate the Lease Agreement at the end of each lease period.

3.4 Termination shall take place by means of a bailiff's writ or by registered letter.

Initials Lessee :
Initials Lessor :

Rent, VAT, rent adjustment, payment obligations, period of payment

4.1 The initial rent of the Leased Space is (in words:).

4.2 Parties agree that Lessor charge VAT on the rent.
If it is agreed upon that VAT will not be charged on the rent, Lessee is due a separate compensation to Lessor in addition to the rent, to compensate Lessor respectively its successor(s) for damages resulting from the fact that VAT on Lessor's investments and operation costs of the Leased Space are not or no longer tax deductible. The provisions of Article 19.1 through 19.9 of the General Conditions do not apply in such case.

4.3 If parties agreed that VAT will be charged on the rent Lessor and Lessee will use the option based on Communication 45, Decree of March 24, 1999, number VB 99/571 to waive a joint request for a VAT taxable lease. By signing this Lease Agreement Lessee declares, also for the benefit of Lessor's successor(s), that he uses and will continue to use, or will others make use and continue to use, the Leased Space for purposes for which the right of deduction of VAT under Article 15 of the Turnover Tax Act 1968 entirely or practically entirely subject exists.

4.4 Lessee's fiscal year runs from January 1st through December 31st.

4.5 The rent will be adjusted .

4.6 The payment for additional supplies and services to be provided by or on behalf of Lessor will be determined in accordance with Article 16 of the General Conditions. A system of advances is applied to this system, with later settlement as specified there.

4.7.1 Lessee's payment obligations consist of:

- the rent;
- VAT due on the rent in case parties have agreed upon a VAT taxable lease;
- the advance payment for additional supplies and services provided for or on behalf of the Lessor and the VAT thereon.

Initials Lessee :
Initials Lessor :

4.7.2 If the parties agreed on a VAT taxable lease and the Leased Space may no longer be leased subject to VAT Lessee is no longer required to pay VAT on the rent. In such case the amounts of compensation referred to in 19.3.a of the General Conditions apply and will replace the VAT and the compensation pursuant to 19.3.a sub I is assessed beforehand by parties at 25% of the actual annual rent.

4.8 Per payment period of 3 calendar month(s) the following applies at commencement of the lease:

- the rent
- the VAT due over the rent
  the advance for the compensation for additional services rendered for or on behalf of the Lessee, with VAT due over these
- services

Total

In words: ( )

4.9 In view of the effective date of the lease, the first payment term applies to the period from January 1, 2014 through March 31, 2014, and the amount due for this first period is . This amount is inclusive of VAT, however only if Lessor is due VAT on the rent. Lessee will pay this amount before or on January 1, 2014.

4.10 The periodic payments to be made by Lessee to Lessor under this Lease Agreement as specified in 4.8 are due as an advance payment in one sum in Euros and shall be been made in full before or on the first day of the period to which the payments apply.

4.11 Unless stated otherwise, all amounts in this Lease Agreement and the General Conditions forming a part thereof are exclusive of VAT.

Supplies and services

5. With regard to additional supplies and services parties agree that Lessee and Lessor will mutually consult which additional supplies and services will be provided by Lessor and at what cost.

Bank guarantee/deposit

6. Parties establish the amount of the bank guarantee referred to in 12.1 of the General Conditions at .
In words: ( )
Parties agree that, in deviation of Article 12.1 of the General Conditions, Lessee shall only provide the bank guarantee referred to here above at the moment this is requested by Lessor.

Initials Lessee :
Initials Lessor :

Property management

7.1 Until Lessor informs otherwise, the management of the property will be carried out by Lessee.

7.2 Unless agreed in writing otherwise, Lessee will consult the management on the contents and any other matter relating to this Lease Agreement.

Special conditions

8.1 Delivery of the Leased Space at commencement of lease period:
The Leased Space will be delivered to Lessee by Lessor in fully renovated condition in accordance with the following documents:
- Mansveld Projecten & Services B.V.: building contract Lot 4 - electrotechnical equipment, dated July 3, 2012.
- Oskomera Projecten B.V.: building contract Lot 2 - complete exterior façade, dated July 5, 2012.
- Engineering firm Wolters & Dros B.V.: building contract Lot 3 - mechanical systems, dated July 3, 2012.
- Building cooperative Hurks-Moonen V.O.F.: building contract Lot 1 - mechanical activities, dated July 5, 2012.

8.2 Installation work:
Lessee has the right to install lessee refurbishments, upon written consent of Lessor. Lessor shall not withhold such consent on unreasonable grounds.

Lessee has the right to install such refurbishments before the commencement date of the Lease Agreement, without additional rent payment to Lessor. In such event only service costs are due.

8.3 Right to sublease and restitution:
Lessee has the right to amend the ascription of the lessee in the Leased Space in the event of a name change of Lessee.
Lessee has the right to sublet the Leased Space or to allow use by related companies without consent of Lessor, whether as a whole or in part. Lessee shall inform Lessor in writing of such event.
Lessee has the right to sublet the Leased Space, as a whole or in part, to third parties upon written consent of Lessor. Lessor shall not withhold or delay such consent on unreasonable grounds.

Initials Lessee :
Initials Lessor :

8.4 Right of subrogation:

Lessee has the right to appoint another lessee to take his place under this Lease Agreement. No approval of Lessor is necessary for the subrogation to related companies. Written approval of Lessor is required for subrogation to third parties. Such approval shall not be withheld on unreasonable grounds.

The successive tenant shall comply with all reasonable requirements of solvability, business moral, and expected use, such at the discretion of Lessor. The successive tenant shall accept any obligations, terms and conditions resulting from this Agreement. Lessor shall not withhold or delay its consent to this paragraph on unreasonable grounds. Moreover, no additional payment will be required from Lessee other than those obligations that result from the Lease Agreement.

8.5 Delivery at end of Lease Agreement:

Lessee has the right to return the Leased Space to Lessor at the end of the lease period in its actual condition on that moment. This means that Lessee may leave the refurbishments it installed (e.g. partition walls, flooring, data cables, etc.) behind.

8.6 Rent adjustment:

In addition to the rent adjustment by Lessor on the basis of indexing, both Lessee and Lessor have the right to demand rent adjustment according to the market value of the Lease Space, first on January 1, 2029 and subsequently each time after expiry of a lease period of 5 years. To determine the market rent the then applicable rent-free periods, contributions to any refurbishment and other financial incentives will also be considered. In case they want to exercise this right, Lessor and Lessee shall inform the other party of this intent by registered letter with receipt confirmation, latest 18 months before the effective date of the rent adjustment.

In the event parties do not reach an agreement within four weeks after receipt of the writing described here above, the market rent will be determined by a committee of three experts. Both Lessor and Lessee shall, within 14 days after a dispute has arisen, each appoint an expert, who will appoint a third expert within 6 days after the date of their appointment. Within 6 days after the date of the assignment the experts shall notify whether they will accept the assignment. In the event one of the parties fails to timely appoint his expert within fourteen days, or if both experts are not able to reach an agreement within six days about the choice of the third expert, the party that took first action may request the District Court (Arrondissementsrechtbank) in Amsterdam to appoint the absent expert(s).

No later than 4 weeks after the appointment of the third expert this committee will establish the market value in a binding decision. If no agreement on the rent value is reached the opinion of the third expert is decisive. Each party will bear the costs of its own expert. The costs of the third expert will be borne equally by both parties. The rent may be adjusted either upward or downward.

Initials Lessee :
Initials Lessor :

8.7 Access:
The leased space is accessible to Lessee 24 hours per day, 7 days per week.

8.8 Security:
Lessee has the right to install its own security system in the Leased Space, including card access systems and a video surveillance system, as long as the privacy of the other tenants is respected.

8.9 Advertising and name display:
Lessee has the exclusive right to install a name display to the façade and / or on the building, without additional rent due. The installation shall only take place after any required government approvals / permits have been obtained and after written consent of Lessor (who shall not withhold his consent on unreasonable grounds). All costs involved with the name display, including permits, installation, maintenance and removal, are borne by Lessee.

Lessee also has the right to install advertisement displays at paces designated for that purpose in the building.

8.10 Roof rights:
Lessee has the right to install antennas, satellite receives and such on the roof, without additional rent due. The installation shall only take place after any required government approvals / permits have been obtained and after written consent of Lessor. Lessor shall not withhold his consent on unreasonable grounds. All costs involved with the name display, including permits, installation, maintenance and removal, are borne by Lessee.

8.11 Electricity meters:
Lessor shall arrange the placement of an electricity meter in the Leased Space for the use of electricity in the Leased Space.

8.12 UPS / Generator:
Lessee has the right to install a stand-by generator to support the UPS room in the Leased Space. For both the UPS and the generator applies that this should take place on locations where this is technically and structurally possible, and after written consent of Lessee, who shall not withhold or delay such consent on unreasonable grounds.

8.13 Termination earlier lease agreement:
By signing this Lease Agreement parties agree that the lease agreement concluded between Lessor and Lessee (in any event its predecessor in title) on November 1, 2010 expires.

Initials Lessee :
Initials Lessor :

8.14 Changes to General Conditions:

Parties agree that the following amendments apply to the General Conditions:

- Notwithstanding the provisions of Article 6.1 of the General Conditions, Lessee is not required to effectively, fully, properly, personally and exclusively use the Leased Space and therefore equip the Leased Space with adequate furnishings and fittings.
- In addition to the provisions of Article 6.11.6, final sentence, of the General Conditions, parties agree that such will not take place other than upon consultation with the Lessee.
- The provisions of Article 7 of the General Conditions do not apply before Lessor has given a reasonable term to still meet his obligations.
- The basis year "2000=100" referred to in Article 9.1 of the General Conditions for the price index is changed in to "2006=100."
- The provisions of Article 11.5 and Article 11.6 of the General Conditions are not applicable. Instead, the default provisions of Article 7:204 Civil Code apply.
- In addition to the provisions of Article 14.1 of the General Conditions parties agree that such will not take place before consultation with Lessee.
- The provisions of Article 14.2, Article 14.4 and Article 14.5 of the General Conditions are not applicable. Except with explicit consent of Lessee, Lessor does not have the right to perform renovation activities during the lease period. Lessee has the right to impose conditions to his consent.
- The following will be added to Article 16.9 of the General Conditions: "after consultation with Lessee and after his approval."
- The provisions of Article 17 of the General Conditions apply to both Lessor and Lessee.
- The provisions of Article 18.2 of the General Conditions apply not earlier than after Lessor has properly given Lessee notice of the default and given a reasonable term to still meet his obligations.
- The provisions of Articles 22.1, final sentence, 222 and 22.3 of the General Conditions are not applicable.

Initials Lessee :
Initials Lessor :

Agreed and signed in threefold,

Place: 's-Hertogenboschdate 10/09/12

C.V. Kingsroad

/s/ A.L.G. van Tuel

Mr. A.L.G. van Tuel

Place: 's-Hertogenboschdate 10/09/12

Brand Loyalty International B.V.

/s/ C.M.P. Mennen-Vermeule

Mrs. C.M.P. Mennen-Vermeule

Appendices

- General Conditions
- Mansveld Projecten & Services B.V.: building contract Lot 4 - electrotechnical equipment, dated July 3, 2012.
- Oskomera Projecten B.V.: building contract Lot 2 - complete exterior façade, dated July 5, 2012.
- Engineering firm Wolters & Dros B.V.: building contract Lot 3 - mechanical systems, dated July 3, 2012.
- Building cooperative Hurks-Moonen V.O.F.: building contract Lot 1 - mechanical activities, dated July 5, 2012.
- Certificate of Practical Completion ("proces-verbaal van oplevering"),
- Bank guarantee

Separate signature(s) of Lessee(s) for receipt of a copy of the 'GENERAL CONDITIONS LEASE AGREEMENT OFFICE SPACE' and other commercial premises subject to Article 7:230a Dutch Civil Code, as referred to in 2.1.

/s/ C.M.P. Mennen-Vermeule

Mrs. C.M.P. Mennen-Vermeule

Initials Lessee :
Initials Lessor :

ADDENDUM LEASE KONINGSWEG 101-103

The undersigned:

1. The limited partnership C.V. Kingsroad, having its business address at 5215 MV 's-Hertogenbosch, Het Zuiderkruis 1, hereinafter referred to as: the 'Lessor', duly represented by its legal representative its general partner the private company with limited liability Kingsroad 88 B.V., with its registered office in 's-Hertogenbosch and its business address at 5215 MV 's-Hertogenbosch, Het Zuiderkruis 1, the latter by its legal representative Mr A.L.G. van Tuel;

2. The private company with limited liability Brand Loyalty International B.V., with its registered office in 's-Hertogenbosch and having its business address at 5215 MV 's-Hertogenbosch, Het Zuiderkruis 1, hereinafter referred to as: the 'Lessee', duly represented by its legal representative Ms C.M.P. Mennen-Vermeule;

The undersigned stated under (1) and (2) in the following each referred to as 'Party' and together as 'Parties';

TAKE INTO CONSIDERATION:

A. The Lessor leases to the Lessee and the Lessee leases form the Lessor circa 12,308 m2 office space in the office building with address at Koningsweg 101-103 's-Hertogenbosch, together with 154 parking places, whereof 118 designated parking places in the parking garage situated under the office building and 36 parking places on the fenced car park situated behind the office building, recorded in the land register as Muncipality of 's-Hertogenbosch, Section I, no. 2308, hereinafter: the 'Leased Space', all as described and agreed upon in the written Office Lease ("*Huurovereenkomst Kantoorruimte*") dated 9 oktober 2012 drawn up and signed by the Parties (including the applicable general conditions ("*Algemene Bepalingen Huurovereenkomst Kantoorruimte*") and other schedules to the Lease), known sufficiently to the Parties without further description, hereinafter referred to as: the 'Lease';

B. Parties have made in addition to – respectively derogated from - the Lease further arrangements which they wish to record in writing in this Addendum.

THE PARTIES MUTUALLY COVENANT WITH EACH OTHER AS FOLLOWS:

1. Contrary to the provisions of the Lease, the installations and improvements listed in the Schedule to this Addendum worth are installed not for the account of the Lessee, but for the account of the Lessor, and therefore become property of the Lessor and will in that capacity form part of the Leased Space.

2. In relation to the provision stated under 1 of this Addendum, contrary to the provisions of Clause 4.1 of the Lease, the initial annual rent of the Leased Space shall be excluding VAT. The payment obligations of the Lessee arising from Clauses 4.8 and 4.9 of the Lease will be adjusted accordingly and no bank guarantee will be provided.

3. The Schedule forms an integral part of the Addendum.

4. In so far as this Addendum does not depart from the provisions of the Lease, these provisions remain in full force. In the event of contradictions between provisions of the Lease and provisions of the Addendum to the Lease, the provisions laid down in this Addendum will prevail.

Drawn up and signed in triplicate in 's-Hertogenbosch on 23 December 2013,

on behalf of C.V. Kingsroad	Brand Loyalty International B.V.
/s/ A.L.G. van Tuel	/s/ C.M.P. Mennen-Vermeule
A.L.G. van Tuel	C.M.P. Mennen-Vermeule

Schedule: specification of additional installations and improvements to be installed by the Lessor

Initials Lessee :
Initials Lessor :

LEASE AGREEMENT FOR OFFICE SPACE

and other commercial premises subject to Article 230a of Book 7 of the Dutch Civil Code

Model contract as established by the Real Estate Council (ROZ) on July 30, 2003.

THE UNDERSIGNED:

1. Stichting Mathilda, established in 5216 PR 's-Hertogenbosch at Pettelaarpark 107, registered in the Trade Register for Brabant under number 56341296, hereby duly represented by it's managing director Mr. H.W.M. van der Wallen,

hereinafter referred to as "**Lessor**",

AND

Brand Loyalty Sourcing B.V., established in 5215 MV 's-Hertogenbosch at Het Zuiderkruis 1, registered in the Trade Register for Brabant under number 17187852, VAT number NL815650358B01, hereby duly represented by it's managing director Mr. J.J.J. Rikken,

hereinafter referred to as "**Lessee**",

HAVE AGREED AS FOLLOWS:

Property, purpose
1.1
Lessor leases to Lessee and Lessee leases from Lessor the (yet to be realized) distribution center with adjoining outdoor space, hereinafter referred to as "the Leased Space", situated at the Zonneveld, 5993 SG Maasbree, existing and located at (section s of) the lots recorded in the Land Register Maasbree as section S, numbers 89, 90, 321, 322, 323, 405, 325, 326 and 534 as shown on the Land Register map in Appendix 2.

The Leased Space includes a plot of land in size of approximately 75,575 m^2, comprising an approximate 63,675 m^2 construction site and an approximate 11,900 m^2 infiltration area, a distribution center of approximately 44,715 m^2 gross floor area divided in approximately 40,237 m^2 warehouse, approximately 3,078 m^2 mezzanine floor and approximately 1,400 m^2 office space, as well as an outdoor area including 229 parking spots for passenger cars, 4 parking lots for trucks, and two entrances and exits.

The Leased Space is further specified in the documents that have been attached to this Lease Agreement and that are part of this Lease Agreement, including in particular:

- The booklet of sketches and drawings of the Leased Space dated 04/05/2012, drafted by DENC (**Appendix 3**),
- The technical specification dated 04/05/2012, drafted by DENC (**Appendix 4**)

1.2
Lessor shall invite Lessee for the delivery of the Leased Space to Lessee, which will take place simultaneously with the delivery contractor-Lessor and Lessor-institutional retail investor. Lessee shall inform Lessor about any defects well before the delivery.

Defects that do not interfere with the use by Lessee shall not be a reason for Lessee to refuse delivery of the Leased Space. If the Leased Space meets the requirements of the provisions of Article 1.1, subject to the provisions in the preceding sentence, and Lessee is invited for the delivery but does not cooperate the delivery, unduly refuses the delivery, or starts using the Leased Space, the Leased Space is assumed delivered to Lessee. In the event of defects that may interfere with the use, to be specified by Lessor well before the delivery, Lessor and Lessee shall mutually consult each other. Lessor is obligated to repair the defects referred to in this Paragraph as soon as possible. Defects that interfere with use shall be repaired by Lessor in any event before the date of delivery.

[*initials*]

Upon delivery by Lessor to Lessee a report shall be drafted in which any defects still to be remedied at the expense of Lessor shall be noted (**Appendix 5**). The report shall further include which installations and other equipment are and are not part of the Leased Space (in as far as this is not clear from the documents mentioned hereabove, including the technical specification).

1.3
Delivery to Lessee shall take place not earlier than **September 1, 2013**, and not later than **January 15, 2014.** Delivery on the first day of a calendar month is preferred. If and insofar a delivery does not take place on the first day of a calendar month, the date of delivery referred to in Articles 3.1, 4.5 and 4.9 of this Agreement shall be considered the first day of the (next) calendar month. In this event, however, an additional payment from Lessee to Lessor shall take place for the period from the delivery date up to the date of the first day of the next calendar month.

1.4
The Leased Space shall exclusively be used by or on behalf of Lessee as distribution space and outdoor area for the purpose of parking and shunting passenger cars, trucks and (sea) containers.

1.5
Lessee is not allowed to assign any purpose to the Leased Space other than described under 1.4 without the prior written consent of Lessor.

1.6
The maximum permissible load on the floor(s) of the Leased Space is an evenly distributed load of the warehouse of maximum 40 kN/m2, of freight forwarding maximum 25 kN/m2, and of the mezzanine floor maximum 8 kN/m2. The maximum concentrated load per rack leg in the warehouse is 75 kN per rack leg (2 x 75 kN rack legs back-to-back). Lessee shall not load the floors heavier than structurally permitted.

Conditions
2.1
The 'GENERAL CONDITIONS FOR THE LEASING OF OFFICE SPACE' and other business premises subject to Article 230a of Book 7 of the Dutch Civil Code', filed with the Clerk of the District Court of The Hague on July 11, 2003 and registered under number 72/2003, hereinafter referred to as the "General Conditions", are part of this Lease Agreement. These General Conditions are fully known to the parties. Lessor and Lessee have received a copy of the General Conditions, which is included in **Appendix 6**.

2.2
The General Conditions referred to in 2.1 are applicable except where this Lease Agreement expressly stipulates otherwise or where applicability in relation to the Leased Space is not possible. In the even of inconsistencies between this Agreement and the General Conditions, this Agreement prevails.

Duration, extension and termination
3.1
This Lease Agreement takes effect on the date of signing by both parties and shall remain in effect for the duration equal to the lease period, and has an initial duration of fifteen (15) years, calculated from the day of delivery to Lessee. Deliver will take place in accordance with Article 1.3 of this Agreement.
The obligations of Lessor to provide quiet enjoyment of the lease does not take effect on the day this Agreement enters into effect, but on the day of delivery to Lessee instead. Notwithstanding the provisions of Article 2 of the General Conditions, this delivery does not take place at the commencement of this Agreement.

3.2
Except termination by Lessee at that end of the lease period referred to in Article 3.1, this Lease Agreement will subsequently be renewed for a consecutive period of **five years**.

3.3
Except termination by Lessee at that end of the lease period referred to in Article 3.2, this Lease Agreement will subsequently be renewed for a consecutive period of **five years**.

[*initials*]

3.4
Except termination by Lessee at that end of the lease period referred to in Article 3.3, this Lease Agreement will subsequently be renewed for a consecutive period of **five years**.

3.5
Except termination by Lessee or Lessor at that end of the lease period referred to in Article 3.4, this Lease Agreement will subsequently be renewed for a consecutive period of **five years** each time, except termination by Lessee or Lessor.

3.6
The notice period by Lessee and Lessor is one year. Terminations shall take place in writing by bailiff's writ or registered mail.

Rent, VAT, rent adjustment, payment obligations, period of payment
4.1
The initial rent (price level January 1, 2012) of the Leased Space is , excluding VAT. In words: .

The initial rent on an annual basis with price level January 1, 2012 is structured as follows:

- Warehouse rent:
- Mezzanine rent:
- Office space rent:

Total

4.2
Parties agree that Lessor charge VAT on the rent.

4.3
As parties agreed that VAT will be charged on the rent Lessor and Lessee will use the option based on Communication 45, Decree of March 24, 1999, number VB 99/571 to waive a joint option request for a VAT taxable lease. By signing this Lease Agreement Lessee declares, also for the benefit of Lessor's successor(s) in title, that he uses and will continue to use, or will others make use and continue to use, the Leased Space for purposes for which right of deduction of VAT under Article 15 of the Turnover Tax Act 1968 entirely or practically entirely subject exists.

4.4
Lessee's fiscal year runs from January 1 through December 31, 2013. Lessor's VAT number is .

4.5
On the date of delivery of the Leased Space a first indexing shall take place over the period beginning on January 1, 2012 up to the date of delivery in accordance with the stipulations of Articles 9.1 through 9.4 of the General Conditions. Thereafter for the duration of the lease period, the rent shall be reviews (indexed) annually, for the first time one year after the date of delivery, pursuant to Articles 9.1 through 9.4 of the General Conditions.

4.6
Lessee's payment obligations consist of:
· the rent;
· VAT due on the rent.

4.7
If the parties agreed on a VAT taxable lease and the Leased Space may no longer be leased subject to VAT Lessee is no longer required to pay VAT on the rent. In such case the amounts of compensation referred to in 19.3.a of the General Conditions apply and will replace the VAT and the compensation pursuant to 19.3.a sub I is assessed beforehand by parties at a percentage of the actual annual rent still to be determined, where the basis shall be that Lessor will be fully compensated for any costs in relation to Lessor no longer being entitled to deduct VAT. Lessor shall substantiate these costs by means of an audit statement.

[*initials*]

4.8
At the date of commencement of the lease (which is equal to the date of delivery of the Leased Space to Lessee) the rent (price level January 1, 2012) per payment period of three calendar months is:

The initial rent on an annual basis with price level January 1, 2012 is structured as follows:

- Warehouse rent:
- Mezzanine rent:
- Office space rent:
- VAT due on the rent

  Total including VAT

In words:

4.9
The first payment by Lessee shall take place on the date of delivery of the Lease Space - taking into account the stipulations agreed between parties in article 3.1 of this Agreement - and an amount of (price level January 1, 2012) is due. This amount is inclusive of VAT.

4.10
The periodic payments to be made by Lessee to Lessor under this Lease Agreement as specified in 4.7 through 4.9 are due as an advance payment in one sum in Euros and shall be been made in full before or on the first day of the period to which the payments apply.

4.11
Unless stated otherwise, all amounts in this Lease Agreement and the General Conditions forming a part thereof are exclusive of VAT.

Supplies and services
5.1
No additional supplies and services will be provided by or on behalf of Lessor. The Leased Space is equipped with meters for the supply of energy and water. Lessee shall enter into subscriptions with utilities for the direct delivery of energy (electricity and gas) and water.

Lessee shall enter into service agreements for the maintenance of technical equipment present in the Leased Space (see also Article 13 of the General Conditions, including Article 13.4 sub g of the General Conditions). These service agreements include annual maintenance and annual certification of the sprinkler installation.

Lessee may opt to perform the relevant maintenance periodically and timely by technically qualified personnel, either its own personnel or personnel of a third party, in lieu of entering into service agreements. If Lessee wishes to exercise this option the following applies:
· Lessee will inform Lessor about this;
· Lessee shall maintain a log of the performed maintenance, and who performs this maintenance
· Maintenance and periodic control of the heating installation(s);
· Lessee shall show Lessor that this maintenance is periodically (at least annually) and properly performed by technically qualified personnel.

Furthermore, Lessee is required to
a. keep the premises clean on a regular basis
b. inspect and if required clean the roofs, gutters and rain water drains at least twice per year (spring and fall), and maintain a relevant administration.

Upon first request of Lessor Lessee shall provide copies of the service agreements and relevant invoices, and provide access in any activities performed by Lessee.

[*initials*]

Guarantees
6.1
Notwithstanding the provisions of Article 12.1 of the General Conditions Lessee is no required to provide a bank guarantee.

6.2
Lessor shall enter into an agreement with Brand Loyalty International B.V., including a lease agreement with Brand Loyalty International B.V. for the event that this Lease Agreement should terminate as a result of bankruptcy or receivership of Lessee, corresponding to the attached model (**Appendix 7**). The agreement with Brand Loyalty International B.V. shall be executed prior to or simultaneously with the execution of the Lease Agreement. This agreement with Brand Loyalty International B.V. is essential for Lessee. Any not (timely) concluding of that agreement is a deficiency of Lessee.

Property management
7.1
Until Lessor informs otherwise, the management of the property will be carried out by Lessor.

7.2
Unless agreed in writing otherwise, Lessee will consult the management on the contents and any other matter relating to this Lease Agreement, with the exception of termination of the Lease Agreement or in respect of an amendment of the Lease Agreement (for which the Lessee shall discuss with the Lessor himself).

Special conditions
8.

Conditions consequent
8.1

Notwithstanding any other rights arising from the law and / or this Agreement this Agreement can be dissolved without interference of the Court:

a) by the counterparty of the party that has been declared bankrupt;
b) by the counterparty of the party that is in receivership;
c) by the counterparty of the party that remains in default, despite a summons for payment with observance of a period of at least 14 days, for a substantial obligation
for that party resulting from the Agreement.

Undersized - oversized
8.2
Under or oversize of the floor area of the developed real property (the Distribution Center) will (shall) never result to any settlement of the rent and / or any costs of additional supplies and services during the period of this Lease Agreement, including any renewal(s), unless there is a variation of more than 1% positive, or 1% native, of the floor area as included in Article 1.1 of this Agreement. Such settlement shall take place based on the prices determined in Article 4.1 and the measurement certificate in accordance with NEN 2580 still to be added, as included in **Appendix 8**.

Changes to the Leased Space
8.3
At the end of the Lease Agreement parties will jointly consult about any features to be left by Lessee and any agreed upon settlement for such features.

Water Supply Decree
8.4
In addition to the provisions in the General Conditions to this Lease Agreement, parties agree that (mandatory) inspections, maintenance and / or other measures to be undertaken by order of the government or utilities with regard to (the use of) water equipment installed in the Leased Space, such in the broadest sense, are at the expense of Lessee. This also applies in the event Lessor is the party who is legally liable to undertake such measures. Measures described in the first sentence

[*initials*]

include periodical risk analyses and any resulting obligations as meant in Articles 17i and further of the Dutch Water Supply Decree [*Waterleidingbesluit*]. Lessor is not liable for the implications that result from contamination caused by legionella and / or other bacteria present in the water supply system of the Leased Space.

Indexing
8.5
The basis year "2000=100" referred to in Article 9.1 of the General Conditions for the price index is changed in to "2006=100

Penalty for non-timely delivery of the Leased Space
8.6
In the event Lessee does not deliver the Leased Space at the end of the Lease Agreement or any date agreed among parties as date for delivery (except in the event of force majeure), Lessee is due to Lessor a penalty of 1 week of the then current rent obligation for each week or part thereof that Lessee does not timely deliver the Leased Space, calculated from the calendar date of the end date of the Lease Agreement. This penalty is payable on demand and not subject to any discount unless parties agree otherwise in writing and have made additional arrangements about the delivery.
The above applies without prejudice to the right to claim demonstrable damages, in which event parties shall first mutually consult to settle the damages in an amicable manner.
Delivery issues that do not interfere with the usage do not pose a reason for Lessor to refuse delivery.

Sublease
8.7
Lessee has the right to give the allow use of the Leased Space by, or sublet the Leased Space to, a company that is part of the group to which Lessee belongs (as meant in Article 2:24b Civil Code). Furthermore, Lessee has the right to allow use of the Leased Space by, or sublet the Leased Space to, one or more logistic service providers.

Lessee remains fully liable for observance of any obligations in the Lease Agreement in the event of sublease or any other type of usage by a third party. In all cases Lessee shall notify Lessor of the fact that a sublease agreement is agreed or usage by a third party takes place.

Changes to General Conditions
9.
Parties deviate from the following articles of the applicable General Conditions:

- Article 6.5: Notwithstanding the provisions of Article 6.5 of the General Conditions, Lessee shall only be entitled to install advertising, signage, etcetera on the spaces / areas described in Article 6.5 of the General Conditions. At the end of the Lease Agreement Lessee shall completely remove the advertisement signs, including any means of securing or attaching.
- In addition to the provisions of Articles 6.7.1 through 6...7.3 of the General Conditions the following applies at the commencement of the Lease Agreement. Lessee shall ensure that the Leased Space will possess the features that are required for normal business operations as distribution center. In this regard Lessor shall ensure that the Leased Space fulfills al requirements of the Decree Environmental Activities for the normal business operations as distribution center or (if a permit is required) possesses those features that are required to obtain a permit for such use. In this regard, Normal business operations are understood to include transportation movement between 7PM and 7AM, as well as the storage of goods listed in **Appendix 10**.
- Article 6.11.1.c: Notwithstanding the provisions of Article 6.11.1.c parties agree that Lessee is permitted to use (internal) transportation equipment that are commonly used in a distribution center as defined in Article 1 of this Agreement, such without prejudice that any damages resulting from such use to the Leased Space will be repaired by Lessee within a reasonable term.
- Article 6.11.2.2: Notwithstanding the provisions of Article 6.11.2.2 Lessee may apply mounting materials in floors, walls, etcetera that are necessary for the installation of racks, internal transportation systems, and similar equipment, provided that the Lease Space will not be damaged as a result thereof, and that these changes can and will be undone at the end of the Lease Agreement (including repair of any holes caused by mounting material.

[*initials*]

- Article 6.11.2.9: Notwithstanding the provisions of Article 6. 11.2.9 of the General Conditions parties agree that Lessor may enter or have others enter the spaces as described in Article 6.11.2.9 without prior approval of Lessee, including for the purpose of maintenance.
- Article 11.5: Notwithstanding the provisions of Article 11.5, neither Lessor nor Lessee are liable for the consequences of defects that he was not aware of and should not have been aware of at commencement of the Lease Agreement.
- In addition to the provisions of Article 11.9 of the General Conditions parties agree that if Lessor despite a written summons subject to a reasonable term does not perform any necessary maintenance or repair activities that are the responsibility of Lessor, including as described in Article 13.3 of the General Conditions, Lessee may perform or have others perform these maintenance or repair activities at the expense of Lessor.

Assignment of rights and obligations
10.
If and in as far as the Leased Space will be sold by Lessor to a third party, Lessor is hereby obliged to ensure that all rights and obligations under this Agreement will be transferred to the third party.

Applicable law and competent Court
11.
Dutch law applies to this Agreement and Appendices. Any disputes arising from this Agreement, to the extent that they can not be settled amicably, shall solely be submitted to the competent Court in the District of Limburg.

Final provision
12.
This Agreement replaces the lease agreement executed on or about April 26, 2012 between Lessee and Venlolog C.V. with regard to the Lease Space and which expires effective the date of execution of this Agreement.

Agreed and signed in threefold,

's-Hertogenbosch, December 20, 2012
Lessor

/s/ H.W.M. van der Wallen
……..
Mr. H.W.M. van der Wallen

's-Hertogenbosch, December 20, 2012
Lessee

/s/ J.J.J. Rikken
……..
Mr. J.J.J. Rikken

Appendices:

-Appendix 1 copy Extract Chamber of Commerce [register] Lessor and Lessee
-Appendix 2 Land Register map
-Appendix 3 booklet of sketches and drawings dated April 5, 2012
-Appendix 4 technical description dated April 5, 2012
-Appendix 5 report of delivery (to be added upon delivery)
-Appendix 6 General Conditions
-Appendix 7 agreement of April 26, 2012
-Appendix 8 further to be added measurement certificate NEN 2580
-Appendix 9 soil survey
-Appendix 10 list of products that may be stored in the distribution center according to Article 9

Separate signature(s) of Lessee(s) for receipt of a copy of the 'GENERAL CONDITIONS LEASE AGREEMENT OFFICE SPACE' and other commercial premises subject to Article 7:230a Dutch Civil Code, as referred to in 2.1.

Signature

Lessee:

/s/ J.J.J. Rikken
……..
Mr. J.J.J. Rikken

[*initials*]

GENERAL TERMS AND CONDITIONS FOR LEASE OF OFFICE SPACE

and other commercial premises subject to Article 230a of Book 7 of the Dutch Civil Code

Model established by the Real Estate Council (ROZ) in July 2003, filed with the Clerk of the District Court of The Hague on 11 July 2003 and registered there under number 72/2003. Any liability for adverse effects arising from the use of the text of this model is hereby excluded by the ROZ.

Extent of the Leased Space

1. The term "Leased Space " also includes the installations and facilities in the Leased Space, insofar as they are not excluded in the Certificate of Practical Completion ("*proces-verbaal van oplevering*"), initialed by parties, to be attached as an appendix to this Lease agreement.

Condition

2. At the commencement of the Lease the Leased Space will or shall be delivered to and accepted by Lessee in its then-existing condition. That condition shall be recorded by or on behalf of Lessee and Lessor in a Certificate of Practical Completion, initialed by parties and to be attached as an appendix to the Lease agreement and, and which forms a part of the Lease agreement. If no Certificate of Practical Completion is prepared at the commencement of the Lease, the Leased Space is considered to have been delivered and accepted in the condition which Lessee can expect from a well-maintained property of the type to which the Lease agreement pertains.

Defect

3.The Leased Space has a defect if, considering the condition or a characteristic or any other circumstance not attributable to Lessee prevents enjoyment of the Leased Space by Lessee which may be expected at the time of the commencement of the Lease agreement.

Inspection in connection with suitability

4. Lessee is required to thoroughly inspect the Leased Space before commencement of the Lease agreement to ascertain whether the Leased Space is suitable or can be made suitable by Lessee for the purposes intended. Lessor has not examined the suitability of the Leased Space and is only required to inform Lessee of defects known to Lessor and of which he knows they would negatively affect the suitability. Lessor is not liable for the consequences of defects which were not or should not have been known to Lessor.

Expertise

5. If Lessee or Lessor are not sufficiently knowledgeable he is required to be assisted or represented by an expert when preparing the Certificate of Practical Completion, and during the inspection referred to under 4.

Use

6.1 For the entire duration of the Lease, Lessee shall effectively, fully, properly, personally and exclusively use the Leased Space for the purpose designated in the Lease agreement. Lessee shall observe any existing restricted rights, restricted covenants, and any requirements imposed or to be imposed by the authorities or utility companies (including requirements relating to Lessee's business, the use of the Leased Space, and everything present in or on the Leased Space). Lessee shall ensure that the Leased Space has and will continue to have adequate furnishings and fittings, as of the commencement of the Lease. The term "utility companies" in this Lease agreement also includes similar businesses engaged in the supply, delivery and metering the use of energy, water, and the like.

6.2 Lessee shall comply with statutory provisions and local ordinances as well as commercial practice with respect to tenancies, government regulations, utilities and insurance companies. Lessee may only employ companies to perform work relating to security, fire prevention and lift engineering which have been approved by Lessor beforehand and that are certified by the National Centre for Prevention ("*Nationaal Centrum voor Preventie*") (NCP) or the Dutch Institute for Elevator Technology ("*Nederlands Instituut voor Lifttechniek*") respectively. If within the framework of supplies and services to be provided by Lessor it was agreed that the aforementioned work will be performed on behalf of Lessor, Lessee may not perform or contract this work himself. Lessee shall at all times observe the conditions of use issued by these companies. Lessee shall also take account any oral or written instructions issued by or on behalf of Lessor in the interest of proper use of the Leased Space and the internal and external spaces, installations and facilities of the building or complex to which the Leased Space belongs. This also includes instructions with respect to maintenance, appearance, noise levels, order, fire prevention, parking regime and the proper functioning of the installations and the building or complex, respectively, to which the Leased Space belongs.

[*initials*]

6.3 Lessee shall not cause any nuisance or disturbance when using the building or complex to which the Leased Space belongs. Lessee shall ensure that any third parties present on the account of Lessee will also not do such.

6.4 Lessee is entitled and is required to use the common facilities and services which are or will be made available in the interest of proper operation of the building or complex to which the Leased Space belongs.

6.5 Lessor is entitled to have access to the roofs, external walls, spaces not accessible to the public or Lessee, appurtenances within the building or complex, as well as gardens and yards of that building or complex, for himself, tenant(s) and third parties, for the purpose of installing (illuminated) advertising, signage, antenna systems or other purposes. If Lessor wishes to exercise this right, Lessor shall notify Lessee in advance, and Lessor shall take Lessee's interests into consideration when exercising this right.

6.6 Lessor may refuse Lessee access to the Leased Space if Lessee has not (yet) fulfilled its obligations under the Lease agreement when Lessee wants commence using the Leased Space. This does not affect the commencement date of the Lease, nor Lessee's obligations under the Lease agreement.

(Government) conditions and permits
6.7.1 Lessee is responsible for and will take arrange any necessary exemptions and/or permits, including user permits required in the course of conducting business, for which the Leased Space is used or designated. The costs arising from this shall be borne by Lessee. The refusal or revocation thereof shall not give grounds for termination of the Lease agreement or any other or further action against Lessor.

6.7.2 At the commencement of the Lease agreement Lessee shall examine whether the Leased Space is suitable for the purpose that Lessee shall use the Leased Space for. If at the time of the commencement of the Lease agreement, or at a later time, any changes or improvements are necessary in, at or to the Leased Space related to the purpose that Lessee has given or will give to the Leased Space are necessary as a result of government regulations or other regulations of other competent authorities, Lessee shall perform these changes or improvements at his own expense, after prior consent of Lessor.

6.7.3 If changes or improvements to, in or at the Leased Space are necessary in relation to the course of business conducted therein, or to the purpose or intended purpose, Lessee is responsible, notwithstanding the stipulations of 6.8.1 through 6.8.3 and 6.11.1 through 6.11.7, to ensure that such work will be carried out in accordance with the requirements imposed or to be imposed by the government or other competent authorities. Lessor therefore does not indemnify Lessee for (government) orders for further investigation or to take measures.

Environment
6.8.1 If at the commencement of the Lease agreement an environmental study with respect to the Leased Space has taken place and during or directly upon termination of the Lease agreement -in a similar survey- higher concentrations of one or more substances under, in, on or around the Leased Space are found than those present at the time of the earlier study, Lessee shall pay any damages arising from the contamination and is liable to Lessor for costs incurred with respect to the removal of the contamination or for taking other measures.
Lessee indemnifies Lessor in this context against claims of third parties, including government institutions.

6.8.2 The provisions of 6.8.1 do not apply if Lessee shows that the contamination did not arise because of actions or omissions by Lessee, his staff or individuals or objects under his supervision, or is not caused by a circumstance which can be imputed to Lessee.

6.8.3 Lessor does not indemnify Lessee against (government) orders for further investigation or for taking measures.

Waste products/chemical waste
6.9 Lessee shall strictly comply with any guidelines, regulations or instructions of the government or other competent authorities with regard to the (separate) collection of waste materials. Lessee is liable for all financial, criminal and other consequences resulting from non-compliance or partial compliance.

[*initials*]

Apartment rights
6.10.1 If the building or complex to which the Leased Space belongs is or will be divided into apartment rights, Lessee shall observe the conditions relating to usage as laid down in the deed of division and regulations. The same applies if the building or complex is or becomes part of a co-operative association.

6.10.2 Lessor shall not, so far as it is within his power, cooperate with the realization of regulations which are in conflict with the Lease agreement.

6.10.3 Lessor ensures that Lessee receives a copy of the regulations relating to usage, as specified in 6.10.1.

Prohibitory clauses and rules of procedure
6.11.1 Lessee is not permitted to:
a. have any environmentally hazardous materials in, on, or in the immediate vicinity of the Leased Space, including noxious, flammable or explosive materials, unless these are held in the normal course of business;
b. load the floors of the Leased Space and the building or complex to which the Leased Space belongs exceeding what technically permitted or exceeding the limit described in the Lease agreement;
c. use the Leased Space in such a way that this results in soil or other contamination, damage to the Leased Space or damage to the appearance of the Leased Space, including the use of transportation means which can damage floors or walls;
d. make changes or improvements in, on, or to the Leased Space which violate regulations of the government and utility companies, or the conditions under which the owner of the Leased Space acquired ownership or other restricted rights of the Leased Space, or which result in a nuisance to other Lessees or neighbors or hinder their usage rights.

6.11.2.1 Lessee shall at all times inform Lessor timely, beforehand and in writing about any change or improvement which Lessee wishes to realize or have realized in, to or on the Leased Space, such as nameplates, advertising, signs, announcements, publications, superficies, structures, displays, packaging, goods, vending machines, lighting, sun awnings, roll-down shutters, antennas and attachments, flagpoles, blinding windows, et cetera.

6.11.2.2 Changes and improvements include making holes in the facades, floors and walls.

6.11.2.3 Lessee needs Lessor's prior written consent for the complete or partial change of the furnishings or appearance of the Leased Space, unless it concerns changes or improvements that can be reversed and removed at nominal cost at the end of the Lease.

6.11.2.4 Unless parties agree otherwise in writing, Lessor does not grant permission for changes and improvements which Lessee wishes to make if they cannot be removed at the end of the Lease without damaging the Leased Space and can not be reversed at nominal cost, or if these changes and improvements are not necessary for the efficient use of the Leased Space, or if the quiet enjoyment of the land is not increased, or if Lessor has compelling reasons to object to such changes or improvements.

6.11.2.5 Lessor is entitled to impose conditions with respect to changes or improvements desired by Lessee, including in relation to the execution, location, size and choice of materials. Lessee shall comply with regulations of competent authorities concerning changes or improvements made by Lessee.

6.11.2.6 Any changes and improvements made by Lessee do not form part of the Leased Space, irrespective of whether or not the changes or improvements were made with Lessor's consent.

6.11.2.7 Unless parties have agreed otherwise in writing, changes and improvements made by or on behalf of Lessee must be reversed and removed before the end of the Lease.

6.11.2.8 Lessee waives his rights and claims with respect to unjustified enrichment pertaining to changes and improvements made by or on behalf of Lessee and which are not reversed at the end of the Lease, unless parties have agreed otherwise in writing.

6.11.2.9 Without Lessor's prior written consent Lessee is not permitted to enter or to allow entry to the service and installation rooms, flat roof sections, roofs, gutters, and areas of the Leased Space, the building or complex to which the Leased Space belongs that are not intended for public use; or park vehicles in other than designated parking places.

6.11.3 Lessee shall comply with regulation of the government and other competent authorities, as well as with the oral and written instructions of Lessor, regarding the times and methods for loading and unloading.

6.11.4 Lessor is in no way liable for changes or improvements and the like referred to in 6.11.2.1 and 6.11.2.2.

6.11.5 Lessee shall keep fire extinguishing equipment, fire escapes, and emergency doorways in the Leased Space clear at all times.

[*initials*]

6.11.6 If the Leased Space is equipped with an elevator, rollways, escalator, automatic door system, or similar equipment, or if the Leased Space can be accessed by means of one or more of these or similar equipment, the use thereof shall be entirely at a user's own risk. All instructions issued or to be issued by or on behalf of Lessor, the involved installers or the government shall be strictly observed. Lessor may decommission such facilities - if and for as long as necessary - without entitlement of Lessee to compensation or reduction of the rent.

6.11.7 If objects (including advertising or other sign-work) affixed by Lessee have to be removed temporarily in connection with maintenance or repair work to the Leased Space or the building or complex to which the Leased Space belongs, the costs of such removal, possible storage and re-affixing these items shall be borne by Lessee, irrespective of whether or not Lessor gave permission for said items to be affixed.

Requests/permissions
6.12.1 If Lessor or Lessee wish to deviate from and/or supplement any provision of this Lease agreement after its execution, Lessor or Lessee shall submit his request for this deviation or supplement in writing.

6.12.2 If and to the extent that any provision of this Lease agreement requires the permission of Lessor or Lessee, such permission will only be deemed to have been granted if it is granted in writing.

6.12.3 Any permission given by Lessor or Lessee is granted on a one-time-only basis and will not apply to other or successive instances. Lessor and Lessee are entitled to grant their respective permission under certain conditions.

Penalty clause
7. If after having received a Notice of Default from the Lessor, Lessee continues to breach the stipulations of the Lease agreement and of these General Conditions, Lessee will incur a penalty, payable on demand, of € 250.00 per day for each day during which Lessee continues to be in default, in as far as no specific penalty has been agreed upon. The foregoing is without prejudice to Lessor's right to full compensation insofar as the damages suffered exceed the penalty imposed.

Sublet
8.1 Lessee is not permitted to let or sublet the entire or part of the Leased Space or grant usage rights thereto, to third parties without Lessor's prior written consent, or to transfer tenancy rights in whole or in part to third parties or to transfer these into a partnership or legal entity, without Lessor's prior written consent.

8.2 If Lessee acts in violation of the foregoing provisions, he will incur a penalty, payable on demand, for each calendar day that the violation continues, equivalent to two times the daily rent payable by Lessee at that time, without prejudice to Lessor's rights to claim specific performance or dissolution of the Lease agreement or any damages.

Rent adjustment
9.1 The rent adjustment as agreed to in 4.5 of the Lease takes place on the basis of the adjustment of the monthly price index of the Consumer Price Index (CPI), all households series (2000 = 100), published by the Central Bureau of Statistics ("*Centraal Bureau voor de Statistiek*") (CBS). The adjusted rent is calculated with the use of the following formula: the adjusted rent is equivalent to the current rent at the date of change, multiplied by the index number in the calendar month four months prior to the calendar month in which the rent is adjusted, divided by the index number of the calendar month sixteen months prior to the calendar month in which the rental is adjusted.

9.2 The rent will not be adjusted if the adjustment would lead to a lower rent than the last current rent. In that case, the last current rent remains unchanged, until with the next indexing the index number in the calendar month four months prior to the calendar month in which the rent will be adjusted is higher than the index number of the calendar month four months prior to the calendar month in which the rent was lastly adjusted. In that case the rent adjustment will use the index numbers of the calendar months referred to in the previous sentence.

9.3 The validity of a newly indexed rent does not require that Lessee is informed separately of the indexing that will be or already is implemented.

9.4 If CBS no longer publishes said index numbers or if CBS changes the basis of calculation thereof, an indexation method will be used which is as closely comparable to the method of the CBS, or a comparable index number will be used. In case parties disagree, any of the parties may request the Director of CBS to give a decision which will be binding to both parties. Any costs incurred in this regard will be equally split between parties.

[*initials*]

Termination of the Lease agreement or use

10.1.1 Unless otherwise agreed in writing, Lessee shall deliver the Leased Space to Lessor at the end of the Lease, or at the end of use thereof, in the condition as described in the Certificate of Practical Completion at the commencement of the Lease, with the exception of normal wear and tear and ageing.

10.1.2 If no Certificate of Practical Completion was made up at the commencement of the Lease, the Leased Space shall be delivered by Lessee to Lessor at the end of the Lease, or the end of Lessee's use, in the condition which Lessor can expect from a well-maintained property of the type to which the Lease agreement relates, without defects, unless otherwise agreed in writing, and with the exception of normal wear and tear and ageing.

10.1.3 If the condition of the Leased Space at the commencement of the Lease is argued it will be assumed that Lessee received the Leased Space in good condition and without defects.

10.1.4 The Leased Space will furthermore be returned to Lessor completely vacated, free of use and rights of use, properly cleaned and with all keys, key cards and the like pertaining thereto. Lessee is required to remove all items it has affixed in or on the Leased Space or which were assumed by Lessee from the previous Lessee or user at his own expense. Lessor is not required to compensate Lessee for items which were not removed. Items which were not removed may be removed at Lessee's expense. The provisions of 6.11.2.6 and 6.11.2.7 apply.

10.2 If Lessee terminates his use of the Leased Space prematurely, Lessor is entitled to obtain access to and take possession of the Leased Space at Lessee's expense. In that case Lessee does not have any right to damages.

10.3 All items apparently abandoned by Lessee by leaving them behind in the Leased Space at the time of actually leaving the Leased Space may be removed by Lessor at Lessor's own discretion, without any liability on Lessor's part, at Lessee's expense. Lessor at its own discretion is entitled to immediately and at Lessee's expense have these items destroyed, or appropriated and, if desired, to sell them and retain the proceeds of sale, unless Lessor is aware that the successive Lessee will assume or has assumed the items. If the successive Lessee has assumed items, Lessee is required to draft a description, jointly with the successive Lessee, of any items being assumed by the successive Lessee. This description, initialed by Lessee and the successive Lessee, shall be provided to Lessor immediately after it is drafted.

10.4 Lessee is under no circumstance entitled to leave behind any items in the Leased Space after the end of the Lease agreement while awaiting a response whether a successive Lessee wishes to assume items, unless Lessor and Lessee agreed otherwise in writing. If Lessee does not comply with this, Lessor is entitled to, at its own discretion, have these items immediately destroyed at Lessee's expense, or to appropriate and, if desired, sell these items and retain the proceeds of sale.

10.5 The Leased Space must be inspected by parties jointly, timely before the end of the Lease agreement or the end of use. A report of this inspection shall be prepared by parties, which shall contain the findings with respect to the condition of the Leased Space. This report shall also record which work with respect to repairs that became evident in said inspection and overdue maintenance costs still have to be performed at costs of Lessee, as well as the manner in which that work will have to be performed. The inspection of the Leased Space and the drafting and signing of the inspection report takes place by parties or by their appointed representatives. Parties may not challenge the authority of such representatives after the event.

10.6 If Lessee does not cooperate with the inspection and/or the recording of the findings and agreements in the inspection report within a reasonable term, after having had a sound opportunity to do so, Lessor is entitled to carry out the inspection without Lessee's attendance and to determine the report as being binding for both parties. Lessor shall immediately give Lessee a copy of this report.

10.7 Lessee is required to perform the work or have the work performed within the term set in the inspection report --or to be agreed upon between parties- to Lessor's satisfaction. If Lessee, also after having received a notice of default, in full or in part fails to comply with his obligations following from the inspection report, Lessor is entitled to have the work performed and recover the associated costs from Lessee.

10.8 Lessee is liable to pay a sum to Lessor for the time involved with the repair of the Leased Space from the day on which the Lease agreement ends, calculated on the basis of the most current rent and charges for additional supplies and services, without prejudice to Lessor's claim for payment of further damages and costs.

[*initials*]

Damages and Liability

11.1 Lessee shall timely take appropriate steps to prevent and limit damage to the Leased Space such as damage resulting from short circuits, fire, leakage, storm, frost or any other weather conditions, influx and outflow of gases or liquids. Lessee shall inform Lessor immediately if such damage or event as referred to in 11.6 occurs or threatens to occur.

11.2 If Lessee has the opportunity to do so, the previous provision also applies to the building or complex to which the Leased Space belongs.

11.3 Lessee is liable toward Lessor for all damages and losses to the Leased Space, unless Lessee shows that he, people whom he permitted access to the Leased Space, his staff and individuals for whom Lessee is liable, are not to blame in this respect or that the negligence is not attributable to him, all without prejudice to the provisions of 13.1, 13.4, and 13.5 pertaining to Lessee's maintenance, repair and renewal obligations.

11.4 Lessee indemnifies Lessor against any fines imposed on Lessor due to Lessee's actions or negligence.

11.5 Lessor is not liable for the consequences of defects which were not or should not have been known to Lessor at the commencement of the Lease.

11.6 Lessor is not liable for any damage to Lessee or his goods, and Lessee is not entitled to reduction of the rent, compensation or deferment of any payment obligation or termination of the Lease agreement in the event of an impaired quiet enjoyment of the land as a result of defects, including those stemming from visible and hidden defects of the Leased Space or the building or complex to which the Leased Space belongs, weather conditions, blocked access of the Leased Space, vacant property elsewhere, discontinuation of the supply of gas, water, electricity, heating, ventilation or air treatment, failure of systems and equipment, influx and outflow of gases or liquids, fire, explosion, or the inadequate provision of supplies and services. Lessor is also not liable for damages to the person or goods of third parties that are present in the Leased Space, and Lessee indemnifies Lessor against any such third party claims.

11.7 Lessee is liable for damages resulting from changes and improvements to the Leased Space made by or on behalf of Lessee's. Lessee indemnifies Lessor against claims of third parties for damages caused by changes and improvements made by Lessee.

11.8 Lessor is not liable for Lessee's loss due to business interruption or for damages resulting from activities by other Lessees, or from obstructed use of the Leased Space caused by third parties, or for defects which arose because Lessee did not fulfill his maintenance obligations.

11.9 The provisions of 11.6 and 11.8 with respect to business interruption do not apply in the event of damages resulting from gross negligence or serious misconduct by Lessor with respect to the condition of the Leased Space or the building or complex to which the Leased Space belongs. The provisions of 11.6 and 11.8 with respect to business interruption do not apply if the damage results from a defect in the Leased Space which was known or should have been known to Lessor at the commencement of the Lease; unless it concerns defects which were known or could have been known to Lessee through its inspection as referred to in 4. Among parties such defect will in that case not be considered a defect.

Bank guarantee

12.1 At the execution of the Lease agreement Lessee shall provide Lessor with a bank guarantee to secure fulfillment of Lessee's obligations under the Lease agreement, the type of which will be determined by Lessor, for the amount specified in the Lease agreement and specific to Lessee's payment obligations toward Lessor. This bank guarantee shall apply to any extension of the Lease agreement, including any amendments thereto, and shall remain valid for at least six months after the date on which the Leased Space is effectively vacated and the Lease agreement is terminated. This bank guarantee furthermore shall be valid with respect to any of Lessor's successor(s).

12.2 Lessee is not entitled to compensate any sum with the bank guarantee.

12.3 In the event the bank guarantee is invoked Lessee shall, upon Lessor's first request, immediately ensure that a new bank guarantee is issued for the full amount, with due observance of 12.1 and 12.4.

12.4 After an upward adjustment to the rent, charges for supplies and services or the advance therefore, and of the applicable VAT, Lessee shall, at Lessor's first request, immediately issue a new bank guarantee for the amount adjusted to the new payment obligations.

12.5 Prior to the start of each new lease period under an extension of the Lease agreement, Lessee will at Lessor's first request immediately arrange a new bank guarantee for the amount adjusted to the new payment obligations.

12.6 If Lessee does not comply with the obligations described in this section, Lessee shall incur a fine, payable on demand to Lessor, of €250.00 per violation for every calendar day that Lessee remains in breach after Lessee has been notified of such breach by registered letter.

[*initials*]

Maintenance, repair and replacements, surveys and inspections

13.1 Lessor is responsible for the costs of maintenance, repair and renewal activities to the Leased Space as specified in 13.3 below. Lessee is responsible for all other maintenance, repair and renewal activities, including the costs of inspections and surveys of the Leased Space. If the Leased Space is part of a building or complex, the above-mentioned also applies to the costs of said activities for the benefit of the building or complex to which the Leased Space belongs, such as work on common installations, spaces and other common facilities.

13.2 Unless otherwise agreed between the parties, the activities referred to in 13.3 and 13.4 will be performed by or on the instructions of the party who bears those costs. The parties will timely perform said activities or have this performed.

13.3 Lessor is responsible for the costs of:
a. maintenance, repair and renewal of structural sections of the Leased Space, such as foundations, columns, beams, construction floors, roofs, flat roof sections, construction walls and facades;
b. maintenance, repair and renewal of stairs, steps, sewer system, drains, external window sills of the Leased Space. The above notwithstanding, the provisions in 13.4, sub k, remain fully applicable to sewage pipes;
c. replacement of components and renewal of installations belonging to the Leased Space;
d. external paintwork.
The costs of the activities referred to in a. through d. shall be borne by Lessor, unless the activities shall be regarded as minor repairs, including minor and daily maintenance as defined by law or activities with respect to items which were not applied in, to or on the Leased Space by or on behalf of Lessor.

13.4 As a clarification of or in either deviation of or supplemental to 13.1, Lessee is responsible for:
a. external maintenance if and insofar it relates to activities which shall be considered minor repairs, including minor and daily maintenance as defined by law, as well as internal maintenance other than maintenance as meant in 13.3, all without prejudice to the following provisions;
b. maintenance, repair and renewal of door and window fittings, glazing and glass doors, mirrored and other windows;
c. maintenance and repair of roll-down shutters, venetian blinds, canopies and other awnings;
d. maintenance, repair and renewal of switches, sockets, telephone systems, lamps, lighting (including fittings), batteries, floor coverings, soft furnishings, internal paintwork, sinks, kitchen equipment and sanitary;
e. maintenance, repair and renewal of pipes and shutters for gas, water and electricity, fire-, burglary- and theft-prevention equipment and everything pertaining thereto;
f. maintenance, repair and renewal of boundary partitions, garden and yard, including pavement;
g. periodic and proper maintenance, as well as periodic inspections and administration of all technical systems belonging to the Leased Space, including the replacement of small components. These activities may only be carried out by contractors approved by Lessor;
h. (periodic as well as incidental) surveys and inspections, pertaining to the reliability and safety or verification of the correct functioning of the installations (technical or otherwise) belonging to the Leased Space or the Leased Space' appurtenances, whether or not required by the government and other reasonably deemed necessary; said surveys and inspections shall be carried out at Lessor's instructions; with regard to costs involved 16.3 through 16.8 applies to the extent possible.
i. maintenance, repair and renewal of items applied by or on behalf of Lessee, irrespective of whether these items are or will be applied under a provisional bookkeeping account made available by Lessor to Lessee;
j. ensure that the Leased Space is cleaned and keeping it clean, both internally and externally, including keeping the windows, roll-down shutters, venetian blinds, canopies and other awnings, the outside window frames and facades of the Leased Space clean, and the removal of any graffiti on the Leased Space.
k. ensure that grease-traps are emptied, cleaning and unblocking drains, gutters and all waste and sewage pipes up to the municipal sewer for the Leased Space, chimney sweeping, and cleaning out ventilation ducts.

13.5 Lessee is liable for maintaining, repairing and renewing any alterations and improvements affixed to the Leased Space by or on behalf of Lessee.

13.6 If Lessee fails to take care of the maintenance, repair or renewal, after receiving a notice, or if it is Lessor's opinion that this work has been carried out improperly or poorly, Lessor is entitled to have the maintenance, repair or renewal performed at Lessee's cost and risk.
If the work which falls under Lessee's responsibility cannot be postponed, Lessor is entitled to immediately perform or have this performed, at Lessee's expense.

13.7 Lessor shall consult with Lessee in advance, the way in which maintenance, repair and renewal which falls under Lessor's responsibility can be carried out, taking Lessee's interests into consideration as much as possible. If this work is performed at Lessee's request outside of normal working hours, Lessee will bear the extra costs involved.

[*initials*]

13.8 Lessee is responsible for the correct and skillful use of the technical installations in the Leased Space. Lessee is also responsible for any maintenance of those installations carried out by him or on his instructions. The fact that maintenance was performed by a company approved by Lessor shall not release Lessee from this responsibility.

13.9 Lessee shall immediately notify Lessor in writing, of any defects in the Leased Space. In said notice Lessee gives Lessor a reasonable time to start to remedy the defect which falls under the responsibility of Lessor. A reasonable time in this regard is at least six weeks, except in the case of a calamity.

13.10 If Lessor and Lessee agreed that the maintenance, repair and renewal work in, to or on the Leased Space or the building or the complex to which the Leased Space belongs, as specified in 13.1, 13.4 and 13.5, which are the responsibility of Lessee, shall be performed on Lessor's instead of Lessee's instructions, the costs involved will be charged by Lessor to Lessee. In some cases Lessor will enter into service contracts for this.

Adjustments by or on behalf of Lessor
14.1 Lessor is permitted to perform work or an inspection in, to or on the Leased Space or the building or complex to which the Leased Space belongs or to adjacencies, or have this work or these inspections performed, in the context of maintenance, repair and renewal. This includes adding additional facilities and changes or work required in connection with (environmental) requirements or measures imposed by the government, utility companies or other competent authorities.

14.2 If Lessor wants to renovate the Leased Space, he shall make a proposal for renovation to Lessee. A proposal for renovation by Lessee is presumed reasonable if it is supported by at least 51% of the Lessees whose Leased Space are involved in the renovations and these Lessees jointly rent at least 70% of the rentable floor area in m2, including vacant property, of the building or complex to which the Leased Space belongs which is involved in the renovation. For the purpose of calculating the percentage, Lessor will be classified as the Lessee of the rentable floor area in m2 which is not leased.

14.3 Renovation includes (partial) demolition, replacement construction, improvements to and alterations of the Leased Space or the building or complex to which the Leased Space belongs.

14.4 The provisions of Article 220, sub 1, 2, and 3, Book 7 of the Dutch Civil Code do not apply. Renovation and maintenance work to the Leased Space or the building or complex to which the Leased Space belongs shall not constitute a defect as far as Lessee is concerned. Lessee shall accept maintenance and renovations work to the Leased Space or the building or complex to which the Leased Space belongs and will provide Lessor with the opportunity to carry out such work, which does not give Lessee the right to reduce the rent or any other payment obligation, partial or full termination of the Lease agreement and/or to damages.

14.5 Lessor is permitted to alter the appearance and design of those parts of the Leased Space to which Lessee does not have exclusive rights of use, such as common spaces, elevators, escalators, stairs, stairwells, hallways, access points, and/or other appurtenances and to move, replace or eliminate these parts of the Leased Space.

Lessor access
15.1 If Lessor wishes to carry out or have carried out a tax assessment of the Leased Space or wants to perform work or have work performed in, to or on the Leased Space, Lessee is required to provide Lessor, or those persons who are seeking access on Lessor's behalf, access to enable such work to be carried out.

15.2 In order to carry out the work referred to in 15.1, Lessor and/or any person appointed by Lessor are entitled to enter the Leased Space after consultation with Lessee between 7 AM and 5:30 PM on working days. In cases of emergencies, Lessor is entitled to enter the Leased Space without consultation and if necessary beyond the foresaid times.

15.3 In the event of a proposed lease, sale or auction of the Leased Space, and during one year before the end of the Lease, Lessee shall, for at least two working days per week and without any reimbursement, upon prior notification from Lessor or his representative, allow the opportunity for viewing the Leased Space. Lessee will allow the usual "For Lease" or "For Sale" signs or posters to be posted on or around the Leased Space.

Costs of supplies and services
16.1 In addition to the rent, Lessee will bear the costs of supply, transportation, metering and usage of water and energy for the Leased Space, including the costs of entering into the relevant contracts and meter rental, and any other costs and fines charged by the utility companies. Lessee shall enter into supply contracts with the relevant organizations, unless the Leased Space has no separate connection and/or Lessor arranges this as part of the agreed upon supplies and services.

[*initials*]

16.2 If parties did not agree for the supply of additional supplies and deliveries, Lessee will arrange for these at its own cost and risk, to Lessor's satisfaction. In that case Lessee will enter into service contracts, subject to Lessor's prior consent, with respect to the installations within the Leased Space.

16.3 If parties did agree that Lessor will provide additional supplies and deliveries, Lessor will set the fee due by Lessee on the basis of the costs for providing these supplies and services and related administrative activities. Insofar as the Leased Space is part of a building or complex and the supplies and services also relate to other parts thereof, Lessor determines the reasonable share of the costs due by Lessee for those supplies and services. Lessor is not required to take into account the fact that Lessee may not use one or more of these supplies and services. If one or more parts of the building or complex are not in use, Lessor ensures with the determination of Lessee's share that this share will not be higher than it would have been in case of full use of the building or complex.

16.4 Lessor provides Lessee each year with a detailed statement of the costs of the supplies and services, with a specification of the calculation method and, insofar as applicable, Lessee's share of those costs.

16.5 After the end of the lease a statement will be provided for the period not yet accounted for. This final statement will be provided no later than 14 months from the moment that the previous statement was provided. Neither Lessor nor Lessee will claim a premature settlement.

16.6 The amount paid too little by Lessee or the amount received too much by Lessor according to the statement, taking advance payments into account, will be settled within one month after providing the statement. There is no suspension of this payment obligation in case the correctness of the statement is challenged.

16.7 Lessor is entitled to change or terminate the nature and scope of the supplies and services after consultation with Lessee.

16.8 Lessor is entitled to adjust the advance payment due by Lessee for supplies and services in the interim to reflect the anticipated costs, including in the circumstances mentioned in 16.7.

16.9 In the event that the supply of gas, electricity, heat and/or (hot) water is included in the supplies and services to be delivered by Lessor, Lessor may, after consultation with Lessee, adjust the method to determine this usage and therewith related Lessee's share in the costs of usage.

16.10 If the usage of gas, electricity, heat and/or (hot) water is determined on the basis of metering equipment and a dispute arises over Lessee's share of the usage costs because of non-functioning or incorrect functioning of these meters, Lessee's share will be determined by a company, hired by Lessor, which specializes in the measuring and determination of gas, electricity, heat and/or (hot) water consumption. This also applies in the case of damage, destruction or fraud in relation to the meters, without prejudice to all other rights Lessor has against Lessee in such case, such as the right to repair or renew the meters and payment of suffered damages.

16.11 Lessor is not liable for any damage resulting from the non-functioning or the improper supply of the aforementioned supplies and deliveries, except in the case of gross negligence or serious misconduct. In those cases Lessee is also not entitled to a reduction of rent and/or settlement of any payment obligation.

Costs, default

17.1 In all cases where Lessor issues a summons, notice of default or bailiff's writ to Lessee, or in the event of proceedings against Lessee to enjoin performance of the Lease agreement or to enforce vacating the premises, Lessee shall pay all costs incurred thereto by Lessor, both judicial and extra-judicial, with the exception of the costs of the proceedings for which Lessor is responsible under a final judgment.
The costs incurred will be established in advance between parties at an amount no lower than the normal tariff used by bailiffs.

17.2 Lessee is in default by the mere expiry of a time limit.

Payments

18.1 Payment of the rent and all other amounts owed under this Lease agreement will be made in legal Dutch tender no later than the due date by payment on or transfer to a bank account indicated by Lessor, without stay, discount, deduction, or settlement with any claim Lessee has or believes it has against Lessor. This is without prejudice to Lessee's right to remedy any defects himself and to deduct the reasonable costs thereof from the rent if Lessor is in default with the remedy of those defects. Lessor may change the place or method of payment and Lessee shall be notified of any such changes in writing. Lessor is entitled to determine to which outstanding claims under the Lease agreement the payments made by Lessee apply, unless Lessee specifically indicates otherwise when it makes the payment. In this last case, the provisions of Article 50, Book 6 of the Dutch Civil Code do not apply.

[*initials*]

18.2 Each time when an amount due by Lessee under this Lease agreement is not paid promptly to Lessor on the due date, Lessee will, by law, forfeits to Lessor a fine, payable on demand, of 2% of the amount due per calendar month calculated from the date when the amount became due, each part of a month counting as a full month, with a minimum of € 300.00 per month.

Taxes, charges, levies, premiums

VAT
19.1 If it has been agreed that VAT will be charged over the rent, Lessee and Lessor hereby expressly state that the determination of the rent is based on the assumption that Lessee will use or cause to use the Leased Space continuously for a minimum percentage established or to be established by law for performance that entitles deduction of VAT, in a manner that allows for opting for a lease subject to VAT.

19.2 Lessor and Lessee choose to waive a joint request opting for a VAT-taxed lease, with reference to Communication 45, Decree of March 24, 1999, number VB 99/571 and suffice with a statement completed and signed by Lessee, which forms an integral part of the current Lease agreement.

19.3 a If Lessee does not use or no longer uses or causes to be used the Leased Space for performances which entitles deduction of VAT and as a result thereof the exception on the exemption to deduct VAT over the rent is terminated, Lessee is no longer due VAT over the rent to Lessor or his successor(s); however Lessee is due, in addition to the rent in lieu of VAT a separate amount such that Lessor or his successor(s) are fully compensated for:

I. The VAT on the operating costs of the Leased Space or investments therein which are no longer deductible by Lessor or his successor(s) as a result of the termination of the option;
II. The VAT which Lessor or his successor(s) will be due to the tax authorities as a result of the termination of the option resulting from an adjustment as referred to in Article 15 sub 4 of the Turnover Tax Act 1968 or a review as referred to in the Articles 11 through 13 of the Turnover Tax Implementation Order 1968;
III. All other damages suffered by Lessor or his successor(s) as a result of the end of the option.

19.3 b The financial disadvantage suffered by Lessor or his successor(s) as a result of the termination of the option will be paid by Lessee to Lessor, or his successor(s) together with the periodic rent payments and, with the exception of damage as referred to in 19.3a sub I, shall be evenly distributed over the remaining duration of the current lease period, if possible by means of an annuity, but is payable on demand, in full and in one sum, if the Lease agreement is terminated in the meantime for any reason.

19.4 The provision of 19.3a, sub II does not apply if the review period for deductions of VAT with respect to the Leased Space has expired when the current Lease agreement is entered into.

19.5 If a situation occurs as referred to in 19.3a, Lessor or his successor(s) will inform Lessee which amounts Lessor, or his successor(s), will have to pay to the tax authorities. Lessor or his successor(s) will also detail the other damages as referred to in 19.3a sub III. Lessor or his successor(s) will cooperate if Lessee wants an independent registered accountant to check the statement of Lessor or his successor(s). The costs of this will be borne by Lessee.

19.6 If in any financial year the Leased Space is not used sufficiently for the purposes referred to in 19.1, Lessee shall inform Lessor or his legal successor(s) of this, within four weeks after the end of the financial year in question, by means of a declaration, signed by Lessee. Lessee shall send a copy of this declaration to the VAT Inspector within the same period.

19.7 If Lessee fails to comply with the information obligation as referred to in 19.6, and/or fails to comply with the obligation to use the Leased Space as referred to in 19.9, or if it turns out in retrospect that Lessee used incorrect assumptions and Lessor or his successor(s) incorrectly charged VAT on the rent, Lessee is in default and Lessor or his successor(s) are entitled to recover financial damages resulting from this. Such damages include the full amount of the VAT due by Lessor or his successor(s) to the tax authorities, increased with interest, any increases and further costs and damages. This Section provides for a compensation scheme in the event that the option is terminated retroactively, in addition to the provision of 19.3a. The additional damage suffered by Lessor or his successor(s) as a result of the retroactive effect is payable on demand, in full and in one sum from Lessee. Lessor or his successor(s) will cooperate if Lessee requests verification by an independent registered accountant of these additional damages by Lessor or his successor(s). The costs thereof shall be borne by Lessee.

[*initials*]

19.8 The provisions of 19.3a, 19.3b, 19.5 and 19.7 also apply if Lessor or his successor(s) faces damages after (interim) termination of the Lease agreement, resulting from termination of the option applicable to both parties. These damages are payable on demand, in full and in one sum, due to Lessor or his successor(s).

19.9 Without prejudice to any other provisions of this Lease agreement, Lessee shall in any event use or cause to be used the Leased Space with the right of option, before the end of the financial year following the financial year in which Lessee has commenced to lease the Leased Space.

Other taxes, charges, levies, premiums, etcetera
20.1 The following is payable by Lessee, even if Lessor is assessed for this:
a. the municipal property tax in relation to the actual use of the Leased Space and the actual shared use of service spaces, general spaces and so-called common spaces;
b. environmental levies, including surface water pollution tax, water treatment charge, and all other environmental protection charges;
c. betterment levy, or related taxes or levies, in whole proportionate, if and to the extent Lessee benefits from the underlying purpose of the assessment or levy;
d. sewage tax;
e. other existing or future taxes, including taxes levied for facilities in public areas such as flag and advertising taxes, municipal tax on encroachments in, on or above public land, charges, levies and fees:
- in relation to the actual use of the Leased Space;
- in relation to Lessee's goods;
- which would not or partially have been levied or imposed charged, if the use of the Leased Space would not have been provided to Lessee.

20.2 If the charges, levies or taxes due by Lessee are collected from Lessor, Lessee shall pay these at Lessor's first request.

20.3 If the nature or the operation of Lessee's profession or business in the Leased Space, building or complex to which the Leased Space belongs, results in a higher than normal fire insurance premium for the building and contents for Lessor or other Lessees, Lessee shall pay the amount above the normal premium to Lessor or these other Lessees. Lessor and other Lessees are free to choose the insurance company, the method to determine the insured value, and assessing the reasonableness of the premium due. "Normal premium" includes the premium which Lessor or Lessee can negotiate with a well-known and respected insurance carrier for the insurance of the Leased Space, and its contents against the risk of fire, at the time directly preceding the execution of this Lease, without having to consider the nature or the operation of Lessee's profession or business in the Leased Space and, for the duration of the Lease agreement, any adjustment of such premium that is not the result of a change of the nature or the scope of the insured risk.

Several and joint liability
21.1 If several (natural or legal) persons have contractually bound as Lessee, these will always be jointly and severally liable toward Lessor for the entirety of all obligations arising under the Lease agreement. Deferment of payment or release by Lessor granted to one of the Lessees or an offer to do so, shall affect only that Lessee.

21.2 The obligations under the Lease agreement are joint and several, also with respect to heirs and other assignees of Lessee.

Late availability
22.1 If the Leased Space is not available on the agreed effective date of the Lease, because the Leased Space was not ready on time, the previous user did not vacate the Leased Space on time, or if Lessor did not yet receive permits from the authorities, Lessee does not owe rent or fees for supplies and services until the date when the Leased Space is available for Lessee. All other obligations and agreed terms will be deferred accordingly. The rent indexation date remains unaltered.

22.2 Lessor is not liable for any damages incurred by Lessee because of any such delays, unless there is serious fault or gross negligence by Lessor.

[*initials*]

22.3 Lessee is not entitled to claim termination, unless the delayed delivery is caused by gross negligence or serious misconduct by Lessor and such delay results in circumstances which are such that in all reasonability unaltered maintenance of the Lease agreement cannot be required of Lessee.

Personal Data Protection Act
23. If Lessee is a natural person, Lessee gives permission to Lessor and the Property Manager to record and process his/her personal details in a database, by signing this Lease agreement.

Address service
24.1 From the effective date of the Lease, all notices by Lessor to Lessee in connection with the performance of this Lease agreement shall be sent to the address of the Leased Space.

24.2 Lessee is required to immediately notify Lessor if Lessee no longer operates its business in the Leased Space. Such notice will include Lessee's new domicile.

24.3 If Lessee leaves the Leased Space without notifying Lessor of its new domicile, Lessee's domicile will continue to be the address of the Leased Space.

Complaints
25. Lessee will submit any complaints and requests in writing. This may be done verbally in urgent cases. In such cases Lessee will confirm the complaint or request in writing as quickly as possible.

Property Manager
26. If a property manager is appointed by Lessor, Lessee shall consult the property manager on all matters pertaining to the Lease agreement.

Final provision
27. If part of the Lease agreement or these General Conditions are void or annullable this will not affect the validity of the remaining provisions of the Lease agreement or these General Conditions.
In such a case the void or annullable provision(s) shall be substituted, in accordance with the provisions of Article 42, book 3 of the Dutch Civil Code, by provisions as close as legally permissible to what parties would have agreed if they had been aware of the invalidity or nullity.

[*initials*]

Exhibit 10.129

WORLD FINANCIAL NETWORK CREDIT CARD MASTER NOTE TRUST

Issuer

And

UNION BANK, N.A.

Indenture Trustee

FOURTH AMENDED AND RESTATED SERIES 2009-VFN INDENTURE SUPPLEMENT

Dated as of February 28, 2014

FOURTH AMENDED AND RESTATED SERIES 2009-VFN INDENTURE SUPPLEMENT, dated as of February 28, 2014 (the "Indenture Supplement"), between WORLD FINANCIAL NETWORK CREDIT CARD MASTER NOTE TRUST, a trust organized and existing under the laws of the State of Delaware (herein, the "Issuer" or the "Trust"), and UNION BANK, N.A. (successor to The Bank of New York Mellon Trust Company N.A., formerly known as The Bank of New York Trust Company, N.A. and as successor to BNY Midwest Trust Company), a national banking association, not in its individual capacity, but solely as indenture trustee (herein, together with its successors in the trusts thereunder as provided in the Master Indenture referred to below, the "Indenture Trustee") under the Master Indenture, dated as of August 1, 2001 (as amended from time to time, the "Indenture"), between the Issuer and the Indenture Trustee (the Indenture, together with this Indenture Supplement, the "Agreement").

WHEREAS, the parties hereto are party to the Third Amended and Restated Series 2009-VFN Indenture Supplement, dated as of June 13, 2012 (the "Existing Indenture Supplement").

NOW THEREFORE, in consideration of the mutual agreements contained herein, the Existing Indenture Supplement is hereby amended and restated in its entirety as follows and each party agrees as follows for the benefit of the other party and the Series 2009-VFN Noteholders:

Pursuant to Section 2.11 of the Indenture, the Transferor may direct the Issuer to issue one or more Series of Notes. The Principal Terms of this Series are set forth in this Indenture Supplement to the Indenture.

ARTICLE I.

Creation of the Series 2009-VFN Notes

Section 1.1 Designation.

(a) Pursuant to the Indenture and the Existing Indenture Supplement, a Series of Notes was issued known as "World Financial Network Credit Card Master Note Trust, Series 2009-VFN" or the "Series 2009-VFN Notes." The Series 2009-VFN Notes were issued in four Classes, known as the "Class A Series 2009-VFN Floating Rate Asset Backed Notes", the "Class M Series 2009-VFN Asset Backed Notes", the "Class B Series 2009-VFN Asset Backed Notes", and the "Class C Series 2009-VFN Asset Backed Notes". The Series 2009-VFN Notes shall be Variable Interests.

(b) The Class A Notes may from time to time be divided into separate ownership tranches (each a "Class A Ownership Tranche") which shall be identical in all respects, except for their respective Class A Maximum Principal Balances, Class A Principal Balances and certain matters relating to the rate and payment of interest. The initial allocation of Class A Notes among Class A Ownership Tranches shall be made, and reallocations among such Class A Ownership Tranches or new Class A Ownership Tranches may be made, as provided in Section 4.1 of this Indenture Supplement and the Class A Note Purchase Agreement.

(c) Series 2009-VFN shall be included in Group One and shall be a Principal Sharing Series. Series 2009-VFN shall be an Excess Allocation Series with respect to Group One only. Series 2009-VFN shall not be subordinated to any other Series.

ARTICLE II.

Definitions

Section 2.1 Definitions.

(a) Whenever used in this Indenture Supplement, the following words and phrases shall have the following meanings, and the definitions of such terms are applicable to the singular as well as the plural forms of such terms and the masculine as well as the feminine and neuter genders of such terms.

"Additional Amounts" means, for any date of determination, the sum of (x) the Class A Additional Amounts, (y) the Class M Additional Amounts and (z) the Class B Additional Amounts.

"Additional Minimum Transferor Amount" means (a) as of any date of determination falling in November, December and January of each calendar year, the product of (i) 2% and (ii) the sum of (A) the Aggregate Principal Receivables and (B) if such date of determination occurs prior to the Certificate Trust Termination Date, the amount on deposit in the Excess Funding Account and (b) as of any date of determination falling in any other month, zero; provided that the amount specified in clause (a) shall be without duplication with the amount specified as the "Additional Minimum Transferor Amount" in any future supplement to the Pooling and Servicing Agreement that specifies such an amount and indicates that such amount is without duplication of the amount specified in clause (a) and in the Indenture Supplements relating to the Series outstanding on the Fourth Amendment Date (or in any future Indenture Supplement that specifies such an amount and indicates that such amount is without duplication of the amount specified in clause (a)). The Additional Minimum Transferor Amount is specified pursuant to Section 9.7 of this Indenture Supplement as an additional amount to be considered part of the Minimum Transferor Amount.

"Aggregate Investor Default Amount" means, as to any Monthly Period, the sum of the Investor Default Amounts in respect of such Monthly Period.

"Allocation Percentage" means, with respect to any Monthly Period, the percentage equivalent of a fraction:

(a) the numerator of which shall be equal to:

(i) for Principal Collections during the Revolving Period and for Finance Charge Collections and Default Amounts at any time, the Collateral Amount at the end of the last day of the prior Monthly Period (or, in the case of the Monthly Period in which the Closing Date occurs, on the Closing Date), less any reductions to be made to the Collateral Amount on account of principal payments to be made on the Distribution Date falling in the Monthly Period for which the

Allocation Percentage is being calculated; provided, however, that with respect to any Monthly Period in which a Reset Date occurs as a result of a Class A Incremental Funding, Class M Incremental Funding, Class B Incremental Funding, Class C Incremental Funding or the issuance of a new Series, the numerator determined pursuant to this clause (i) shall be (A) the Collateral Amount as of the close of business on the later of the last day of the prior Monthly Period or the preceding Reset Date, in each case less any reductions to be made to the Collateral Amount on account of principal payments to be made on the Distribution Date falling in the Monthly Period for which the Allocation Percentage is being calculated (to the extent not already subtracted in determining the Collateral Amount), for the period from and including the first day of the current Monthly Period or the preceding Reset Date, as applicable, to but excluding such Reset Date and (B) the Collateral Amount as of the close of business on such Reset Date, less any reductions to be made to the Collateral Amount on account of principal payments to be made on the Distribution Date falling in the Monthly Period for which the Allocation Percentage is being calculated (to the extent not already subtracted in determining the Collateral Amount), for the period from and including such Reset Date to the earlier of the last day of such Monthly Period (in which case such period shall include such day) or the next succeeding Reset Date (in which case such period shall not include such succeeding Reset Date); or

(ii) for Principal Collections during the Early Amortization Period and the Controlled Amortization Period, the Collateral Amount at the end of the last day of the Revolving Period, provided, however, that during the Controlled Amortization Period the Transferor may, by written notice to the Indenture Trustee, the Servicer and the Rating Agencies, reduce the numerator used for purposes of allocating Principal Collections to Series 2009-VFN at any time if (x) the Rating Agency Condition shall have been satisfied with respect to such reduction and (y) the Transferor shall have delivered to the Indenture Trustee an Officer's Certificate to the effect, based on the facts known to such officer at that time, in the reasonable belief of the Transferor, such designation will not cause a Series 2009-VFN Early Amortization Event or an event that, after the giving of notice or the lapse of time, would cause a Series 2009-VFN Early Amortization Event to occur with respect to Series 2009-VFN; and

(b) the denominator of which shall be the greater of (x) the Aggregate Principal Receivables determined as of the close of business on the last day of the prior Monthly Period and (y) the sum of the numerators used to calculate the allocation percentages for allocations with respect to Finance Charge Collections, Principal Collections or Default Amounts, as applicable, for all outstanding Series and all outstanding Series under (and as defined in) the Pooling and Servicing Agreement (other than any Series represented by the Collateral Certificate) on such date of determination provided, that if one or more Reset Dates occur in a Monthly Period, the Allocation Percentage for the portion of the Monthly Period falling on and after such Reset Date and prior to any subsequent Reset Date will be recalculated for such period as of the close of business on the subject Reset Date.

"Available Finance Charge Collections" means, for any Monthly Period, an amount equal to the sum of (a) the Investor Finance Charge Collections for such Monthly Period, plus (b) the Excess Finance Charge Collections allocated to Series 2009-VFN for such Monthly Period.

"Available Principal Collections" means, for any Monthly Period, an amount equal to the sum of (a) the Investor Principal Collections for such Monthly Period, minus (b) the amount of Reallocated Principal Collections with respect to such Monthly Period which pursuant to Section 5.6 are required to be applied on the related Distribution Date, plus (c) any Shared Principal Collections with respect to other Principal Sharing Series (including any amounts on deposit in the Excess Funding Account that are allocated to Series 2009-VFN for application as Shared Principal Collections), plus (d) the aggregate amount to be treated as Available Principal Collections pursuant to clauses 5.4(a)(viii) and (ix) for the related Distribution Date.

"Available Spread Account Amount" means, for any Transfer Date, an amount equal to the lesser of (a) the amount on deposit in the Spread Account (exclusive of Investment Earnings on such date and before giving effect to any deposit to, or withdrawal from, the Spread Account made or to be made with respect to such date) and (b) the Required Spread Account Amount, in each case on such Transfer Date.

"Base Rate" means, as to any Monthly Period, the annualized percentage equivalent of a fraction, the numerator of which is equal to the sum of the Monthly Interest, any Class A Non-Use Fees paid pursuant to clause 5.4(a)(ii) and any Class A Rated Additional Amounts for the related Distribution Period, and the Noteholder Servicing Fee with respect to such Monthly Period, and the denominator of which is the Weighted Average Collateral Amount during such Monthly Period.

"Change in Control" means the failure of Holding to own, directly or indirectly, 100% of the outstanding shares of common stock (excluding directors' qualifying shares) of Comenity Bank.

"Class A Additional Amounts" is defined in subsection 5.2(e).

"Class A Breakage Payment" is defined in subsection 5.2(f).

"Class A Fixed Period" is defined in subsection 5.2(a).

"Class A Funding Tranche" is defined in subsection 5.2(a).

"Class AIncremental Funding" means any increase in the Class A Principal Balance during the Revolving Period made pursuant to the Class A Note Purchase Agreement.

"Class A Incremental Principal Balance" means the amount of the increase in the Class A Principal Balance occurring as a result of any Class A Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class A Noteholders pursuant to the Class A Note Purchase Agreement with respect to such Class A Incremental Funding.

"Class A Maximum Principal Balance" means the "Maximum Class A Principal Balance" (as defined in the Class A Note Purchase Agreement), as such amount may be

increased or decreased from time to time pursuant to the Class A Note Purchase Agreement. As applied to any particular Class A Note, the "Class A Maximum Principal Balance" means the portion of the overall Class A Maximum Principal Balance represented by that Class A Note.

"Class A Monthly Interest" is defined in subsection 5.2(a).

"Class A Monthly Principal" is defined in subsection 5.3(a).

"Class A Non-Use Fee" is defined in subsection 5.2(e).

"Class A Non-Use Fee Rate" means, with respect to any Class A Ownership Group, the rate specified as the Class A Non-Use Fee Rate in a fee letter between the Transferor and the Class A Noteholders in such Class A Ownership Group.

"Class A Note Purchase Agreement" means the Fourth Amended and Restated Note Purchase Agreement, dated as of the Fourth Amendment Date, among Transferor, Servicer and each of the initial Class A Noteholders, as supplemented by the various Fee Letters referred to (and defined) therein, and as the same may be amended or otherwise modified from time to time. The Class A Note Purchase Agreement is hereby designated a "Transaction Document" for all purposes of the Agreement and this Indenture Supplement.

"Class A Noteholder" means the Person in whose name a Class A Note is registered in the Note Register.

"Class A Notes" means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-1.

"Class A Ownership Group" means an Ownership Group (as defined in the Class A Note Purchase Agreement).

"Class A Ownership Group Percentage" means the "Ownership Group Percentage" as defined in the Class A Note Purchase Agreement.

"Class A Ownership Tranche" is defined in subsection 1.1(b).

"Class A Principal Balance" means, on any Business Day, an amount equal to the result of (a) $, plus (b) the aggregate amount of all Class A Incremental Principal Balances for all Class A Incremental Fundings occurring after the Fourth Amendment Date and on or prior to that Business Day, minus(c) the aggregate amount of principal payments made to Class A Noteholders after the Fourth Amendment Date and on or prior to such Business Day. As applied to any particular Class A Note, the "Class A Principal Balance" means the portion of the overall Class A Principal Balance represented by that Class A Note. The Class A Principal Balance shall be allocated among the Class A Ownership Tranches as provided in the Class A Note Purchase Agreement.

"Class A Pro Rata Percentage" means %.

"Class A Rated Additional Amounts" is defined in subsection 5.2(e).

"Class A Required Amount" means, for any Distribution Date, an amount equal to the excess of the amounts described in clauses 5.4(a)(i), (ii) and (iii) over the Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a).

"Class A Scheduled Final Payment Date" means the Distribution Date falling in the twelfth month following the month in which the Controlled Amortization Period begins.

"Class A Tranche Rate" means, for any Distribution Period, the Note Rate (as defined in the Class A Note Purchase Agreement) for each Class A Ownership Tranche (or any related Class A Funding Tranche).

"Class A Unrated Additional Amounts" is defined in subsection 5.2(e).

"Class B Additional Amounts" is defined, if at all, in the applicable Class B Note Purchase Agreement.

"Class B Additional Interest" is defined in subsection 5.2(c).

"Class B Deficiency Amount" is defined in subsection 5.2(c).

"Class B Incremental Funding" means any increase in the Class B Principal Balance during the Revolving Period made pursuant to the applicable Class B Note Purchase Agreement.

"Class B Incremental Principal Balance" means the amount of the increase in the Class B Principal Balance occurring as a result of any Class B Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class B Noteholders pursuant to the Class B Note Purchase Agreement with respect to such Class B Incremental Funding.

"Class B Maximum Principal Balance" means the product of (a) a fraction, the numerator of which is the Class A Maximum Principal Balance and the denominator of which is the Class A Pro Rata Percentage and (b) the Class B Pro Rata Percentage, as such amount may be increased or decreased from time to time pursuant to the Class B Note Purchase Agreement. As applied to any particular Class B Note, the "Class B Maximum Principal Balance" means the portion of the overall Class B Maximum Principal Balance represented by that Class B Note.

"Class B Monthly Interest" is defined in subsection 5.2(c).

"Class B Monthly Principal" is defined in subsection 5.3(c).

"Class B Note Interest Rate" means 0.0%.

"Class B Note Purchase Agreement" means any of the Note Purchase Agreements, entered into among Comenity Bank, the Transferor and each party that purchases Class B Notes from the Transferor.

"Class B Noteholder" means the Person in whose name a Class B Note is registered in the Note Register.

"Class B Notes" means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-3.

"Class B Principal Balance" means, on any Business Day, an amount equal to the result of (a) $, plus (b) the aggregate amount of all Class B Incremental Principal Balances for all Class B Incremental Fundings occurring after the Fourth Amendment Date and on or prior to that Business Day, minus (c) the aggregate amount of principal payments made to Class B Noteholders after the Fourth Amendment Date and on or prior to such Business Day. As applied to any particular Class B Note, the "Class B Principal Balance" means the portion of the overall Class B Principal Balance represented by that Class B Note.

"Class B Pro Rata Percentage" means %.

"Class B Required Amount" means, for any Distribution Date, an amount equal to the excess of the amount described in clause 5.4(a)(vi) over the Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a).

"Class C Additional Amounts" is defined, if at all, in the applicable Class C Note Purchase Agreement.

"Class C Additional Interest" is defined in subsection 5.2(d).

"Class C Deficiency Amount" is defined in subsection 5.2(d).

"Class CIncremental Funding" means any increase in the Class C Principal Balance during the Revolving Period made pursuant to the applicable Class C Note Purchase Agreement.

"Class C Incremental Principal Balance" means the amount of the increase in the Class C Principal Balance occurring as a result of any Class C Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class C Noteholders pursuant to the Class C Note Purchase Agreement with respect to such Class C Incremental Funding.

"Class C Maximum Principal Balance" means the product of (a) a fraction, the numerator of which is the Class A Maximum Principal Balance and the denominator of which is the Class A Pro Rata Percentage and (b) the Class C Pro Rata Percentage, as such amount may be increased or decreased from time to time pursuant to the Class C Note Purchase Agreement. As applied to any particular Class C Note, the "Class C Maximum Principal Balance" means the portion of the overall Class C Maximum Principal Balance represented by that Class C Note.

"Class C Monthly Interest" is defined in subsection 5.2(d).

"Class C Monthly Principal" is defined in subsection 5.3(d).

"Class C Note Interest Rate" means 0.0%.

"Class C Note Purchase Agreement" means any of the Note Purchase Agreements, entered into among Comenity Bank, the Transferor and each party that purchases Class C Notes from the Transferor.

"Class C Noteholder" means the Person in whose name a Class C Note is registered in the Note Register.

"Class C Notes" means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-4.

"Class C Principal Balance" means, on any Business Day, an amount equal to the result of (a) $, plus (b) the aggregate amount of all Class C Incremental Principal Balances for all Class C Incremental Fundings occurring after the Fourth Amendment Date and on or prior to that Business Day, minus (c) the aggregate amount of principal payments made to Class C Noteholders after the Fourth Amendment Date and on or prior to such Business Day. As applied to any particular Class C Note, the "Class C Principal Balance" means the portion of the overall Class C Principal Balance represented by that Class C Note.

"Class C Pro Rata Percentage" means %.

"Class C Required Amount" means, for any Distribution Date, an amount equal to the excess of the amount described in clause 5.4(a)(vii) over the Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a).

"Class M Additional Amounts" is defined, if at all, in the applicable Class M Note Purchase Agreement.

"Class M Additional Interest" is defined in subsection 5.2(b).

"Class M Deficiency Amount" is defined in subsection 5.2(b).

"Class M Incremental Funding" means any increase in the Class M Principal Balance during the Revolving Period made pursuant to the applicable Class M Note Purchase Agreement.

"Class M Incremental Principal Balance" means the amount of the increase in the Class M Principal Balance occurring as a result of any Class M Incremental Funding, which amount shall equal the aggregate amount of the purchase prices paid by the Class M Noteholders pursuant to the Class M Note Purchase Agreement with respect to such Class M Incremental Funding.

"Class M Maximum Principal Balance" means the product of (a) a fraction, the numerator of which is the Class A Maximum Principal Balance and the denominator of which is the Class A Pro Rata Percentage and (b) the Class M Pro Rata Percentage, as such amount may be increased or decreased from time to time pursuant to the Class M Note Purchase Agreement. As applied to any particular Class M Note, the "Class M Maximum Principal Balance" means the portion of the overall Class M Maximum Principal Balance represented by that Class M Note.

"Class M Monthly Interest" is defined in subsection 5.2(b).

"Class M Monthly Principal" is defined in subsection 5.3(b).

"Class M Note Interest Rate" means 0.00%.

"Class M Note Purchase Agreement" means the Second Amended and Restated Class M Note Purchase Agreement, entered into among Comenity Bank and the Transferor.

"Class M Noteholder" means the Person in whose name a Class M Note is registered in the Note Register.

"Class M Notes" means any one of the Notes executed by the Issuer and authenticated by or on behalf of the Indenture Trustee, substantially in the form of Exhibit A-2.

"Class M Principal Balance" means, on any Business Day, an amount equal to the result of (a) $, plus (b) the aggregate amount of all Class M Incremental Principal Balances for all Class M Incremental Fundings occurring after the Fourth Amendment Date and on or prior to that Business Day, minus (c) the aggregate amount of principal payments made to Class M Noteholders after the Fourth Amendment Date and on or prior to such Business Day. As applied to any particular Class M Note, the "Class M Principal Balance" means the portion of the overall Class M Principal Balance represented by that Class M Note.

"Class M Pro Rata Percentage" means %.

"Class M Required Amount" means, for any Distribution Date, an amount equal to the excess of the amount described in clause 5.4(a)(v) over the Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a).

"Closing Date" means September 29, 2009.

"Collateral Amount" means, as of any date of determination, an amount equal to (a) the Note Principal Balance minus (b) the excess, if any, of the aggregate amount of Investor Charge-Offs and Reallocated Principal Collections over the reimbursement of such amounts pursuant to clause 5.4(a)(ix) prior to such date.

"Controlled Amortization Amount" means for any Transfer Date with respect to the Controlled Amortization Period prior to the payment in full of the Note Principal Balance, an amount equal to (a) the Note Principal Balance as of the close of business on the last day of the Revolving Period divided by (b) twelve.

"Controlled Amortization Date" means the first day of the first Monthly Period that occurs on or after the "Purchase Expiration Date" (as such term is defined in the Class A Note Purchase Agreement).

"Controlled Amortization Period" means, unless a Series 2009-VFN Early Amortization Event or a Trust Early Amortization Event shall have occurred prior thereto, the period commencing at the close of business on the first Controlled Amortization Date to occur (without being extended as provided in the applicable Note Purchase Agreement) and ending on the earlier to occur of (a) the commencement of the Early Amortization Period, and (b) the Series Termination Date, providedthat Transferor may, by written notice to the Indenture Trustee and the Lead Agent (and so long as the Early Amortization Period has not begun), cause the

Controlled Amortization Period to begin on any date earlier than the one otherwise specified above.

"Controlled Amortization Shortfall" initially means zero and thereafter means, with respect to any Monthly Period during the Controlled Amortization Period, the excess, if any, of the Controlled Payment Amount for the previous Monthly Period over the sum of the amount distributed pursuant to subsection 6.2(a) with respect to the Class A Notes for the previous Monthly Period, the amount distributed pursuant to subsection 6.2(b) with respect to the Class M Notes for the previous Monthly Period, the amount distributed pursuant to subsection 6.2(c) with respect to the Class B Notes for the previous Monthly Period and the amount distributed pursuant to subsection 6.2(d) with respect to the Class C Notes for the previous Monthly Period.

"Controlled Payment Amount" means, with respect to any Transfer Date, the sum of (a) the Controlled Amortization Amount for such Transfer Date and (b) any existing Controlled Amortization Shortfall.

"Day Count Fraction" means, as to any Class A Ownership Tranche (or Class A Funding Tranche), any Class M Note, any Class B Note or any Class C Note for any Distribution Period, a fraction (a) the numerator of which is the number of days in that Distribution Period (or, if less, the number of days during that Distribution Period during which that Class A Ownership Tranche, Class A Funding Tranche, Class M Note, Class B Note or Class C Note was outstanding, including the first, but excluding the last, such day) and (b) the denominator of which is the actual number of days in the related calendar year (or, if so specified in the related Note Purchase Agreement, 360).

"DBRS" means DBRS, Inc.

"Default Amount" means, as to any Defaulted Account, the amount of Principal Receivables (other than Ineligible Receivables, unless there is an Insolvency Event with respect to Comenity Bank or the Transferor) in such Defaulted Account on the day it became a Defaulted Account.

"Defaulted Account" means an Account in which there are Defaulted Receivables.

"Designated LIBOR Page" means Reuters Screen LIBOR01 page or such other page as may replace such page on that service or other service or services as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates of U.S. dollar deposits.

"Designated Maturity" means, for any LIBOR Determination Date, one month.

"Dilution" means any downward adjustment made by Servicer in the amount of any Receivable (a) because of a rebate, refund or billing error to an accountholder, (b) because such Receivable was created in respect of merchandise which was refused or returned by an accountholder or (c) for any other reason other than receiving Collections therefor or charging off such amount as uncollectible.

"Distribution Account" is defined in subsection 5.9(a).

"Distribution Date" means the 15th day of each calendar month thereafter, or if such 15th day is not a Business Day, the next succeeding Business Day.

"Distribution Period" means, for any Distribution Date, the period from and including the Distribution Date immediately preceding such Distribution Date (or, in the case of the first Distribution Date, from and including the Closing Date) to but excluding such Distribution Date.

"Early Amortization Period" means the period commencing on the date on which a Trust Early Amortization Event or a Series 2009-VFN Early Amortization Event is deemed to occur and ending on the Series Termination Date.

"Eligible Investments" is defined in Annex A to the Indenture; provided that in no event shall any Eligible Investment be an equity security or cause the Trust to have any voting rights in respect of such Eligible Investment.

"Excess Spread Percentage" means, for any Monthly Period, a percentage equal to the Portfolio Yield for such Monthly Period minus the Base Rate for such Monthly Period.

"Finance Charge Account" is defined in Section 5.9(a).

"Finance Charge Collections" means Collections of Finance Charge Receivables.

"Finance Charge Shortfall" is defined in Section 5.7.

"Fourth Amendment Date" means February 28, 2014.

"Group One" means, Series 2009-VFN, Series 2010-A, Series 2011-A, Series 2011-B, Series 2012-A, Series 2012-B, Series 2012-C, Series 2012-D, Series 2013-A, Series 2013-B, Series 2014-A, each Series under (and as defined in) the Pooling and Servicing Agreement (other than Series represented by the Collateral Certificate) hereafter specified in the related supplement to the Pooling and Servicing Agreement to be included in Group One and each other Series hereafter specified in the related Indenture Supplement to be included in Group One.

"Incremental Funding" means a Class A Incremental Funding, a Class M Incremental Funding, a Class B Incremental Funding or a Class C Incremental Funding.

"Investment Earnings" means, for any Distribution Date, all interest and earnings on Eligible Investments included in the Spread Account (net of losses and investment expenses) during the Monthly Period immediately preceding such Distribution Date.

"Investor Charge-Offs" is defined in Section 5.5.

"Investor Default Amount" means, with respect to any Defaulted Account, an amount equal to the product of (a) the Default Amount and (b) the Allocation Percentage on the day such Account became a Defaulted Account.

"Investor Finance Charge Collections" means, for any Monthly Period, an amount equal to the aggregate amount of Finance Charge Collections (including Net Recoveries treated as

Finance Charge Collections) retained or deposited in the Finance Charge Account for Series 2009-VFN pursuant to clause 5.1(b)(i) for such Monthly Period.

"Investor Principal Collections" means, for any Monthly Period, an amount equal to the aggregate amount of Principal Collections retained or deposited in the Principal Account for Series 2009-VFN pursuant to clause 5.1(b)(ii) for such Monthly Period.

"Investor Uncovered Dilution Amount" means an amount equal to the product of (x) the Series Allocation Percentage for the related Monthly Period (determined on a weighted average basis, if one or more Reset Dates occur during that Monthly Period), times(y) the aggregate Dilutions occurring during that Monthly Period as to which any deposit is required to be made to the Excess Funding Account pursuant to subsection 3.9(a) of the Transfer and Servicing Agreement or subsection 3.9(a) of the Pooling and Servicing Agreement but has not been made, provided that, to the extent the Transferor Amount is greater than zero at the time the deposit referred to in clause (y) is required to be made, the Investor Uncovered Dilution Amount for such amount to be deposited shall be deemed to be zero.

"LIBOR" means, for any Distribution Period, an interest rate per annum for each Distribution Period determined by the Indenture Trustee in accordance with the provisions of Section 5.12.

"LIBOR Determination Date" means (i) September 27, 2009 for the period from and including the Closing Date through and including November 15, 2009 and (ii) the second London Business Day prior to the commencement of the second and each subsequent Distribution Period.

"London Business Day" means any day on which dealings in deposits in United States dollars are transacted in the London interbank market.

"Majority Noteholders" means for purposes of Section 7.1, (a) at any time that the Class A Notes are Outstanding, Holders of the Class A Notes representing more than 50% of the Class A Principal Balance and (b) at any time when Class A Notes are no longer Outstanding, Holdings of Series 2009-VFN Notes representing more than 50% of the Note Principal Balance.

"Mandatory Limited Amortization Amount" means, for any Transfer Date with respect to the Mandatory Limited Amortization Period (beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Mandatory Limited Amortization Period begins) and the Transfer Date in the Monthly Period in which the Controlled Amortization Period commences (unless the Non-Renewing Purchaser Class A Principal Balance shall have been reduced to zero prior to such date), the lesser of (a) the Non-Renewing Purchaser Class A Principal Balance as of the Mandatory Limited Amortization Date, divided by 12 (with the quotient rounded up to the nearest dollar) and (b) the excess of the Non-Renewing Purchaser Class A Principal Balance over the Mandatory Limited Amortization Target.

"Mandatory Limited Amortization Date" means, the Purchase Expiration Date (without giving effect to a requested extension) but only if all of the following have occurred: (x) the Transferor has requested an extension of such Purchase Expiration Date, (y) there are one or more Non-Renewing Ownership Groups and (z) the Issuer has not repaid the outstanding Non-

Renewing Purchaser Class A Principal Balance on or prior to the related Purchase Expiration Date (without giving effect to the requested extension).

"Mandatory Limited Amortization Period" means the period commencing on the first day of the first Monthly Period that commences on or after the Mandatory Limited Amortization Date and ending the earliest to occur of (x) the payment in full of the Non-Renewing Purchaser Class A Principal Balance, (y) the commencement of the Controlled Amortization Period or the Early Amortization Period and (z) the Series Termination Date.

"Mandatory Limited Amortization Shortfall" means, with respect to any Payment Date, the excess, if any, of (a) the Mandatory Limited Payment Amount for the preceding Payment Date over (b) the amounts paid pursuant to Section 5.4(b) with respect to Class A Monthly Principal.

"Mandatory Limited Amortization Target" means, with respect to any Transfer Date, (a) the Non-Renewing Purchaser Class A Principal Balance as of the Mandatory Limited Amortization Date less (b) the product (rounded up to the nearest dollar) of (i) a fraction, the numerator of which is the number of full Monthly Periods that have elapsed during the Mandatory Limited Amortization Period as of such Transfer Date (which, for the avoidance of doubt, shall exclude the Monthly Period in which such Transfer Date falls), and the denominator of which is 12 and (ii) the Non-Renewing Purchaser Class A Principal Balance as of the Mandatory Limited Amortization Date.

"Mandatory Limited Payment Amount" means, with respect to any Transfer Date with respect to the Mandatory Limited Amortization Period, beginning with the Payment Date in the Monthly Period immediately following the Monthly Period in which the Mandatory Limited Amortization Period begins, and the Transfer Date in the Monthly Period in which the Controlled Amortization Period commences (unless the Non-Renewing Purchaser Class A Principal Balance shall have been reduced to zero prior to such date), the sum of (a) the Mandatory Limited Amortization Amount for such Payment Date, plus (b) any existing Mandatory Limited Amortization Shortfall.

"Maximum Principal Balance" means the sum of (a) the Class A Maximum Principal Balance, (b) the Class M Maximum Principal Balance, (c) the Class B Maximum Principal Balance and (d) the Class C Maximum Principal Balance.

"Minimum Transferor Amount" means (a) prior to the Certificate Trust Termination Date, the "Minimum Transferor Amount" under (and as defined in) the Pooling and Servicing Agreement and (b) on and after the Certificate Trust Termination Date, the "Minimum Transfer Amount" as defined in Annex A to the Indenture.

"Monthly Interest" means, for any Distribution Date, the sum of the Class A Monthly Interest, the Class M Monthly Interest, the Class B Monthly Interest and the Class C Monthly Interest for such Distribution Date.

"Monthly Period" means the period from and including the first day of the calendar month preceding a related Distribution Date to and including the last day of such calendar month.

"Monthly Principal" means, on any Distribution Date, the sum of the Class A Monthly Principal, the Class M Monthly Principal, the Class B Monthly Principal and the Class C Monthly Principal with respect to such date.

"Monthly Principal Reallocation Amount" means, for any Monthly Period, an amount equal to the sum of: (a) the lesser of (i) the sum of Class A Required Amount and the Servicing Fee Required Amount and (ii) the excess, if any, of the Collateral Amount over the Class A Principal Balance on the related Distribution Date (after giving effect to Investor Charge-Offs for the related Monthly Period), (b) the lesser of (i) the Class M Required Amount and (ii) the excess of the Collateral Amount over the sum of the Class A Principal Balance and the Class M Principal Balance on the related Distribution Date (after giving effect to Investor Charge-Offs for the related Monthly Period and unreimbursed Reallocated Principal Collections (as of the previous Payment Date and as required in clause (a) above for the current Monthly Period)) and (c) the lesser of (i) the Class B Required Amount and (ii) the excess of the Collateral Amount over the sum of the Class A Principal Balance, the Class B Principal Balance and the Class C Principal Balance on the related Distribution Date (after giving effect to Investor Charge-Offs for the related Monthly Period and as required in clauses (a) and (b) above for the current Monthly Period).

"Non-Renewing Ownership Group" means, commencing on the related Mandatory Limited Amortization Date, any Class A Ownership Group that has not consented to the extension of the Purchase Expiration Date when requested as described in the Class A Note Purchase Agreement.

"Non-Renewing Purchaser Class A Principal Balance" means the outstanding principal balance of the Class A Notes allocated to Non-Renewing Ownership Groups.

"Non-Renewing Purchaser Scheduled Distribution Date" means the Distribution Date falling in the twelfth month following the month in which the Mandatory Limited Amortization Period begins.

"Note Principal Balance" means, as of any Business Day, the sum of (a) the Class A Principal Balance, (b) the Class M Principal Balance, (c) the Class B Principal Balance and (d) the Class C Principal Balance.

"Note Purchase Agreements" means the Class A Note Purchase Agreement, the Class M Note Purchase Agreement, the Class B Note Purchase Agreement and the Class C Note Purchase Agreement.

"Noteholder Servicing Fee" is defined in Section 3.1.

"Optional Amortization Amount" is defined in subsection 4.1(b).

"Optional Amortization Date" is defined in subsection 4.1(b).

"Optional Amortization Notice" is defined in subsection 4.1(b).

"Percentage Allocation" is defined in paragraph 5.1(b)(ii)(y).

"Portfolio Yield" means, for any Monthly Period, the annualized percentage equivalent of a fraction, (a) the numerator of which is equal to (i) the Available Finance Charge Collections (excluding any Excess Finance Charge Collections), minus (ii) the Aggregate Investor Default Amount and the Investor Uncovered Dilution Amount for such Monthly Period and (b) the denominator of which is the Weighted Average Collateral Amount during such Monthly Period.

"Principal Account" is defined in subsection 5.9(a).

"Principal Collections" means Collections of Principal Receivables.

"Principal Shortfall" is defined in Section 5.8.

"Pro Rata Allocation" has the meaning specified in the Class A Note Purchase Agreement.

"Pro Rata Funding Event" has the meaning specified in the Class A Note Purchase Agreement.

"Quarterly Excess Spread Percentage" means, with respect to any Distribution Date, the percentage equivalent of a fraction, the numerator of which is the sum of the Excess Spread Percentages determined with respect to such Distribution Date and the immediately preceding two Distribution Dates and the denominator of which is three.

"Quarterly Payment Rate Percentage" means, with respect to any Distribution Date, the percentage equivalent of a fraction, the numerator of which is the sum of the Payment Rate Percentages determined with respect to such Distribution Date and the immediately preceding two Distribution Dates, and the denominator of which is three. For purposes of the foregoing calculation, the "Payment Rate Percentage" for any Distribution Date shall equal the percentage equivalent of a faction, the numerator which is the aggregate Collections received during the immediately preceding Monthly Period, and the denominator of which is the total Principal Receivables held by the Issuer as of the opening of business on the first day of such immediately preceding Monthly Period.

"Rating Agency" means DBRS.

"Rating Agency Condition" means, notwithstanding anything to the contrary in the Indenture, with respect to Series 2009-VFN and any action subject to such condition, DBRS shall have notified the Issuer in writing that such action will not result in a reduction or withdrawal of their respective ratings of any outstanding Class of Series 2009-VFN Notes for which such Rating Agency provides a rating.

"Reallocated Principal Collections" means, for any Transfer Date, Investor Principal Collections applied in accordance with Section 5.6 in an amount not to exceed the Monthly Principal Reallocation Amount for the related Monthly Period.

"Reassignment Amount" means, for any Transfer Date, after giving effect to any deposits and distributions otherwise to be made on the related Distribution Date, the sum of (i) the Note Principal Balance on the related Distribution Date, plus (ii) Monthly Interest for the related

Distribution Date and any Monthly Interest previously due but not distributed to the Series 2009-VFN Noteholders, plus (iii) the amount of Class M Additional Interest, if any, for the related Distribution Date and any Class M Additional Interest previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (iv) the amount of Class B Additional Interest, if any, for the related Distribution Date and any Class B Additional Interest previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (v) the amount of the Class C Additional Interest, if any, for the related Distribution Date and any Class C Additional Interest previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (vi) the amount of Class A Non-Use Fees, if any, for the related Distribution Date and any Class A Non-Use Fees previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date, plus (vii) the amount of Additional Amounts, if any, for the related Distribution Date and any Additional Amounts previously due but not distributed to the Series 2009-VFN Noteholders on a prior Distribution Date.

"Record Date" means, for purposes of Series 2009-VFN with respect to any Distribution Date or Optional Amortization Date, the date falling five Business Days prior to such date.

"Reference Banks" means four major banks in the London interbank market selected by the Servicer.

"Refinancing Date" is defined in subsection 4.1(c).

"Required Class B Principal Balance" means on any date of determination, the Class B Pro Rata Percentage times the Note Principal Balance.

"Required Class C Principal Balance" means on any date of determination, the Class C Pro Rata Percentage times the Note Principal Balance.

"Required Class M Principal Balance" means on any date of determination, the Class M Pro Rata Percentage times the Note Principal Balance.

"Required Retained Transferor Percentage" means, for purposes of Series 2009-VFN, 4%.

"Required Spread Account Amount" means, for any Distribution Date, (a) the product of (i) the Spread Account Percentage in effect on such date and (ii) during (x) the Revolving Period, the Collateral Amount and (y) thereafter, the Collateral Amount as of the last day of the Revolving Period; provided, that in no event will the Required Spread Account Amount exceed the Class B Principal Balance (after taking into account any payments to be made on such Distribution Date).

"Reset Date" means:

(a) each Addition Date and each "Addition Date" (as such term is defined in the Pooling and Servicing Agreement), in each case relating to Supplemental Accounts;

(b) each Removal Date and each "Removal Date" (as such term is defined in the Pooling and Servicing Agreement) on which, if any Series of Notes or any Series under (and as defined in) the Pooling and Servicing Agreement has been paid in full, Principal Receivables equal to the initial Collateral Amount or initial Principal Balance for that Series are removed from the Receivables Trust;

(c) each date on which there is an increase in the outstanding balance of any Variable Interest or "Variable Interest" (as such term is defined in the Pooling and Servicing Agreement); and

(d) each date on which a new Series or Class of Notes is issued and each date on which a new "Series" or "Class" (each as defined in the Pooling and Servicing Agreement) of investor certificates is issued by the Certificate Trust.

"Revolving Period" means the period from and including the Closing Date to, but not including, the earlier of (a) the day the Controlled Amortization Period commences and (b) the day the Early Amortization Period commences. For the avoidance of doubt, the Revolving Period shall not terminate upon the commencement of a Mandatory Limited Amortization Period; provided that for purposes of Section 8.5 of the Master Indenture, the Mandatory Limited Amortization Period shall be deemed to be an Amortization Period.

"Series 2009-VFN" means the Series of Notes the terms of which are specified in this Indenture Supplement.

"Series 2009-VFN Early Amortization Event" is defined in Section 7.1.

"Series 2009-VFN Note" means a Class A Note, a Class M Note, a Class B Note or a Class C Note.

"Series 2009-VFN Noteholder" means a Class A Noteholder, a Class M Noteholder, a Class B Noteholder or a Class C Noteholder.

"Series Account" means, (a) with respect to Series 2009-VFN, the Finance Charge Account, the Principal Account, the Spread Account and the Distribution Account, and (b) with respect to any other Series, the "Series Accounts" for such Series as specified in the Indenture and the applicable Indenture Supplement for such Series.

"Series Allocation Percentage" means, with respect to any Monthly Period, the percentage equivalent of a fraction, the numerator of which is the Allocation Percentage for Finance Charge Collections for that Monthly Period and the denominator of which is the sum of the Allocation Percentage for Finance Charge Receivables for all outstanding Series on such date of determination; provided that if one or more Reset Dates occur in a Monthly Period, the Series Allocation Percentages for the portion of the Monthly Period falling on and after each such Reset Date and prior to any subsequent Reset Date will be determined using a denominator which is equal to the sum of the numerators used in determining the Allocation Percentage for Finance Charge Receivables for all outstanding Series as of the close of business on the subject Reset Date.

"Series Servicing Fee Percentage" means 2% per annum.

"Series Termination Date" means the earliest to occur of (a) the Distribution Date falling in the Controlled Amortization Period or an Early Amortization Period on which the Collateral Amount is paid in full, (b) the termination of the Trust pursuant to the Agreement, (c) the Distribution Date on or closest to the date falling 46 months after the commencement of the Early Amortization Period and (d) the Distribution Date on or closest to the date falling 58 months after the commencement of the Controlled Amortization Period.

"Servicing Fee Required Amount" means, for any Distribution Date, an amount equal to the excess of the amount described in clause 5.4(a)(iv) over the Available Finance Charge Collections applied to pay such amount pursuant to subsection 5.4(a).

"Specified Transferor Amount" means, as of any date of determination, the Minimum Transferor Amount (including the Additional Minimum Transferor Amount, if any) as of such date of determination.

"Spread Account" is defined in subsection 5.10(a).

"Spread Account Deficiency" means the excess, if any, of the Required Spread Account Amount over the Available Spread Account Amount.

"Spread Account Percentage" is defined in the applicable Class B Note Purchase Agreement.

"Target Amount" is defined in clause 5.1(b)(i).

"Tranche Invested Amount" has the meaning specified in the Class A Note Purchase Agreement.

"Transfer" means any sale, transfer, assignment, exchange, participation, pledge, hypothecation, rehypothecation, or other grant of a security interest in or disposition of, a Note.

"Weighted Average Class A Principal Balance" means, as to any Class A Ownership Tranche (or Class A Funding Tranche) for any Distribution Period, the quotient of (a) the summation of the portion of the Class A Principal Balance allocated to that Class A Ownership Tranche (or Class A Funding Tranche) determined as of each day in that Distribution Period, divided by (b) the number of days in that Distribution Period (or, if less, the number of days during that Distribution Period during which that Class A Ownership Tranche or Class A Funding Tranche was outstanding).

"Weighted Average Collateral Amount" means, for any Monthly Period, the quotient of (a) the summation of the Collateral Amount determined as of each day in that Monthly Period, divided by (b) the number of days in that Monthly Period.

(b) Each capitalized term defined herein shall relate to the Series 2009-VFN Notes and no other Series of Notes issued by the Trust, unless the context otherwise requires. All capitalized terms used herein and not otherwise defined herein have the meanings ascribed to

them in Annex A to the Master Indenture, or, if not defined therein, in the Note Purchase Agreements.

(c) The interpretive rules specified in Section 1.2 of the Indenture also apply to this Indenture Supplement. If any term or provision contained herein shall conflict with or be inconsistent with any term or provision contained in the Indenture, the terms and provisions of this Indenture Supplement shall be controlling.

ARTICLE III.

Noteholder Servicing Fee

Section 3.1 Servicing Compensation. The share of the Servicing Fee allocable to Series 2009-VFN for any Transfer Date (the "Noteholder Servicing Fee") shall be equal to one-twelfth of the product of (a) the Series Servicing Fee Percentage and (b) the Weighted Average Collateral Amount for the preceding Monthly Period; provided, however, that with respect to the first Transfer Date, the Noteholder Servicing Fee shall instead equal 32/360 of such product. The remainder of the Servicing Fee shall be paid by the holders of the Transferor Interest or the noteholders of other Series (as provided in the related Indenture Supplements) and in no event shall the Trust, the Indenture Trustee or the Series 2009-VFN Noteholders be liable for the share of the Servicing Fee to be paid by the holders of the Transferor Interest or the noteholders of any other Series.

Section 3.2 Representations and Warranties. The parties hereto agree that the representations, warranties and covenants set forth in Schedule I shall be a part of this Indenture Supplement for all purposes.

ARTICLE IV.

Variable Funding Mechanics

Section 4.1 Variable Funding Mechanics

(a) Class A Incremental Fundings. From time to time during the Revolving Period and prior to the Purchase Expiration Date, Transferor and Servicer may notify the Lead Agent and one or more Class A Noteholders that a Class A Incremental Funding will occur, subject to the conditions of the Class A Note Purchase Agreement, with respect to the related Class A Ownership Tranche(s) on the next or any subsequent Business Day by delivering a Notice of Class A Incremental Funding (as defined in the Class A Note Purchase Agreement) executed by Transferor and Servicer to the Lead Agent and the Administrative Agent for each such Class A Noteholder, specifying the amount of such Class A Incremental Funding and the Business Day upon which such Class A Incremental Funding is to occur, provided that a Class A Incremental Funding shall not be requested from an Administrative Agent for a Class A Noteholder that is a Non-Renewing Ownership Group if the Incremental Funding would occur on or after the Purchase Expiration Date (without giving effect to any requested extension of the Purchase Expiration to which the related Non-Renewing Ownership Group did not consent). The amount of Class A Incremental Funding allocated to each Class A Ownership Group shall be a minimum amount of $1,000,000 or a higher integral multiple thereof for each Class A Ownership Group,

except that a Class A Incremental Funding may be requested in the entire remaining Class A Purchase Limit of the related Class A Ownership Group. At any time that a Pro Rata Funding Event has occurred and is continuing, the amount of each Class A Incremental Funding shall be allocated among the Class A Ownership Groups on a *pro rata* basis based on their respective Class A Ownership Group Percentages; provided that if a Pro Rata Funding Event has occurred and is continuing, the amount of the Class A Incremental Funding may be allocated among the Class A Ownership Groups on a non-*pro rata* basis if such allocation results in a Pro Rata Allocation among the Class A Ownership Groups after giving effect to the Class A Incremental Funding. Upon any Class A Incremental Funding, the Class A Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein. For each Class A Incremental Funding, the Class A Principal Balance shall increase in an amount equal to the Class A Incremental Principal Balance. The increase in the Class A Principal Balance shall be allocated to the Class A Notes held by the Class A Noteholders from which purchase prices were received in connection with the Class A Incremental Funding in proportion to the amount of such purchase prices received.

(b) Optional Amortization. On any Business Day in the Revolving Period or the Controlled Amortization Period, Transferor may cause Servicer to provide notice to the Indenture Trustee, the Lead Agent and the affected Noteholders (an "Optional Amortization Notice") at least two Business Days prior to any Business Day (the "Optional Amortization Date") stating its intention to cause a full or partial amortization of the Class A Notes, the Class M Notes, the Class B Notes and the Class C Notes with Available Principal Collections on the Optional Amortization Date, in full, or in part in an amount (the "Optional Amortization Amount"), which shall be allocated among the Class A Notes, the Class M Notes, the Class B Notes and the Class C Notes, based on the Class A Pro Rata Percentage, the Class M Pro Rata Percentage, the Class B Pro Rata Percentage and the Class C Pro Rata Percentage, respectively; provided that if as a result of the payment of a Mandatory Limited Payment Amount, the Class B Principal Balance exceeds the Required Class B Principal Balance or the Class C Principal Balance exceeds the Required Class C Principal Balance, the Optional Amortization Amount may be allocated on a non-pro rata basis among the Classes of Series 2009-VFN Notes in order to reduce the Class B Principal Balance to an amount not less than the Required Class B Principal Balance and to reduce the Class C Principal Balance to an amount not less than the Required Class C Principal Balance. The portion of the Optional Amortization Amount allocated to any Class A Ownership Group shall be in an aggregate amount not less than $1,000,000 or a higher integral multiple thereof, except that the Optional Amortization Amount allocated to any Class A Ownership Group may equal the entire Principal Balance of the related Class A Note for such Class A Ownership Group. The Optional Amortization Notice shall state the Optional Amortization Date, the Optional Amortization Amount and the allocation of such Optional Amortization Amount among the various Classes and Class A Ownership Groups; provided that at any time that a Pro Rata Funding Event has occurred and is continuing, the Class A Pro Rata Percentage of the Optional Amortization Amount shall be allocated among the Class A Ownership Groups on a *pro rat*a basis based on their respective Class A Ownership Group Percentages; provided further that if a Pro Rata Funding Event has occurred and is continuing, and a Pro Rata Allocation does not exist on the related Optional Amortization Date, then the Class A Pro Rata Percentage of the Optional Amortization Amount shall instead be allocated among the Class A Ownership Groups on a non-*pro rata* basis such that a Pro Rata Allocation would exist after giving effect to application of the Optional Amortization Amount, or if the

requested Optional Amortization Amount is not large enough to achieve a Pro Rata Allocation, allocated in a manner reasonably determined by the Transferor to most closely align the Tranche Invested Amounts of each Class A Ownership Group in proportion to the respective Class A Ownership Group Percentages.

(c) The Optional Amortization Amount shall be paid from Shared Principal Collections pursuant to Section 5.8. Allocation of the Optional Amortization Amount among the various outstanding Class A Funding Tranches shall be at the discretion of Transferor, and accrued interest and any Class A Additional Amounts on the affected Class A Funding Tranches shall be payable on the first Distribution Date on or after the related Optional Amortization Date. On the Business Day prior to each Optional Amortization Date, Servicer shall instruct the Indenture Trustee in writing (which writing shall be substantially in the form of Exhibit B) to withdraw from the Collection Account and deposit into the Distribution Account, to the extent of the available funds held therein as Shared Principal Collections pursuant to Section 5.8, an amount sufficient to pay the Optional Amortization Amount on that Optional Amortization Date, and the Indenture Trustee, acting in accordance with such instructions, shall on such Business Day make such withdrawal and deposit.

(d) Refinanced Optional Amortization. On any Business Day in the Revolving Period or the Controlled Amortization Period, Transferor may, with the consent of each affected Series 2009-VFN Noteholder, cause Servicer to provide notice to the Indenture Trustee, the Lead Agent and all of the Series 2009-VFN Noteholders at least five Business Days prior to any Business Day (the "Refinancing Date") stating its intention to cause the Series 2009-VFN Notes to be prepaid in full or in part on the Refinancing Date by causing all or a portion of the Collateral Amount to be conveyed to one or more Persons (who may be the Noteholders of a new Series issued substantially contemporaneously with such prepayment) for a cash purchase price in an amount equal to the sum of (i) the Collateral Amount (or the portion thereof that is being conveyed), plus (ii) accrued and unpaid interest on the Collateral Amount (or the portion thereof that is being conveyed) through the Refinancing Date, plus (iii) any accrued and unpaid Class A Non-Use Fees and Class A Additional Amounts in respect of the Collateral Amount (or portion thereof that is being conveyed) through the Refinancing Date. In the case of any such conveyance, the purchase price shall be deposited in the Collection Account and shall be distributed to the applicable Series 2009-VFN Noteholders on the Refinancing Date in accordance with the terms of this Indenture Supplement and the Indenture; provided that after giving effect to any such conveyance and application of the purchase price, (i) the Class M Principal Balance shall not be less than the Required Class M Principal Balance, (ii) the Class B Principal Balance shall not be less than the Required Class B Principal Balance and (iii) the Class C Principal Balance shall not be less than the Required Class C Principal Balance. At any time that a Pro Rata Funding Event has occurred and is continuing, the amount of any reduction in the Class A Principal Balance on a Refinancing Date shall be allocated among the Class A Ownership Groups on a *pro rata* basis based on their respective Class A Ownership Group Percentages; provided however that if a Pro Rata Funding Event has occurred and is continuing, and a reduction is requested at such time as a Pro Rata Allocation does not exist, then the amount of such reduction shall instead be allocated among the Class A Ownership Groups on a non-*pro rata* basis such that a Pro Rata Allocation would exist among the Class A Ownership Groups after giving effect to the payments made on the Refinancing Date, or if the requested refinancing amount is not large enough to achieve a Pro Rata Allocation, allocated in a manner reasonably

determined by the Transferor to most closely align the Tranche Invested Amounts of each Class A Ownership Group in proportion to the respective Class A Ownership Group Percentages.

(e) Class M Incremental Fundings. From time to time during the Revolving Period, Transferor and Servicer may, to the extent permitted by the applicable Class M Note Purchase Agreement, notify the Class M Noteholders that a Class M Incremental Funding will occur, subject to the conditions, if any, of the applicable Class M Note Purchase Agreements, on any Business Day by delivering a Notice of Class M Incremental Funding (as defined in the applicable Class M Note Purchase Agreement) executed by Transferor and Servicer to the Class M Noteholder, specifying the amount of such Class M Incremental Funding and the Business Day upon which such Class M Incremental Funding is to occur (which shall fall at least three Business Days after the date of such Notice). Upon any Class M Incremental Funding, the Class M Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein.

(f) Class B Incremental Fundings. From time to time during the Revolving Period, Transferor and Servicer may, to the extent permitted by the applicable Class B Note Purchase Agreement, notify the Class B Noteholders that a Class B Incremental Funding will occur, subject to the conditions, if any, of the applicable Class B Note Purchase Agreements, on any Business Day by delivering a Notice of Class B Incremental Funding (as defined in the applicable Class B Note Purchase Agreement) executed by Transferor and Servicer to the Class B Noteholder, specifying the amount of such Class B Incremental Funding and the Business Day upon which such Class B Incremental Funding is to occur (which shall fall at least three Business Days after the date of such Notice). Upon any Class B Incremental Funding, the Class B Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein.

(g) Class C Incremental Fundings. From time to time during the Revolving Period, Transferor and Servicer may, to the extent permitted by the applicable Class C Note Purchase Agreement, notify the Class C Noteholders that a Class C Incremental Funding will occur, subject to the conditions, if any, of the applicable Class C Note Purchase Agreements, on any Business Day by delivering a Notice of Class C Incremental Funding (as defined in the applicable Class C Note Purchase Agreement) executed by Transferor and Servicer to the Class C Noteholder, specifying the amount of such Class C Incremental Funding and the Business Day upon which such Class C Incremental Funding is to occur (which shall fall at least three Business Days after the date of such Notice). Upon any Class C Incremental Funding, the Class C Principal Balance, the Collateral Amount, the Note Principal Balance and the Allocation Percentage shall increase as provided herein.

Section 4.2 Maximum Principal Balances. The initial Maximum Principal Balances of each Series 2009-VFN Note is as set forth on the related Series 2009-VFN Notes. The Maximum Principal Balance of each Series 2009-VFN Note may be reduced or increased from time to time as provided in the related Note Purchase Agreement. Increases and decreases in the overall Maximum Principal Balance are not required to be made ratably among the various Classes of Notes. Any decrease in the Maximum Principal Balance of any Series 2009-VFN Note shall be permanent, unless a subsequent increase in the Maximum Principal Balance is made in accordance with the related Note Purchase Agreement.

ARTICLE V.

Rights of Series 2009-VFN Noteholders and Allocation and Application of Collections

Section 5.1 Collections and Allocations

(a) Allocations. Finance Charge Collections, Principal Collections and Defaulted Receivables allocated to Series 2009-VFN pursuant to Article VIII of the Indenture shall be allocated and distributed as set forth in this Article.

(b) Allocations to the Series 2009-VFN Noteholders. The Servicer shall on the Date of Processing, allocate to the Series 2009-VFN Noteholders the following amounts as set forth below:

(i) Allocations of Finance Charge Collections. The Servicer shall allocate to the Series 2009-VFN Noteholders an amount equal to the product of (A) the Allocation Percentage and (B) the aggregate Finance Charge Collections processed on such Date of Processing and shall deposit such amount into the Finance Charge Account, provided that, with respect to each Monthly Period falling in the Revolving Period (and with respect to that portion of each Monthly Period in the Controlled Amortization Period falling on or after the day on which Collections of Principal Receivables equal to the related Controlled Amortization Amount have been allocated pursuant to clause 5.1(b)(ii)),Collections of Finance Charge Receivables shall be transferred into the Finance Charge Account only until such time as the aggregate amount so deposited equals the product of (x) 1.5 and (y) the sum (the "Target Amount") of (A) the Monthly Interest for the related Distribution Date, (B) the Class A Non-Use Fee and the Class A Rated Additional Amounts, if any, (C) if Comenity Bank is not the Servicer, the Noteholder Servicing Fee (and if Comenity Bank is the Servicer, then amounts that otherwise would have been transferred into the Finance Charge Account pursuant to this clause (C) shall instead by returned to Comenity Bank as payment of the Noteholder Servicing Fee), (D) any amount required to be deposited in the Spread Account on the related Transfer Date and (E) the sum of the Investor Default Amounts for the prior Monthly Period and any Investor Uncovered Dilution Amount for the prior Monthly Period; provided further, that, notwithstanding the preceding proviso, if on any Business Day the Servicer determines that the Target Amount for a Monthly Period exceeds the Target Amount for that Monthly Period as previously calculated by Servicer, then (x) Servicer shall (on the same Business Day) inform Transferor of such determination, and (y) within two Business Days of receiving such notice Transferor shall deposit into the Finance Charge Account funds in an amount equal to the amount of Collections of Finance Charge Receivables allocated to the Noteholders for that Monthly Period but not deposited into the Finance Charge Account due to the operation of the preceding proviso (but not in excess of the amount required so that the aggregate amount deposited for the subject Monthly Period equals the Target Amount); and provided, further, if on any Transfer Date the Transferor Amount is less than the Specified Transferor Amount after giving effect to all transfers and deposits on that Transfer Date, Transferor shall, on that Transfer Date, deposit into the Principal Account funds in an amount equal to the amounts of Available Finance Charge Collections that are required to be treated as

Available Principal Collections pursuant to clause 5.4(a)(viii)and (ix) but are not available from funds in the Finance Charge Account as a result of the operation of second preceding proviso.

With respect to any Monthly Period when deposits of Collections of Finance Charge Receivables into the Finance Charge Account are limited to deposits up to 1.5 times the Target Amount in accordance with clause (i) above, notwithstanding such limitation and notwithstanding the provisions of Section 8.4(a) of the Indenture: (1) "Reallocated Principal Collections" for the related Transfer Date shall be calculated as if the full amount of Finance Charge Collections allocated to the Noteholders during that Monthly Period had been deposited in the Finance Charge Account and applied on such Transfer Date in accordance with subsection 5.4(a); and (2) Collections of Finance Charge Receivables released to Transferor pursuant to such Section 5.1(b)(i) shall be deemed, for purposes of all calculations under this Indenture Supplement, to have been retained in the Finance Charge Account and applied to the items specified in subsections 5.4(a) to which such amounts would have been applied (and in the priority in which they would have been applied) had such amounts been available in the Finance Charge Account on such Transfer Date. To avoid doubt, the calculations referred to in the preceding clause (2) include the calculations required by clause (b) of the definition of Collateral Amount and by the definition of Portfolio Yield.

(ii) Allocations of Principal Collections. The Servicer shall allocate to the Series 2009-VFN Noteholders the following amounts as set forth below:

(x) Allocations During the Revolving Period.

(1) During the Revolving Period an amount equal to the product of the Allocation Percentage and the aggregate amount of Principal Collections processed on such Date of Processing, shall be allocated to the Series 2009-VFN Noteholders and *first*, retained in the Principal Account to the extent necessary, to pay the Mandatory Limited Payment Amount on the related Distribution Date, *second*, if an Optional Amortization Notice has been given or any other Principal Sharing Series is outstanding and in its accumulation period or amortization period, retained in the Principal Account for application, to the extent necessary, as Optional Amortization Amounts or as Shared Principal Collections for other Principal Sharing Series on the related Distribution Date, *third*, deposited in the Excess Funding Account to the extent necessary so that the Transferor Amount is not less than the Specified Transferor Amount and *fourth*, paid to the holders of the Transferor Interest.

(2) With respect to each Monthly Period falling in the Revolving Period, to the extent that Collections of Principal Receivables allocated to the Series 2009-VFN Noteholders pursuant to this clause 5.1(b)(ii) are paid to Transferor, Transferor shall make an amount equal to the Reallocated Principal Collections for the related Transfer Date available on that Transfer Date for application in accordance with Section 5.6.

(y) Allocations During the Controlled Amortization Period. During the Controlled Amortization Period an amount equal to the product of the Allocation Percentage and the aggregate amount of Principal Collections processed on such Date of Processing (the product for any such date is hereinafter referred to as a "Percentage Allocation") shall be allocated to the Series 2009-VFN Noteholders and transferred to the Principal Account until applied as provided herein; provided, however, that if the sum of such Percentage Allocation and all preceding Percentage Allocations with respect to the same Monthly Period exceeds the Controlled Payment Amount during the Controlled Amortization Period for the related Distribution Date, then such excess shall not be treated as a Percentage Allocation and shall be *first*, if any other Principal Sharing Series is outstanding and in its accumulation period or amortization period, retained in the Principal Account for application, to the extent necessary, as Shared Principal Collections to other Principal Sharing Series on the related Distribution Date, *second*, retained in the Principal Account to pay any Optional Amortization Amount on the related Optional Amortization Date, *third*, deposited in the Excess Funding Account to the extent necessary so that the Transferor Amount is not less than the Specified Transferor Amount and *fourth*, paid to the holders of the Transferor Interest.

(z) Allocations During the Early Amortization Period. During the Early Amortization Period, an amount equal to the product of the Allocation Percentage and the aggregate amount of Principal Collections processed on such Date of Processing shall be allocated to the 2009-VFN Noteholders and transferred to the Principal Account until applied as provided herein; provided, however, that after the date on which an amount of such Principal Collections equal to the Note Principal Balance has been deposited into the Principal Account such amount shall be first, if any other Principal Sharing Series is outstanding and in its accumulation period or amortization period, retained in the Principal Account for application, to the extent necessary, as Shared Principal Collections to other Principal Sharing Series on the related Distribution Date, second deposited in the Excess Funding Account to the extent necessary so that the Transferor Amount is not less than the Specified Transferor Amount and third paid to the holders of the Transferor Interest.

(c) During any period when Servicer is permitted by Section 4.3 of the Pooling and Servicing Agreement or Section 8.4 of the Indenture to make a single monthly deposit to the Collection Account, amounts allocated to the Noteholders pursuant to Sections 5.1(a) and (b) with respect to any Monthly Period need not be deposited into the Collection Account or any Series Account prior to the related Transfer Date, and, when so deposited, (x) may be deposited net of any amounts required to be distributed to Transferor and, if Comenity Bank is Servicer, to Servicer, and (y) shall be deposited into the Finance Charge Account (in the case of Collections of Finance Charge Receivables) and the Principal Account (in the case of Collections of Principal Receivables (not including any Shared Principal Collections allocated to Series 2009-VFN pursuant to Section 4.15 of the Pooling and Servicing Agreement or Section 8.5 of the Indenture)).

(d) On any date, Servicer may withdraw from the Collection Account or any Series Account any amounts inadvertently deposited in such account that should have not been so deposited.

Section 5.2 Determination of Monthly Interest.

(a) Pursuant to the Class A Note Purchase Agreement, certain Class A Ownership Tranches may from time to time be divided into one or more subdivisions (each, as further specified in the Class A Note Purchase Agreement, a "Class A Funding Tranche") which will accrue interest on different bases. For Class A Funding Tranches that accrue interest by reference to a commercial paper rate or LIBOR, a specified period (each, a "Class A Fixed Period") will be designated in the Class A Note Purchase Agreement during which that Class A Funding Tranche may accrue interest at a fixed rate. The amount of monthly interest ("Class A Monthly Interest") distributable from the Distribution Account with respect to the Class A Notes on any Distribution Date shall be an amount equal to the aggregate amount of interest that accrued over that Distribution Period on each Class A Funding Tranche (plus the aggregate amount of interest that accrued over any prior Distribution Period on any Class A Funding Tranche and has not yet been paid, plus additional interest (to the extent permitted by law) on such overdue amounts at the weighted average interest rate applicable to the related Class A Ownership Tranche during that Distribution Period, and minus any overpayment of interest on the prior Distribution Date as a result of the estimation referred to below), all as determined by Servicer on the related Determination Date. For purposes of such determination, Servicer shall rely upon information provided by the various Administrative Agents pursuant to the Class A Note Purchase Agreement including estimates of the interest to accrue on any Class A Funding Tranche through the related Distribution Date. The interest accrued on any Class A Ownership Tranche (or related Class A Funding Tranche) for any Distribution Period shall be determined using the applicable Class A Tranche Rate and shall equal the product of (x) the Weighted Average Class A Principal Balance for that Class A Ownership Tranche (or Class A Funding Tranche), (y) the applicable Class A Tranche Rate and (z) the applicable Day Count Fraction.

(b) The amount of monthly interest ("Class M Monthly Interest") distributable from the Distribution Account with respect to the Class M Notes on any Distribution Date shall be an amount equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class M Note Interest Rate in effect with respect to the related Distribution Period and (ii) the average Class M Principal Balance outstanding during the preceding Monthly Period.

On the Determination Date preceding each Distribution Date, the Servicer shall determine the excess, if any (the "Class M Deficiency Amount"), of (x) the aggregate amount accrued pursuant to this subsection 5.2(c) as of the prior Distribution Date over (y) the amount of funds actually transferred from the Distribution Account for payment of such amount. If the Class M Deficiency Amount for any Distribution Date is greater than zero, on each subsequent Distribution Date until such Class M Deficiency Amount is fully paid, an additional amount ("Class M Additional Interest") equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class M Note Interest Rate in effect with respect to the related Distribution Period and (ii) such Class M Deficiency Amount (or the portion thereof which has not been paid

to the Class M Noteholders) shall be payable as provided herein with respect to the Class M Notes. Notwithstanding anything to the contrary herein, Class M Additional Interest shall be payable or distributed to the Class M Noteholders only to the extent permitted by applicable law.

(c) The amount of monthly interest ("Class B Monthly Interest") distributable from the Distribution Account with respect to the Class B Notes on any Distribution Date shall be an amount equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class B Note Interest Rate in effect with respect to the related Distribution Period and (ii) the average Class B Principal Balance outstanding during the preceding Monthly Period.

On the Determination Date preceding each Distribution Date, the Servicer shall determine the excess, if any (the "Class B Deficiency Amount"), of (x) the aggregate amount accrued pursuant to this subsection 5.2(c) as of the prior Distribution Date over (y) the amount of funds actually transferred from the Distribution Account for payment of such amount. If the Class B Deficiency Amount for any Distribution Date is greater than zero, on each subsequent Distribution Date until such Class B Deficiency Amount is fully paid, an additional amount ("Class B Additional Interest") equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class B Note Interest Rate in effect with respect to the related Distribution Period and (ii) such Class B Deficiency Amount (or the portion thereof which has not been paid to the Class B Noteholders) shall be payable as provided herein with respect to the Class B Notes. Notwithstanding anything to the contrary herein, Class B Additional Interest shall be payable or distributed to the Class B Noteholders only to the extent permitted by applicable law.

(d) The amount of monthly interest ("Class C Monthly Interest") distributable from the Distribution Account with respect to the Class C Notes on any Distribution Date shall be an amount equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class C Note Interest Rate in effect with respect to the related Distribution Period and (ii) the average Class C Principal Balance outstanding during the preceding Monthly Period.

On the Determination Date preceding each Distribution Date, the Servicer shall determine the excess, if any (the "Class C Deficiency Amount"), of (x) the aggregate amount accrued pursuant to this subsection 5.2(c) as of the prior Distribution Date over (y) the amount of funds actually transferred from the Distribution Account for payment of such amount. If the Class C Deficiency Amount for any Distribution Date is greater than zero, on each subsequent Distribution Date until such Class C Deficiency Amount is fully paid, an additional amount ("Class C Additional Interest") equal to the product of (i) (A) a fraction, the numerator of which is the actual number of days in the related Distribution Period and the denominator of which is 360, times (B) the Class C Note Interest Rate in effect with respect to the related Distribution Period and (ii) such Class C Deficiency Amount (or the portion thereof which has not been paid to the Class C Noteholders) shall be payable as provided herein with respect to the Class C Notes. Notwithstanding anything to the contrary herein, Class C Additional Interest shall be payable or distributed to the Class C Noteholders only to the extent permitted by applicable law.

(e) In addition to Class A Monthly Interest, each Class A Noteholder (i) shall receive a monthly commitment fee (a "Class A Non-Use Fee") with respect to each Distribution Period

(or portion thereof) falling in the Revolving Period accruing at the Class A Non-Use Fee Rate based on its portion of the excess of the average Class A Maximum Principal Balance over the average Class A Principal Balance for such period and (ii) shall be entitled to receive certain other amounts identified as Class A Additional Amounts (such amounts, including Class A Breakage Payments, being "Class A Additional Amounts") in the Class A Note Purchase Agreement. The Class A Non-Use Fee shall accrue based upon the number of days in the related Distribution Period (or the portion thereof falling in the Revolving Period) and a year of 365 or 366 days, as applicable. Class A Additional Amounts payable on any Distribution Date shall, so long as they equal less than 0.50% of the Weighted Average Collateral Amount over the related Distribution Period, constitute "Class A Rated Additional Amounts." Any Class A Additional Amounts payable on any Distribution Date in excess of the foregoing limitation shall constitute "Class A Unrated Additional Amounts."

(f) If any distribution of principal is made with respect to any Class A Funding Tranche with a Fixed Period and a fixed interest rate other than on (i) the last day of that Fixed Period or (ii) a Distribution Date, or if the Class A Funded Amount of any Class A Ownership Tranche is reduced by an Optional Amortization Amount in an amount greater than the amount (if any) specified in the Class A Note Purchase Agreement with respect to that Class A Ownership Tranche without the applicable number (as specified in the Class A Note Purchase Agreement) of Business Days' prior notice to the affected Holder, and in either case (i) the interest paid by the Class A Holder holding that Class A Funding Tranche to providers of funds to it to fund that Class A Funding Tranche exceeds (ii) returns earned by that Class A Holder through the related Distribution Date (or, if earlier, the last day of that Fixed Period) by redeployment of such funds in highly rated short-term money market instruments, then, upon written notice (which notice shall be signed by an officer of that Class A Holder with knowledge of and responsibility for such matters and shall set forth in reasonable detail the basis for requesting the amounts) from such Class A Holder to Servicer, such Class A Holder shall be entitled to receive additional amounts in the amount of such excess (each, a "Class A Breakage Payment") on the Distribution Date on or after the date such distribution of principal is made with respect to that Funding Tranche, so long as such written notice is received not later than noon, New York City time, on the Transfer Date related to such Distribution Date. For purposes of calculations under this paragraph, any payment received by a Class A Holder later than noon, New York City time, on any day shall be deemed to have been received on the next day.

Section 5.3 Determination of Class A Monthly Principal, Class M Monthly Principal, Class B Monthly Principal and Class C Monthly Principal.

(a) The amount of monthly principal (the "Class A Monthly Principal") to be transferred from the Principal Account with respect to the Class A Notes (i) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (w) the Class A Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class A Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6), and (z) the Class A

Principal Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6), and (z) the Class A Principal Balance and (iii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Mandatory Limited Amortization Period begins and ending on the Transfer Date in the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (x) the Class A Senior Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (y) prior to the Non-Renewing Purchaser Scheduled Distribution Date, the Class A Senior Percentage of the Mandatory Limited Payment Amount for such Transfer Date, and (z) the Non-Renewing Purchaser Class A Principal Balance.

(b) The amount of monthly principal (the "Class M Monthly Principal") to be transferred from the Principal Account with respect to the Class M Notes (i) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (w) the Class M Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class M Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal), and (z) the Class M Principal Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the excess of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, over the portion of such Available Principal Collections applied to Class A Monthly Principal on such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal), and (z) the Class M Principal Balance.

(c) The amount of monthly principal (the "Class B Monthly Principal") to be transferred from the Principal Account with respect to the Class B Notes (i) on each Transfer Date beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (w) the Class B Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class B Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal and Class M Monthly Principal), and (z) the Class B Principal

Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the excess of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, over the portion of such Available Principal Collections applied to Class A Monthly Principal, and Class M Monthly Principal on such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal and Class M Monthly Principal), and (z) the Class B Principal Balance.

(d) The amount of monthly principal (the "Class C Monthly Principal") to be transferred from the Principal Account with respect to the Class C Notes (i) on each Transfer Date beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Controlled Amortization Period begins (unless an Early Amortization Period shall have commenced prior to the end of the Monthly Period immediately preceding such Transfer Date), shall be equal to the least of (w) the Class C Pro Rata Percentage of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, (x) the Class C Pro Rata Percentage of the Controlled Payment Amount for such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of Class A Monthly Principal, Class M Monthly Principal and Class B Monthly Principal), and (z) the Class C Principal Balance, and (ii) on each Transfer Date, beginning with the Transfer Date in the Monthly Period following the Monthly Period in which the Early Amortization Period begins, shall be equal to the least of (x) the excess of the Available Principal Collections on deposit in the Principal Account with respect to such Transfer Date, over the portion of such Available Principal Collections applied to Class A Monthly Principal, Class M Monthly Principal and Class B Monthly Principal on such Transfer Date, (y) the Collateral Amount (after taking into account any adjustments to be made on such Transfer Date and the related Distribution Date pursuant to Sections 5.5 and 5.6 and the payment of the Class A Monthly Principal, Class M Monthly Principal and Class B Monthly Principal), and (z) the Class C Principal Balance.

Section 5.4 Application of Available Finance Charge Collections and Available Principal Collections. On or before each Transfer Date, the Servicer shall instruct the Indenture Trustee in writing (which writing shall be substantially in the form of Exhibit B) to withdraw and the Indenture Trustee, acting in accordance with such instructions, shall withdraw on such Transfer Date or related Distribution Date, as applicable, to the extent of available funds, the amount required to be withdrawn from the Finance Charge Account, the Principal Account, the Principal Funding Account and the Distribution Account as follows:

(a) On each Transfer Date, an amount equal to the Available Finance Charge Collections with respect to the related Distribution Date will be distributed or deposited in the following priority:

(i) an amount equal to the unpaid Class A Monthly Interest for such Distribution Date shall be deposited by Servicer or the Indenture Trustee into the

Distribution Account for distribution to the Class A Noteholders in accordance with Section 6.2;

(ii) an amount equal to the unpaid Class A Non-Use Fee, if any, not paid by the Transferor pursuant to the Class A Note Purchase Agreement for the related Distribution Period plus any Class A Non-Use Fee due but not paid to the Class A Noteholders on any prior Distribution Date shall be deposited by Servicer or the Indenture Trustee into the Distribution Account for distribution to the Class A Noteholders in accordance with Section 6.2;

(iii) an amount equal to the Class A Rated Additional Amounts, if any, for the related Distribution Period plus any Class A Rated Additional Amounts due but not paid to the Class A Noteholders on any prior Distribution Date shall be deposited by Servicer or the Indenture Trustee into the Distribution Account for distribution to the Class A Noteholders in accordance with Section 6.2;

(iv) an amount equal to the Noteholder Servicing Fee for such Transfer Date, plus the amount of any Noteholder Servicing Fee previously due but not distributed to the Servicer on a prior Transfer Date, shall be distributed to the Servicer;

(v) an amount equal to the unpaid Class M Monthly Interest for such Distribution Date, plus any Class M Deficiency Amount, plus the amount of any Class M Additional Interest for such Distribution Date, plus the amount of any Class M Additional Interest previously due but not distributed to Class M Noteholders on a prior Distribution Date shall be deposited by the Servicer or Indenture Trustee into the Distribution Account;

(vi) an amount equal to the unpaid Class B Monthly Interest for such Distribution Date, plus any Class B Deficiency Amount, plus the amount of any Class B Additional Interest for such Distribution Date, plus the amount of any Class B Additional Interest previously due but not distributed to Class B Noteholders on a prior Distribution Date shall be deposited by the Servicer or Indenture Trustee into the Distribution Account;

(vii) an amount equal to the unpaid Class C Monthly Interest for such Distribution Date, plus any Class C Deficiency Amount, plus the amount of any Class C Additional Interest for such Distribution Date, plus the amount of any Class C Additional Interest previously due but not distributed to Class C Noteholders on a prior Distribution Date shall be deposited by the Servicer or Indenture Trustee into the Distribution Account;

(viii) an amount equal to the Aggregate Investor Default Amount and any Investor Uncovered Dilution Amount for such Distribution Date shall be treated as a portion of Available Principal Collections for such Distribution Date and, during the Controlled Amortization Period or the Early Amortization Period, deposited into the Principal Account on the related Transfer Date to the extent needed to pay Monthly Principal on the related Distribution Date;

(ix) an amount equal to the sum of the aggregate amount of Investor Charge-Offs and the amount of Reallocated Principal Collections which have not been previously reimbursed pursuant to this clause (ix) shall be treated as a portion of Available Principal Collections for such Distribution Date and, during the Controlled Amortization Period or the Early Amortization Period, deposited into the Principal Account on the related Transfer Date to the extent needed to pay Monthly Principal on the related Distribution Date;

(x) an amount equal to the amounts required to be deposited in the Spread Account pursuant to subsection 5.10(f) shall be deposited into the Spread Account as provided in subsection 5.10(f);

(xi) an amount equal to the aggregate Class A Unrated Additional Amounts will be paid to the Class A Noteholders; and, in the event of any shortfall in the amount of Available Finance Charge Collections available for distribution in respect of Class A Unrated Additional Amounts, (x) the Available Finance Charge Collections shall be allocated ratably to each Class A Ownership Tranche in accordance with its Class A Principal Balance and (y) any Available Finance Charge Collections allocated pursuant to clause (x) to any Class A Ownership Tranche in excess of its Class A Unrated Additional Amounts shall be reallocated to each Class A Ownership Tranche that has a remaining shortfall in the Available Finance Charge Collections allocated to it pursuant to clause (xii) in order to cover its Class A Unrated Additional Amounts, which reallocation shall be made ratably in accordance with the portion of the Principal Balances of all remaining Class A Ownership Tranches represented by the Principal Balance of such remaining Class A Ownership Tranche;

(xii) an amount equal to any payments owed to any Class M Noteholders or any other Person pursuant to any Class M Note Purchase Agreement shall be paid to such Class M Noteholder or other Person;

(xiii) an amount equal to any payments owed to any Class B Noteholders or any other Person pursuant to the Class B Note Purchase Agreement shall be paid to such Class B Noteholder or other Person;

(xiv) an amount equal to any payments owed to any Class C Noteholders or any other Person pursuant to the Class C Note Purchase Agreement shall be paid to such Class C Noteholder or other Person; and

(xv) the balance, if any, will constitute a portion of Excess Finance Charge Collections for such Distribution Date.

(b) During the Revolving Period, an amount equal to the Available Principal Collections for the related Monthly Period will be treated as Shared Principal Collections and applied in accordance with Section 8.5 of the Indenture; provided, however, during any Mandatory Limited Amortization Period and on the Non-Renewing Purchaser Scheduled Distribution Date, an amount equal to the Available Principal Collections for the related Monthly Period shall be distributed or deposited in the following order of priority:

(i) an amount equal to the Class A Monthly Principal shall be deposited into the Distribution Account on such Transfer Date for payment to the Class A Noteholders in each Class A Ownership Group that is a Non-Renewing Ownership Group, on a pro rata basis, until the Non-Renewing Purchaser Class A Principal Balance has been reduced to zero;

(ii) an amount equal to the Class M Monthly Principal shall be deposited into the Distribution Account on such Transfer Date for payment to the Class M Noteholders in each Class M Ownership Group that is a Non-Renewing Ownership Group, on a pro rata basis, until the Non-Renewing Purchaser Class M Principal Balance has been reduced to zero; and

(iii) the balance shall be treated as Shared Principal Collections and applied in accordance with Section 8.5 of the Indenture.

(c) On each Transfer Date following any Monthly Period during the Controlled Amortization Period or the Early Amortization Period, an amount equal to the Available Principal Collections for the related Monthly Period shall be distributed or deposited in the following order of priority:

(i) an amount equal to the Class A Monthly Principal for such Transfer Date shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class A Noteholders on the related Distribution Date until the Class A Principal Balance has been paid in full;

(ii) an amount equal to the Class M Monthly Principal for such Transfer Date, if any, shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class M Noteholders on the related Distribution Date until the Class M Principal Balance has been paid in full;

(iii) an amount equal to the Class B Monthly Principal for such Transfer Date, if any, shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class B Noteholders on the related Distribution Date until the Class B Principal Balance has been paid in full;

(iv) an amount equal to the Class C Monthly Principal for such Transfer Date, if any, shall be deposited into the Distribution Account on such Transfer Date and on each subsequent Transfer Date for payment to the Class C Noteholders on the related Distribution Date until the Class C Principal Balance has been paid in full; and

(v) the balance shall be treated as Shared Principal Collections and applied in accordance with Section 8.5 of the Indenture.

(d) On each Distribution Date, the Indenture Trustee shall pay in accordance with Section 6.2 to the Class A Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clauses 5.4(a)(i) through (iii) and (xi) on the preceding Transfer Date, to the Class M Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clauses 5.4(a)(v) and (xii), to the Class B Noteholders

from the Distribution Account, the amount deposited into the Distribution Account pursuant to clauses 5.4(a)(vi) and (xiii) and to the Class C Noteholders from the Distribution Account, the amount deposited into the Distribution Account pursuant to clauses 5.4(a)(vii) and (xiv).

Section 5.5 Investor Charge-Offs. On each Determination Date, the Servicer shall calculate the Aggregate Investor Default Amount and any Investor Uncovered Dilution Amount for the related Distribution Date. If, on any Distribution Date, the sum of the Aggregate Investor Default Amount and any Investor Uncovered Dilution Amount for such Distribution Date exceeds the sum of the amount of Available Finance Charge Collections with respect to such Distribution Date, the Collateral Amount will be reduced (but not below zero) by the amount of such excess (such reduction, an "Investor Charge-Off").

Section 5.6 Reallocated Principal Collections. On each Transfer Date, the Servicer shall apply, or shall instruct the Indenture Trustee in writing to apply, Reallocated Principal Collections with respect to that Transfer Date, to fund any deficiency pursuant to and in the priority set forth in clauses 5.4(a)(i) through (v) after giving effect to any withdrawal from the Spread Account to cover such payments. On each Transfer Date, the Collateral Amount shall be reduced by the amount of Reallocated Principal Collections for such Transfer Date.

Section 5.7 Excess Finance Charge Collections. Series 2009-VFN shall be an Excess Allocation Series with respect to Group One only. For this purpose, each outstanding series of certificates issued by World Financial Network Credit Card Master Trust (other than series represented by the Collateral Certificate) shall be deemed to be a Series in Group One. Subject to Section 8.6 of the Indenture, Excess Finance Charge Collections with respect to the Excess Allocation Series in Group One for any Transfer Date will be allocated to Series 2009-VFN in an amount equal to the product of (x) the aggregate amount of Excess Finance Charge Collections with respect to all the Excess Allocation Series in Group One for such Distribution Date and (y) a fraction, the numerator of which is the Finance Charge Shortfall for Series 2009-VFN for such Distribution Date and the denominator of which is the aggregate amount of Finance Charge Shortfalls for all the Excess Allocation Series in Group One for such Distribution Date. The "Finance Charge Shortfall" for Series 2009-VFN for any Distribution Date will be equal to the excess, if any, of (a) the full amount required to be paid, without duplication, pursuant to clauses 5.4(a)(i) through (ix) on such Distribution Date over (b) the Available Finance Charge Collections with respect to such Distribution Date (excluding any portion thereof attributable to Excess Finance Charge Collections).

Section 5.8 Shared Principal Collections. Subject to Section 4.4 of the Pooling and Servicing Agreement and Section 8.5 of the Indenture, Shared Principal Collections allocable to Series 2009-VFN on any Transfer Date shall equal the product of (x) the aggregate amount of Shared Principal Collections with respect to all Principal Sharing Series for such Transfer Date and (y) a fraction, the numerator of which is the Principal Shortfall for Series 2009-VFN for such Transfer Date and the denominator of which is the aggregate amount of Principal Shortfalls for all the Series which are Principal Sharing Series for such Transfer Date. For this purpose, each outstanding series of certificates issued by World Financial Network Credit Card Master Trust (other than series represented by the Collateral Certificate) shall be deemed to be a Principal Sharing Series. The "Principal Shortfall" for Series 2009-VFN for any Transfer Date shall equal, the excess, if any, of the sum, without duplication, of any Mandatory Limited Payment Amount,

Optional Amortization Amounts, Class A Monthly Principal, Class M Monthly Principal, Class B Monthly Principal and Class C Monthly Principal with respect to such Transfer Date over the amount of Available Principal Collections for such Transfer Date (excluding any portion thereof attributable to Shared Principal Collections).

Section 5.9 Certain Series Accounts.

(a) The Indenture Trustee shall establish and maintain with an Eligible Institution, which may be the Indenture Trustee in the name of the Trust, on behalf of the Trust, for the benefit of the Noteholders, three segregated trust accounts with such Eligible Institution (the "Finance Charge Account", the "Principal Account" and the "Distribution Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Series 2009-VFN Noteholders. The Indenture Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Finance Charge Account, the Principal Account and the Distribution Account and in all proceeds thereof. The Finance Charge Account, the Principal Account and the Distribution Account shall be under the sole dominion and control of the Indenture Trustee for the benefit of the Series 2009-VFN Noteholders. If at any time the institution holding the Finance Charge Account, the Principal Account and the Distribution Account ceases to be an Eligible Institution, the Transferor shall notify the Indenture Trustee in writing, and the Indenture Trustee upon being notified (or the Servicer on its behalf) shall, within ten (10) Business Days, establish a new Finance Charge Account, a new Principal Account, a new Principal Accumulation Account and a new Distribution Account meeting the conditions specified above with an Eligible Institution, and shall transfer any cash or any investments to such new Finance Charge Account, new Principal Account, new Principal Accumulation Account and new Distribution Account. The Indenture Trustee, at the written direction of the Servicer, shall make withdrawals from the Finance Charge Account, the Principal Account and the Distribution Account from time to time, in the amounts and for the purposes set forth in this Indenture Supplement. Indenture Trustee at all times shall maintain accurate records reflecting each transaction in the Finance Charge Account, the Principal Account and the Distribution Account.

(b) Funds on deposit in the Finance Charge Account, the Principal Account and the Distribution Account, from time to time shall be invested and reinvested at the direction of the Servicer by the Indenture Trustee in Eligible Investments that will mature so that such funds will be available for withdrawal on or prior to the following Transfer Date.

The Indenture Trustee shall hold such of the Eligible Investments as consists of instruments, deposit accounts, negotiable documents, money, goods, letters of credit, and advices of credit in the State of New York and/or Illinois. The Indenture Trustee shall hold such of the Eligible Investments as constitutes investment property through a securities intermediary, which securities intermediary shall agree with the Indenture Trustee that (a) such investment property shall at all times be credited to a securities account of the Indenture Trustee, (b) such securities intermediary shall treat the Indenture Trustee as entitled to exercise the rights that comprise each financial asset credited to such securities account, (c) all property credited to such securities account shall be treated as a financial asset, (d) such securities intermediary shall comply with entitlement orders originated by the Indenture Trustee without the further consent of any other person or entity, (e) such securities intermediary will not agree with any person or entity other

than the Indenture Trustee to comply with entitlement orders originated by such other person or entity, (f) such securities accounts and the property credited thereto shall not be subject to any lien, security interest or right of set-off in favor of such securities intermediary or anyone claiming through it (other than the Indenture Trustee), and (g) such agreement shall be governed by the laws of the State of New York. Terms used in the preceding sentence that are defined in the New York UCC and not otherwise defined herein shall have the meaning set forth in the New York UCC.

Section 5.10 Spread Account.

(a) On or prior to the Closing Date, the Indenture Trustee shall establish and maintain with an Eligible Institution, which may be the Indenture Trustee in the name of the Trust, on behalf of the Trust, for the benefit of the Class B Noteholders and the Transferor, a segregated account (the "Spread Account"), bearing a designation clearly indicating that the funds deposited therein are held for the benefit of the Class B Noteholders and the Transferor. Except as otherwise provided in this Section 5.10, the Indenture Trustee shall possess all right, title and interest in all funds on deposit from time to time in the Spread Account and in all proceeds thereof. The Spread Account shall be under the sole dominion and control of the Indenture Trustee for the benefit of the Class B Noteholders and the holder of the Transferor Interest. If at any time the institution holding the Spread Account ceases to be an Eligible Institution, the Servicer shall notify the Indenture Trustee in writing, and the Indenture Trustee upon being notified (or the Servicer on its behalf) shall, within ten (10) Business Days (or such longer period as to which the Rating Agencies may consent) establish a new Spread Account meeting the conditions specified above with an Eligible Institution and shall transfer any cash or any investments to such new Spread Account. The Indenture Trustee, at the written direction of the Servicer, shall (i) make withdrawals from the Spread Account from time to time in an amount up to the Available Spread Account Amount at such time, for the purposes set forth in this Indenture Supplement, and (ii) on each Transfer Date prior to termination of the Spread Account, make a deposit into the Spread Account in the amount specified in, and otherwise in accordance with, subsection 5.10(e).

(b) Funds on deposit in the Spread Account shall be invested at the written direction of the Servicer by the Indenture Trustee in Eligible Investments. Funds on deposit in the Spread Account on any Transfer Date, after giving effect to any withdrawals from and deposits to the Spread Account on such Transfer Date, shall be invested in such investments that will mature so that such funds will be available for withdrawal on or prior to the following Transfer Date.

The Indenture Trustee shall hold such of the Eligible Investments as consists of instruments, deposit accounts, negotiable documents, money, goods, letters of credit, and advices of credit in the State of New York. The Indenture Trustee shall hold such of the Eligible Investments as constitutes investment property through a securities intermediary, which securities intermediary shall agree with the Indenture Trustee that (a) such investment property shall at all times be credited to a securities account of the Indenture Trustee, (b) such securities intermediary shall treat the Indenture Trustee as entitled to exercise the rights that comprise each financial asset credited to such securities account, (c) all property credited to such securities account shall be treated as a financial asset, (d) such securities intermediary shall comply with entitlement orders originated by the Indenture Trustee without the further consent of any other

person or entity, (e) such securities intermediary will not agree with any person or entity other than the Indenture Trustee to comply with entitlement orders originated by such other person or entity, (f) such securities accounts and the property credited thereto shall not be subject to any lien, security interest, or right of set-off in favor of such securities intermediary or anyone claiming through it (other than the Indenture Trustee), and (g) such agreement shall be governed by the laws of the State of New York. Terms used in the preceding sentence that are defined in the New York UCC and not otherwise defined herein shall have the meaning set forth in the New York UCC. Except as permitted by this subsection 5.10(b), the Indenture Trustee shall not hold Eligible Investments through an agent or a nominee.

On each Transfer Date (but subject to subsection 5.10(c)), the Investment Earnings, if any, accrued since the preceding Transfer Date on funds on deposit in the Spread Account shall be paid to the holders of the Transferor Interest by the Indenture Trustee upon written direction of the Servicer. For purposes of determining the availability of funds or the balance in the Spread Account for any reason under this Indenture Supplement (subject to subsection 5.10(c)), all Investment Earnings shall be deemed not to be available or on deposit; provided that after the maturity of the Series 2009-VFN Notes has been accelerated as a result of an Event of Default, all Investment Earnings shall be added to the balance on deposit in the Spread Account and treated like the rest of the Available Spread Account Amount.

(c) If, on any Transfer Date, the aggregate amount of Available Finance Charge Collections is less than the aggregate amount required to be deposited pursuant to clause 5.4(a)(x), the Indenture Trustee, at the written direction of the Servicer, shall withdraw from the Spread Account the amount of such deficiency up to the Available Spread Account Amount and, if the Available Spread Account Amount is less than such deficiency, Investment Earnings credited to the Spread Account, and deposit such amount in the Distribution Account for payment to the Class B Noteholders in respect of interest on the Class B Notes.

(d) On the earlier of Series Termination Date and the date on which the Class A Principal Balance and Class M Principal Balance have been paid in full, after applying any funds on deposit in the Spread Account as described in subsection 5.10(c), the Indenture Trustee at the written direction of the Servicer shall withdraw from the Spread Account an amount equal to the lesser of (i) the Class B Principal Balance (after any payments to be made pursuant to subsection 5.4(c) on such date) and (ii) the Available Spread Account Amount and, if the Available Spread Account Amount is not sufficient to reduce the Class B Principal Balance to zero, Investment Earnings credited to the Spread Account up to the amount required to reduce the Class B Principal Balance to zero, and the Indenture Trustee upon the written direction of the Servicer or the Servicer shall deposit such amounts into the Collection Account for distribution to the Class B Noteholders in accordance with subsection 6.2(c).

(e) On any day following the occurrence of an Event of Default with respect to Series 2009-VFN and acceleration of the maturity of the Series 2009-VFN Notes pursuant to Section 5.3 of the Indenture, Servicer shall withdraw from the Spread Account an amount equal to the Available Spread Account Amount and Indenture Trustee or Servicer shall deposit such amounts into the Distribution Account for distribution to the Class B Noteholders, the Class A Noteholders and the Class M Noteholders, in that order of priority, in accordance with Section 6.2, to fund any shortfalls in amounts owed to such Noteholders.

(f) If on any Transfer Date, after giving effect to all withdrawals from the Spread Account, the Available Spread Account Amount is less than the Required Spread Account Amount then in effect, Available Finance Charge Collections, to the extent available, shall be deposited into the Spread Account pursuant to clause 5.4(a)(x) up to the amount of the Spread Account Deficiency.

(g) If, after giving effect to all deposits to and withdrawals from the Spread Account with respect to any Transfer Date, the amount on deposit in the Spread Account exceeds the Required Spread Account Amount, the Indenture Trustee acting in accordance with the instructions of the Servicer, shall withdraw an amount equal to such excess from the Spread Account and distribute such amount to the Transferor. On the date on which the Class B Principal Balance has been paid in full, after making any payments to the Noteholders required pursuant to subsections 5.10(c), (d) and (e), the Indenture Trustee, at the written direction of Servicer, shall withdraw from the Spread Account all amounts then remaining in the Spread Account and pay such amounts to the holders of the Transferor Interest.

Section 5.11 Investment Instructions. Any investment instructions required to be given to the Indenture Trustee pursuant to the terms hereof must be given to the Indenture Trustee no later than 11:00 a.m., New York City time, on the date such investment is to be made. In the event the Indenture Trustee receives such investment instruction later than such time, the Indenture Trustee may, but shall have no obligation to, make such investment. In the event the Indenture Trustee is unable to make an investment required in an investment instruction received by the Indenture Trustee after 11:00 a.m., New York City time, on such day, such investment shall be made by the Indenture Trustee on the next succeeding Business Day. In no event shall the Indenture Trustee be liable for any investment not made pursuant to investment instructions received after 11:00 a.m., New York City time, on the day such investment is requested to be made. If investment instructions are not given with respect to funds in any Accounts, such funds shall remain uninvested until instructions are delivered to the Indenture Trustee in accordance with the terms hereof.

Section 5.12 Determination of LIBOR.

(a) On each LIBOR Determination Date in respect of a Distribution Period, the Indenture Trustee shall determine LIBOR on the basis of the rate for deposits in United States dollars for a period of the Designated Maturity which appears on the Designated LIBOR Page as of 11:00 a.m., London time, on such date. If such rate does not appear on the Designated LIBOR Page, the rate for that Distribution Period Determination Date shall be determined on the basis of the rates at which deposits in United States dollars are offered by the Reference Banks at approximately 11:00 a.m., London time, on that day to prime banks in the London interbank market for a period of the Designated Maturity. The Indenture Trustee shall request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two (2) such quotations are provided, the rate for that Distribution Period shall be the arithmetic mean of the quotations. If fewer than two (2) quotations are provided as requested, the rate for that Distribution Period will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Servicer, at approximately 11:00 a.m., New York City time, on that day for loans in United States dollars to leading European banks for a period of the Designated Maturity.

(b) LIBOR applicable to the then current and the immediately preceding Distribution Periods may be obtained by telephoning the Indenture Trustee at its corporate trust office at (312) 827-8500 or such other telephone number as shall be designated by the Indenture Trustee for such purpose by prior written notice by the Indenture Trustee to the Lead Agent each Series 2009-VFN Noteholder from time to time.

(c) On each LIBOR Determination Date, the Indenture Trustee shall send to the Servicer by facsimile transmission or electronic mail notification of LIBOR for the following Distribution Period.

ARTICLE VI.

Delivery of Series 2009-VFN Notes; Distributions; Reports to Series 2009-VFN Noteholders

Section 6.1 Delivery and Payment for the Series 2009-VFN Notes. The Issuer shall execute and issue, and the Indenture Trustee shall authenticate, the Series 2009-VFN Notes in accordance with Section 2.3 of the Indenture. The Indenture Trustee shall deliver the Series 2009-VFN Notes to or upon the written order of the Trust when so authenticated.

Section 6.2 Distributions.

(a) On each Distribution Date, the Indenture Trustee shall distribute to each Class A Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class A Noteholder's portion (determined in accordance with Section 4.2 and Article V) of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class A Noteholders pursuant to this Indenture Supplement.

(b) On each Distribution Date, the Indenture Trustee shall distribute to each Class M Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class M Noteholder's pro rata share of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class M Noteholders pursuant to this Indenture Supplement.

(c) On each Distribution Date, the Indenture Trustee shall distribute to each Class B Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class B Noteholder's pro rata share of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class B Noteholders pursuant to this Indenture Supplement.

(d) On each Distribution Date, the Indenture Trustee shall distribute to each Class C Noteholder of record on the related Record Date (other than as provided in Section 11.2 of the Indenture) such Class C Noteholder's pro rata share of the amounts on deposit in the Distribution Account that are allocated and available on such Distribution Date and as are payable to the Class C Noteholders pursuant to this Indenture Supplement.

(e) On each Distribution Date, if a shortfall in the amount of Available Finance Charge Collections available for distribution in accordance with any payment priority in clauses

5.4(a)(i), (ii), (iii) or (xi) exists, the Available Finance Charge Collections for such payment priority shall be allocated (a) ratably to each Class A Ownership Group based on the relative proportion of their respective Tranche Invested Amounts as a percentage of the Class A Principal Balance and (b) any Available Finance Charge Collections allocated pursuant to clause (a) to any Class A Ownership Group in excess of the amount owed to such Class A Ownership Group for the related payment priority shall be reallocated to each Class A Ownership Group that has a remaining shortfall in the Available Finance Charge Collections allocated to it pursuant to clause (a) in order to cover the amount owed to such Class A Ownership Group for the related payment priority, which reallocation shall be made ratably based on the relative proportion of the respective Tranche Invested Amounts of such remaining Class A Ownership Groups as a percentage of the Class A Principal Balance of the remaining Class A Ownership Groups. The amount of Available Principal Collections available for distribution pursuant to Section 5.4(c) shall be allocated to each Class A Ownership Group based on a *pro rata* basis based on the relative proportion of their respective Tranche Invested Amounts as a percentage of the Class A Principal Balance.

(f) The distributions to be made pursuant to this Section 6.2 are subject to the provisions of Sections 2.6, 6.1 and 7.1 of the Transfer and Servicing Agreement, Section 11.2 of the Indenture and Section 7.1 of this Indenture Supplement.

(g) All payments set forth herein shall be made by wire transfer of immediately available funds, provided that the Paying Agent, not less than five Business Days prior to the Record Date relating to the first distribution to such Series 2009-VFN Noteholder, has been furnished with appropriate wiring instructions in writing.

Section 6.3 Reports and Statements to Series 2009-VFN Noteholders.

(a) On each Distribution Date, the Indenture Trustee shall forward to the Lead Agent and each Series 2009-VFN Noteholder a statement substantially in the form of Exhibit C prepared by the Servicer.

(b) Not later than the second Business Day preceding each Distribution Date, the Servicer shall deliver to the Owner Trustee, the Indenture Trustee and each Rating Agency (i) a statement substantially in the form of Exhibit B prepared by the Servicer and (ii) a certificate of an Authorized Officer substantially in the form of Exhibit D; provided that the Servicer may amend the form of Exhibit B from time to time, with the prior written consent of the Indenture Trustee.

(c) A copy of each statement or certificate provided pursuant to paragraph (a) or (b) may be obtained by any Series 2009-VFN Noteholder by a request in writing to the Servicer.

(d) On or before January 31 of each calendar year, beginning with January 31, 2010, the Indenture Trustee shall furnish or cause to be furnished to each Person who at any time during the preceding calendar year was a Series 2009-VFN Noteholder, a statement prepared by the Servicer containing the information which is required to be contained in the statement to Series 2009-VFN Noteholders, as set forth in paragraph (a) above, aggregated for such calendar year or the applicable portion thereof during which such Person was a Series 2009-VFN

Noteholder, together with other information as is required to be provided by an issuer of indebtedness under the Code. Such obligation of the Indenture Trustee shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided by the Servicer pursuant to any requirements of the Code as from time to time in effect.

ARTICLE VII.

Series 2009-VFN Early Amortization Events

Section 7.1 Series 2009-VFN Early Amortization Events. If any one of the following events shall occur with respect to the Series 2009-VFN Notes:

(a) failure on the part of Transferor or the "Transferor" under the Pooling and Servicing Agreement (i) to make any payment or deposit required to be made by it by the terms of the Pooling and Servicing Agreement, the Collateral Series Supplement, the Transfer and Servicing Agreement, the Class A Note Purchase Agreement, the Indenture or this Indenture Supplement on or before the date occurring five (5) Business Days after the date such payment or deposit is required to be made therein or herein or (ii) duly to observe or perform in any material respect any other of its covenants or agreements set forth in the Transfer and Servicing Agreement, the Class A Note Purchase Agreement, the Pooling and Servicing Agreement, the Indenture or this Indenture Supplement, which failure has a material adverse effect on the Series 2009-VFN Noteholders and which continues unremedied for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Indenture Trustee, or to the Transferor and the Indenture Trustee by any Holder of the Series 2009-VFN Notes;

(b) any representation or warranty made by Transferor or the "Transferor" under the Pooling and Servicing Agreement, in the Transfer and Servicing Agreement, the Class A Note Purchase Agreement or the Pooling and Servicing Agreement or any information contained in a computer file or microfiche list required to be delivered by it pursuant to Section 2.1 or subsection 2.6(c) of the Transfer and Servicing Agreement or Section 2.1 or subsection 2.6(c) of the Pooling and Servicing Agreement shall prove to have been incorrect in any material respect when made or when delivered, which continues to be incorrect in any material respect for a period of thirty (30) days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Transferor by the Indenture Trustee, or to the Transferor and the Indenture Trustee by any Holder of the Series 2009-VFN Notes and as a result of which the interests of the Series 2009-VFN Noteholders are materially and adversely affected for such period; provided, however, that a Series 2009-VFN Early Amortization Event pursuant to this subsection 6.1(b) shall not be deemed to have occurred hereunder if the Transferor has accepted reassignment of the related Receivable, or all of such Receivables, if applicable, during such period in accordance with the provisions of the Transfer and Servicing Agreement or the Pooling and Servicing Agreement;

(c) the Portfolio Yield averaged over three consecutive Monthly Periods is less than the Base Rate averaged over such period;

(d) a failure by Transferor or the "Transferor" under the Pooling and Servicing Agreement to convey Receivables in Additional Accounts or Participations to the Receivables Trust within five (5) Business Days after the day on which it is required to convey such Receivables pursuant to subsection 2.6(b) of the Transfer and Servicing Agreement or subsection 2.8(b) of the Pooling and Servicing Agreement, respectively, provided that such failure shall not give rise to an Early Amortization Event if, prior to the date on which such conveyance was required to be completed, Transferor causes a reduction in the principal balance of any Variable Interest to occur, so that, after giving effect to that reduction (i) the Transferor Amount is not less than the Minimum Transferor Amount (including the Additional Minimum Transferor Amount, if any) and (ii) the sum of the aggregate amount of Principal Receivables plus amounts on deposit in the Excess Funding Account is not less than the Required Principal Balance;

(e) any Servicer Default or any "Servicer Default" under the Pooling and Servicing Agreement shall occur which would have a material adverse effect on the Series 2009-VFN Holders;

(f) the Class A Principal Balance shall not be paid in full on the Class A Scheduled Final Payment Date;

(g) a Change in Control has occurred;

(h) as on any Determination Date:

(i) as of any date of determination, the Quarterly Payment Rate Percentage is less than %; and

(ii) the percentage equivalent of a fraction (A) the numerator of which is the total Principal Receivables relating to any one Merchant (other than Redcats, Limited Brands or any Merchant affiliated with any of the foregoing) as of the end of any related Monthly Period and (B) the denominator of which is the aggregate total Principal Receivables as of the end of such related Monthly Period exceeds %.

(i) the Pension Benefit Guaranty Corporation shall file notice of a lien pursuant to Section 4068 of the Employee Retirement Income Security Act of 1974 with regard to any of the assets of Comenity Bank, which lien shall secure a liability in excess of $ and shall not have been released within 40 days;

(j) a default shall have occurred and be continuing under any instrument or agreement evidencing or securing indebtedness for borrowed money of Comenity Bank in excess of $ which default (i) is a default in payment of any principal or interest on such indebtedness when due or within any applicable grace period or (ii) shall have resulted in acceleration of the maturity of such indebtedness; or

(k) without limiting the foregoing, the occurrence of an Event of Default with respect to Series 2009-VFN and acceleration of the maturity of the Series 2009-VFN Notes pursuant to Section 5.3 of the Indenture.

then, in the case of any event described in subsections 7.1(a), (b), (e), (h)(ii), (i) or (j) of this Indenture Supplement, after the applicable grace period set forth in such Sections, either (i) Indenture Trustee or (ii) the Majority Noteholders by notice then given in writing to Transferor and Servicer (and to the Indenture Trustee if given by the Holders) may declare that an early amortization event (a "Early Amortization Event") has occurred as of the date of such notice, and in the case of any event described in subsections 7.1(c), (d), (f), (g), (h)(i) or (k)ofthis Indenture Supplement, an Early Amortization Event shall occur without any notice or other action on the part of Indenture Trustee or the Series 2009-VFN Noteholders immediately upon the occurrence of such event.

In addition to the other consequences of a Series 2009-VFN Early Amortization Event specified herein or a Trust Early Amortization Event, from and after the occurrence of any Series 2009-VFN Early Amortization Event or a Trust Early Amortization Event (until the same shall have been waived by all of the Series 2009-VFN Noteholders), with respect to any Account included in the Approved Portfolios, Transferor shall no longer permit or require Merchant Adjustment Payments (except those owed by Redcats) or In-Store Payments to be netted against amounts owed to Transferor by the applicable Merchant but shall instead exercise its rights to require each Merchant (other than Redcats) to transfer to Servicer, not later than the third Business Day following receipt by such Merchant of any In-Store Payments or the occurrence of any event giving rise to Merchant Adjustment Payments, an amount equal to the sum of such In-Store Payments and Merchant Adjustment Payments. In addition, if any bankruptcy or other insolvency proceeding has been commenced against a Merchant, Servicer shall require that Merchant to (i) stop accepting In-Store Payments and (ii) inform Obligors who wish to make In-Store Payments that payment should instead be sent to Servicer, provided that Servicer shall not be required to take such action if (x) Servicer or Trustee has been provided a letter of credit, surety bond or other similar instrument covering collection risk with respect to In-Store Payments, (y) the Rating Agency Condition is satisfied with respect to such letter of credit, surety bond or other similar instrument and (z) each of the Series 2009-VFN Noteholders consents to such arrangement.

ARTICLE VIII.

Redemption of Series 2009-VFN Notes; Series Termination

Section 8.1 Optional Redemption of Series 2009-VFN Notes; Final Distributions.

(a) On any Business Day occurring on or after the date on which the outstanding principal balance of the Series 2009-VFN Notes is reduced to 5% or less of the greatest ever Note Principal Balance, the Servicer shall have the option to redeem the Series 2009-VFN Notes, at a purchase price equal to (i) if such day is a Distribution Date, the Reassignment Amount for such Distribution Date or (ii) if such day is not a Distribution Date, the Reassignment Amount for the Distribution Date following such day.

(b) Servicer shall give the Indenture Trustee at least thirty (30) days prior written notice of the date on which Servicer intends to exercise such optional redemption. Not later than 12:00 noon, New York City time, on such day Servicer shall deposit into the Collection Account in immediately available funds the excess of the Reassignment Amount over the amount, if any,

on deposit in the Principal Account. Such redemption option is subject to payment in full of the Reassignment Amount. Following such deposit into the Collection Account in accordance with the foregoing, the Collateral Amount for Series 2009-VFN shall be reduced to zero and the Series 2009-VFN Noteholders shall have no further security interest in the Receivables. The Reassignment Amount shall be distributed as set forth in subsection 8.1(d).

(c) (i) The amount to be paid by the Transferor with respect to Series 2009-VFN in connection with a reassignment of Receivables to the Transferor pursuant to subsection 2.4(e) of the Transfer and Servicing Agreement shall equal the Reassignment Amount for the first Distribution Date following the Monthly Period in which the reassignment obligation arises under the Transfer and Servicing Agreement.

(ii) The amount to be paid by the Transferor with respect to Series 2009-VFN in connection with a repurchase of the Notes pursuant to Section 7.1 of the Transfer and Servicing Agreement shall equal the Reassignment Amount for the Distribution Date of such repurchase.

(d) With respect to (a) the Reassignment Amount deposited into the Distribution Account pursuant to Section 8.1 or (b) the proceeds of any sale of Receivables pursuant to clause 5.5(a)(iii) of the Indenture with respect to Series 2009-VFN, the Indenture Trustee shall, in accordance with the written direction of the Servicer, not later than 12:00 noon, New York City time, on the related Distribution Date, make distributions of the following amounts (in the priority set forth below and, in each case, after giving effect to any deposits and distributions otherwise to be made on such date) in immediately available funds: (i) (x) the Class A Principal Balance on such Distribution Date will be distributed to the Class A Noteholders and (y) an amount equal to the sum of (A) Class A Monthly Interest for such Distribution Date, (B) any Class A Monthly Interest previously due but not distributed to the Class A Noteholders on any prior Distribution Date, (C) Class A Non-Use Fees, if any, due and payable on such Distribution Date or any prior Distribution Date and (D) Class A Additional Amounts, if any, due and payable on such Distribution Date or any prior Distribution Date will be distributed to the Class A Noteholders, (ii)(x) the Class M Principal Balance on such Distribution Date will be distributed to the Class M Noteholders and (y) an amount equal to the sum of (A) Class M Monthly Interest for such Distribution Date, (B) any Class M Deficiency Amount for such Distribution Date, (C) the amount of Class M Additional Interest, if any, for such Distribution Date and any Class M Additional Interest previously due but not distributed to the Class M Noteholders on any prior Distribution Date, and (D) Class M Additional Amounts, if any, due and payable on such Distribution Date or any prior Distribution Date will be distributed to the Class M Noteholders, (iii)(x) the Class B Principal Balance on such Distribution Date will be distributed to the Class B Noteholders and (y) an amount equal to the sum of (A) Class B Monthly Interest for such Distribution Date, (B) any Class B Deficiency Amount for such Distribution Date, (C) the amount of Class B Additional Interest, if any, for such Distribution Date and any Class B Additional Interest previously due but not distributed to the Class B Noteholders on any prior Distribution Date, and (D) Class B Additional Amounts, if any, due and payable on such Distribution Date or any prior Distribution Date will be distributed to the Class B Noteholders, (iv)(x) the Class C Principal Balance on such Distribution Date will be distributed to the Class C Noteholders and (y) an amount equal to the sum of (A) Class C Monthly Interest for such Distribution Date, (B) any Class C Deficiency Amount for such

Distribution Date, (C) the amount of Class C Additional Interest, if any, for such Distribution Date and any Class C Additional Interest previously due but not distributed to the Class C Noteholders on any prior Distribution Date, and (D) Class C Additional Amounts, if any, due and payable on such Distribution Date or any prior Distribution Date will be distributed to the Class C Noteholders, and (v) any excess shall be released to the Issuer.

Section 8.2 Series Termination. The right of the Series 2009-VFN Noteholders to receive payments from the Trust will terminate on the first Business Day following the Series Termination Date.

ARTICLE IX.

Miscellaneous Provisions

Section 9.1 Ratification of Indenture; Amendments; Voting.

(a) As supplemented by this Indenture Supplement, the Indenture is in all respects ratified and confirmed and the Indenture as so supplemented by this Indenture Supplement shall be read, taken and construed as one and the same instrument. This Indenture Supplement may be amended only by a Supplemental Indenture entered in accordance with the terms of Section 10.1 or 10.2 of the Indenture. For purposes of the application of Section 10.2 to any amendment of this Indenture Supplement, the Series 2009-VFN Noteholders shall be the only Noteholders whose vote shall be required. The Transferor shall provide notice of any amendment to this Indenture Supplement to S&P.

(b) In determining whether the Holders of Notes representing the requisite percentage of Class A Notes have given any consent or waiver hereunder or under any other Transaction Document, during the Revolving Period, Holders of Class A Notes representing the requisite percentage of both the Class A Note Principal Balance and the Class A Maximum Principal Balance shall be required to have given such consent or waiver.

Section 9.2 Form of Delivery of the Series 2009-VFN Notes. The Class A Notes, the Class M Notes and the Class B Notes shall be Definitive Notes and shall be registered in the Note Register in the name of the initial purchasers of such Notes identified in the Note Purchase Agreements.

Section 9.3 Notices. Any required notice shall be made to the Rating Agencies and the Noteholders at the following:

(a) If to DBRS: DBRS, Inc., 140 Broadway, 35th Floor, New York, New York, 10005 and ABS_Surveillance@dbrs.com.

(b) If to the Lead Agent, to the address specified in the applicable Note Purchase Agreement.

(c) If to the Series 2009-VFN Noteholders, to the address specified in the applicable Note Purchase Agreement.

Section 9.4 Counterparts. This Indenture Supplement may be executed in two or more counterparts, and by different parties on separate counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

Section 9.5 GOVERNING LAW. THIS INDENTURE SUPPLEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 9.6 Limitation of Liability. Notwithstanding any other provision herein or elsewhere, this Agreement has been executed and delivered by U.S. Bank Trust National Association, not in its individual capacity, but solely in its capacity as Owner Trustee of the Trust, in no event shall U.S. Bank Trust National Association in its individual capacity have any liability in respect of the representations, warranties, or obligations of the Trust hereunder or under any other document, as to all of which recourse shall be had solely to the assets of the Trust, and for all purposes of this Agreement and each other document, the Owner Trustee (as such or in its individual capacity) shall be subject to, and entitled to the benefits of, the terms and provisions of the Trust Agreement.

Section 9.7 Rights of the Indenture Trustee. The Indenture Trustee shall have herein the same rights, protections, indemnities and immunities as specified in the Master Indenture.

Section 9.8 Additional Provisions. Notwithstanding anything to the contrary in any Transaction Document, until the Series Termination Date:

(a) The Indenture Trustee shall not agree to any extension of the 60 day periods referred to in Section 2.4 or 3.3 of the Transfer and Servicing Agreement;

(b) Notwithstanding subsection 3.3(j) of the Transfer and Servicing Agreement, neither Transferor nor Servicer will take any action to cause any Receivable to be evidenced by, or to constitute, chattel paper, and each represents that none of the Receivables is evidenced by, or constitutes, chattel paper.

(c) Without the consent of each Class A Noteholder (which consent shall not be unreasonably withheld or delayed), Transferor shall not (i) engage in any transaction described in Section 4.2 of the Transfer and Servicing Agreement, (ii) designate additional or substitute Transferors or Credit Card Originators as permitted by Section 2.9 or 2.10 of the Transfer and Servicing Agreement, (iii) increase the percentage of Principal Receivables referred to in the proviso to clause (f) of the definition of "Eligible Account", (iv) amend any Transaction Document in a manner that adversely affects the Class A Noteholders, (v) amend the Transfer and Servicing Agreement to permit the addition of receivables arising in VISA, MasterCard or any other type of open end revolving credit card account other than those in the Identified Portfolio or (vi) amend this Indenture Supplement.

(d) The Additional Minimum Transferor Amount is hereby specified as an additional amount to be considered part of the Minimum Transferor Amount pursuant to clause (b) of the definition of Minimum Transferor Amount.

(e) The Transferor may designate additional Approved Portfolios if (a) the Rating Agency Condition is satisfied with respect to that designation and (b) the Transferor delivers to the Indenture Trustee an Opinion of Counsel that all UCC financing statements or amendments required to perfect the interest of the Trust and, if the date of determination is prior to the Certificate Trust Termination Date, the Trustee in Receivables arising in accounts included in each such Additional Portfolio have been made.

Section 9.9 No Petition. The Issuer and the Indenture Trustee, by entering into this Indenture Supplement, and each Series 2009-VFN Noteholder, by accepting a Series 2009-VFN Note, hereby covenant and agree that they will not at any time institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy proceedings under any United States Federal or state bankruptcy or similar law in connection with any obligations relating to the Series 2009-VFN Noteholders, the Indenture or this Indenture Supplement; provided, however, that nothing herein shall prohibit the Indenture Trustee from filing proofs of claim or otherwise participating in such proceedings instituted by any other person. The provisions of this Section 9.8 shall survive the termination of this Indenture Supplement.

Section 9.10 Additional Requirements for Registration of and Limitations on Transfer and Exchange of Notes.

(a) All Transfers will be subject to the transfer restrictions set forth on the Notes.

(b) No Transfer (or purported Transfer) of a Class M Note, Class B Note or Class C Note (or economic interest therein) shall be made by Comenity Bank, the Transferor or any person which is considered the same person as Comenity Bank or the Transferor for U.S. Federal income tax purposes (except to a person which is considered the same person as Comenity Bank for such purposes) and any such Transfer (or purported Transfer) of such Notes shall be void ab initio unless an Opinion of Counsel is first delivered to the Indenture Trustee to the effect that such Notes will constitute debt for U.S. federal income tax purposes.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the undersigned have caused this Indenture Supplement to be duly executed and delivered by their respective duly authorized officers on the day and year first above written.

WORLD FINANCIAL NETWORK CREDIT
CARD MASTER NOTE TRUST, as Issuer

By: U. S. Bank Trust National Association, not in
its individual capacity, but solely as Owner Trustee

By: /s/ Annette Morgan
Name: Annette Morgan
Title: Assistant Vice President

UNION BANK, N.A., as Indenture Trustee

By: /s/ Eva Aryeetey
Name: Eva Aryeetey
Title: Vice President

Acknowledged and Accepted:

WFN CREDIT COMPANY, LLC
as Transferor and as sole Class M Noteholder,
Class B Noteholder and Class C Noteholder

By: /s/ Ronald C. Reed
Name: Ronald C. Reed
Title: Vice President and Treasurer

Exhibit 12.1

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratios of earnings to fixed charges for the periods indicated. Earnings consist of income from continuing operations before provisions for income taxes plus fixed charges. Fixed charges include interest expense, amortization of debt issuance costs and the portion of rental expense we believe is representative of the interest component of rent expense.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(In thousands, except per share amounts)				
Income from continuing operations before taxes	$ 837,941	$ 793,412	$ 682,904	$ 514,095	$ 310,890
Plus					
Fixed charges	294,818	335,645	318,148	320,978	338,609
Total	$ 1,132,759	$ 1,129,057	$ 1,001,052	$ 835,073	$ 649,499
Earnings to fixed charges ratio	3.8	3.4	3.2	2.6	1.9
Fixed charges:					
Interest expense, including the amortization of debt issuance costs	$ 265,452	$ 309,574	$ 295,175	$ 300,816	$ 320,469
Estimate of interest component of rent expense[1]	29,366	26,071	22,973	20,162	18,140
Total fixed charges	$ 294,818	$ 335,645	$ 318,148	$ 320,978	$ 338,609

(1) Estimated at 1/3 of total rent expense

Exhibit 21

Subsidiaries of
Alliance Data Systems Corporation
A Delaware Corporation
(as of December 31, 2014)

Subsidiary	Jurisdiction of Organization	Other Business Names
Abacus Direct Europe BV	Netherlands	None
Acorn Direct Marketing Limited	Ireland	None
ADI, LLC	Delaware	None
ADS Alliance Data Systems, Inc.	Delaware	None
ADS Apollo Holdings B.V.	Netherlands	None
ADS Foreign Holdings, Inc.	Delaware	None
ADS Reinsurance Ltd.	Bermuda	None
ADS Sky Oak LLC	Delaware	None
Alliance Data FHC, Inc.	Delaware	Epsilon International
Alliance Data Foreign Holdings, Inc.	Delaware	None
Alliance Data Lux Financing S.ar.l.	Luxembourg	None
Alliance Data Lux Holdings S.ar.l.	Luxembourg	None
Alliance Data Pte. Ltd.	Singapore	None
Aspen Marketing Services, LLC	Delaware	None
Bach Acquisitions Corp	Delaware	None
BeFree Germany GmbH	Germany	None
BeFree International, Inc.	Delaware	None
BeFree France SAS	France	None
BeFree UK, Ltd	England	None
Brand Loyalty Americas BV*	Netherlands	None
Brand Loyalty Asia BV*	Netherlands	None
Brand Loyalty Australia Pty. Ltd.*	Australia	None
Brand Loyalty Brasil Marketing de Promocoes LTDA*	Brazil	None
Brand Loyalty BV*	Netherlands	Brand Loyalty Brand Loyalty Ventures Brand Loyalty Benelux Brand Loyalty Spain Brand Loyalty Hungary Brand Loyalty Austria Brand Loyalty Poland Brand Loyalty Turkey
Brand Loyalty Canada Corp.*	Nova Scotia, Canada	BrandLoyalty
Brand Loyalty Canada Holding B.V.*	Netherlands	None
Brand Loyalty Europe BV*	Netherlands	None
Brand Loyalty France Sarl*	France	None
Brand Loyalty Germany GmbH*	Germany	None
Brand Loyalty Group B.V.*	Netherlands	None
Brand Loyalty Holding BV*	Netherlands	None
Brand Loyalty International BV*	Netherlands	None
Brand Loyalty Italia S.p.A*	Italy	None
Brand Loyalty Japan KK*	Japan	None
Brand Loyalty Korea Co. Ltd.*	South Korea	None
Brand Loyalty Limited (HK)*	Hong Kong	None
Brand Loyalty OOO*	Russia	None
Brand Loyalty Russia BV*	Netherlands	None
Brand Loyalty Sourcing Asia Ltd*	Hong Kong	None

Subsidiary	Jurisdiction of Organization	Other Business Names
Brand Loyalty Sourcing BV*	Netherlands	Brand Loyalty Sourcing
Brand Loyalty Special Promotions BV*	Netherlands	None
Brand Loyalty Switzerland GmbH*	Switzerland	None
Brand Loyalty Trading (Shanghai) Co., Ltd*	China	None
Brand Loyalty UK Ltd*	England	None
Brand Loyalty USA Holding BV*	Netherlands	None
Brand Loyalty USA Inc.*	Delaware	None
Brand Loyalty Worldwide GmbH*	Switzerland	None
Catapult Integrated Services, LLC	Delaware	Catapult Marketing
CJ Sweden Affiliate AB	Sweden	None
ClickGreener Inc.	Ontario, Canada	None
Comenity LLC	Delaware	None
Comenity Bank	Delaware	None
Comenity Capital Bank	Utah	None
Comenity Operating Co., LLC	Delaware	None
Comenity Servicing LLC	Texas	None
Commission Junction Holding BV	Netherlands	None
Commission Junction France SARL	France	None
Commission Junction Shanghai Advertising Co, Ltd (WFOE)	China	None
Commission Junction, Inc.	Delaware	None
Conversant Asia Pacific Limited	Hong Kong	None
Conversant Deutschland GmbH	Germany	None
Conversant ESPANA, S.L.U.	Spain	None
Conversant Europe Limited	England	None
Conversant International Limited	Ireland	None
Conversant LLC	Delaware	None
Conversant Media Systems, Inc.	Delaware	None
Conversant Media, Inc.	Canada	None
Conversant SARL	France	None
Conversant South Africa (Pty) Ltd.	South Africa	None
Coupons, LLC	Delaware	GetMembers Advecor
D. L. Ryan Companies, LLC	Delaware	Nsight Connect
DNCE LLC	Delaware	None
Dotomi, Ltd	Israel	None
Eindia, LLC	Delaware	None
Epsilon Communication Solutions, S.L.	Spain	None
Epsilon Data Management, LLC	Delaware	None
Epsilon Email Marketing India Private Limited	India	None
Epsilon Interactive CA, ULC	Nova Scotia, Canada	Abacus Canada Aspen of West Chicago Marketing Services Aspen Marketing Services
Epsilon International, LLC	Delaware	None
Epsilon International Consulting Services Private Limited	India	None
Epsilon International UK Ltd.	England	None
Epsilon Software Technology Consulting (Shanghai) Co., Ltd.	Shanghai, People's Republic of China	None
Hyper Marketing Inc. International Holdings Limited	Ireland	None
IceMobile Agency BV*	Netherlands	None
ICOM Ltd.	Ontario, Canada	None
iCom Information & Communications, Inc.	Delaware	None
ICOM Information & Communications L.P.	Ontario, Canada	Shopper's Voice
IM Digital Group BV*	Netherlands	None
Interact Connect LLC	Delaware	None

Subsidiary	Jurisdiction of Organization	Other Business Names
LoyaltyOne, Co.	Nova Scotia, Canada	AIR MILES airmilesshops.ca AIR MILES Corporate Incentives AIR MILES For Business AIR MILES Incentives AIR MILES My Planet AIR MILES Reward Program Alliance Data Direct Antidote Colloquy Loyalty And Marketing Services LoyaltyOne LoyaltyOne Canada Loyalty Services My Planet Squareknot
LoyaltyOne B.V.	Netherlands	None
LoyaltyOne Participacoes Ltda	Brazil	None
LoyaltyOne Rewards Private Limited	India	None
LoyaltyOne Travel Services Co.	Nova Scotia, Canada	AIR MILES Travel Services
LoyaltyOne US, Inc.	Delaware	Colloquy LoyaltyOne Consulting Precima
Mediaplex Deutschland GmbH	Germany	None
Mediaplex Shanghai Advertising Co. Ltd.	China	None
Mediaplex Systems, Inc.	Kentucky	None
Muse Agency BV*	Netherlands	None
Rhombus Investments L.P.	Bermuda	None
Ryan Partnership, LLC	Delaware	None
Shopping net, Ltd.	England	None
SolutionSet, LLC	California	None
Tri Vida Corporation	California	None
Triangle Investments L.P.	Bermuda	None
ValueClick Brasil Ltda	Brazil	None
WFC Card Services L.P.	Ontario, Canada	None
WFC Card Services Holdings Inc.	Ontario, Canada	None
WFN Credit Company, LLC	Delaware	None
World Financial Capital Credit Company, LLC	Delaware	None
Z Media, Inc.	Delaware	None

* 60% owned

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-167525, 333-125770, 333-106246, 333-68134 and 333-65556 on Form S-8 of our reports dated February 27, 2015, relating to the consolidated financial statements and financial statement schedule of Alliance Data Systems Corporation and subsidiaries and the effectiveness of Alliance Data Systems Corporation and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Alliance Data Systems Corporation for the year ended December 31, 2014.

/s/ Deloitte & Touche LLP

Dallas, Texas
February 27, 2015

Exhibit 31.1

CERTIFICATION OF THE
CHIEF EXECUTIVE OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

I, Edward J. Heffernan, certify that:

1. I have reviewed this annual report on Form 10-K of Alliance Data Systems Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/S/ EDWARD J. HEFFERNAN
Edward J. Heffernan
Chief Executive Officer

Date: February 27, 2015

Exhibit 31.2

CERTIFICATION OF THE
CHIEF FINANCIAL OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

I, Charles L. Horn, certify that:

1. I have reviewed this annual report on Form 10-K of Alliance Data Systems Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/S/ CHARLES L. HORN
Charles L. Horn
Chief Financial Officer

Date: February 27, 2015

Exhibit 32.1

CERTIFICATION OF
CHIEF EXECUTIVE OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the annual report on Form 10-K for the year ended December 31, 2014 (the "Form 10-K") of Alliance Data Systems Corporation (the "Registrant").

I, Edward J. Heffernan, certify that to the best of my knowledge:

(i) the Form 10-K fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/S/ EDWARD J. HEFFERNAN
Edward J. Heffernan
Chief Executive Officer

Date: February 27, 2015

Subscribed and sworn to before me
this 27th day of February, 2015.

/S/ JANE BAEDKE
Name: Jane Baedke
Title: Notary Public

My commission expires:
October 23, 2016

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF
CHIEF FINANCIAL OFFICER
OF
ALLIANCE DATA SYSTEMS CORPORATION

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and accompanies the annual report on Form 10-K for the year ended December 31, 2014 (the "Form 10-K") of Alliance Data Systems Corporation (the "Registrant").

I, Charles L. Horn, certify that to the best of my knowledge:

(i) the Form 10-K fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

(ii) the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/S/ CHARLES L. HORN
Charles L. Horn
Chief Financial Officer

Date: February 27, 2015

Subscribed and sworn to before me
this 27th day of February, 2015.

/S/ JANE BAEDKE
Name: Jane Baedke
Title: Notary Public

My commission expires:
October 23, 2016

A signed original of this written statement required by Section 906 has been provided to the Registrant and will be retained by the Registrant and furnished to the Securities and Exchange Commission or its staff upon request.